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**EMOTIONAL AND DEVELOPMENTAL INFLUENCES ON THE
MANAGEMENT OF GENERATIONAL TRANSITIONS BY
BUSINESS-OWNING FAMILIES**

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ABSTRACT

In recent years, succession has become a major theme in family business research. Much of the research effort has concentrated on the managerial dimension of succession, often subordinating the importance of other major variables such as family relationship dynamics and the form of business ownership on the succession outcome. Family enterprises are generally conceptualised as a dynamic, evolving systems in which the actions and interactions taking place amongst constituent groups determine the system's outputs. This study aimed to overcome the limitations of examining only one dimension of a system's activities by carrying out a longitudinal holistic analysis of the evolution of the family enterprise system as it went through the process of generational transition.

The research for this thesis employed the multiple case study method to investigate the influence of emotional and developmental factors on the ability of business-owning families to make progress with the tasks required to complete a generational transition. Three specific issues were examined: the nature of the task environment facing the family enterprise system over the duration of the transition period; the approaches used by families to address the tasks required for them to move through the stages making up the transition process; and the extent to which emotional and developmental factors prevented or promoted progress being made with the generational transition.

The results reveal that families face the same sequence of stages in the generational transition process. However, they differ in their ability to move through these stages, towards closure of the transition period and the achievement of a succession outcome. Importantly, the degree to which individuals and families are able to make progress is related to their ability to manage the anxiety generated during the transition process. Anxiety is created when the structures or network of interrelationships that hold their family enterprise system intact are evaluated and may be dismantled and reconstructed differently for the next stage in the system's development. The study supports the view that anxiety is generated during transition times when developmental pressures for change build up from changes taking place in the life-cycles

underway within the family enterprise system. It also supports the view that developmental pressure (such as a crisis) from the business subsystem alone does not lead to transition task activity and progress. Progress in response to business sub-system pressure comes about when the opportunity exists to solve an ongoing adult development problem by implementing a solution to a transition task problem.

The ability to manage anxiety was found to be related to both the quality of emotional functioning in the family and the extent to which the adult development agendas of both generations are in alignment. Favourable alignment brought a developmental opportunity for the individuals concerned. It allowed them to do the exploratory work required in order to assess the extent to which the family business could provide part of their life structure for the next phase of their development. However, in addition to adult development generational alignment, the study confirmed that the quality of emotional functioning in the family (their ability to overcome multigenerational patterns of functioning and behaviour) influenced the family's ability to make progress with ownership transfer and other tasks.

The study concludes that emotional and developmental influences are mediating factors between the forces for change originating in the family enterprise system and its environment and the ability of those in the system to respond to the need for change and manage the transition process. It also found that families significantly underestimate the nature and complexity of the work involved in the transition process, as well as the timescale and emotional commitment required to complete the transition.

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CONTENTS

Abstract		iii
Acknowledgements		v
Chapter 1	Introduction: Emotional and developmental influences on the management of generational transitions by business-owning families.	1
1.1	Introduction	1
1.2	The management of generational transitions by business-owning families	2
1.3	Setting the context for generational transitions: creating the conditions for change and for progress with the required tasks.	4
1.4	The research project	4
1.5	Structure of the thesis	5
Chapter 2	The context for generational transitions in family-owned enterprises: the emotional dimension and the structural dimension.	8
2.1	Introduction	8
2.2	A framework for the research project	10
2.3	The emotional context: family systems theory	14
2.4	The structural context	27
2.4.1	The theory of functioning in systems	28
2.4.2	The structure of the family enterprise as a system	30
2.4.3	Structure within family enterprise subsystems	33
2.4.3.1	Structure in the family subsystem	33
2.4.3.2	Structure in the business subsystem	41
2.4.3.3	Structure in the business family	44
2.4.3.4	Structure in the ownership subsystem	45
2.5	Ownership structures as governance archetypes of family enterprise systems	47
2.6	Conclusion	56
Chapter 3	The context for generational transitions in family-owned enterprises: the situational dimension.	57
3.1	Introduction	57
3.2	The situational context for generational transitions	
3.2.1	The general process of transition between developmental stages in systems	57
3.3	The transition process in family enterprise systems	62
3.4	Life cycle transitions for individuals in business families	64
3.5	The intersection of individual, generational and family life-cycles.	75
3.6	Life cycles in organisations	78
3.7	The tasks associated with changing governance archetypes during transitions in the life cycle of the family enterprise system.	81
3.7.1	Tasks for the entrepreneur	82
3.7.2	Tasks & issues for restructuring the governance system archetypes.	84
3.8	Conclusion	90
Chapter 4	Research Methods	93
4.1	Introduction	93
4.2	Theoretical underpinnings for multiple case studies	93

4.2.1	Design tests for multiple case studies: validity, reliability and generalisability	97
4.2.2	The grounded theory approach	99
4.3	The research process	101
4.4	Research sample: criteria for selecting firms for multiple case studies	104
4.5	The research objectives	112
4.6	Data collection	117
4.7	Integrating the data collected for case study analysis	137
4.8	Conclusion	138
Chapter 5	Case Studies: Controlling Ownership Recycle Firms Cases A1, A2 and A3	139
5.1	Introduction	139
5.2	Case A1: Controlling Ownership Recycle <i>The power of the past: its influence on the present and the future</i>	140
5.2.1	General description	141
5.2.2	The first transition: controlling owner recycle (CO-CO)	143
5.2.2.1	1945- 1971: The early years as Start-Up \ Young Business Family \ G1 Controlling Owner	143
5.2.2.2	1960: G2 Entering the Business	143
5.2.2.3	1971 - 1981 G1 & G2 Working Together	144
5.2.2.4	1981 - 1984 G1 – G2 Passing The Baton	145
5.2.3	The second transition: controlling owner recycle (CO-CO)	148
5.2.3.1	1984: G3 Entering The Business / Expansion / G2 Controlling Owner	148
5.2.3.2	1984-1994 G2 & G3 Working Together	152
5.2.4	1994-1998 Succession tasks: G2 – G3 Passing the Baton	156
5.2.4.1	Management & leadership development for the successor	158
5.2.4.2	G3 successor attempts to become his own man	159
5.2.4.3	G2 successee attempts to build a life structure for late adulthood	162
5.2.4.4	Progress and lack of progress on the transfer of ownership	165
5.2.4.5	Establishing roles and boundaries in ownership, leadership, family and advisory roles.	168
5.2.5	Conclusion: notable features of the case study	170
5.3	Case A2: Controlling Ownership Recycle <i>When Dreams Compete: A failed succession</i>	171
5.3.1	General description	172
5.3.2	1970-88 Leadership under G2	174
5.3.2.1	1990 G3 Entering The Business	177
5.3.3	Succession tasks	180
5.3.3.1	1990 - 1995 G2 & G3 Working Together	180
5.3.3.1.1	Successor development	181
5.3.3.2	1995 - 1997 Passing The Baton	184
5.3.3.2.1	Ambiguity about strategic direction of the business	191
5.3.3.2.2	The successor's dilemma: dealing with guilt and loyalty	193
5.3.3.3	1997 - 1998 Dropping The Baton	195
5.3.4	Conclusion	200
5.3.4.1	Notable features of the case study	204
5.4	Case A3: Controlling Ownership Recycle <i>Putting off the succession: an accident diverts attention from the founder's fear of retirement</i>	209
5.4.1	General Description	210
5.4.2	1977-89: Leadership Under G1F	212
5.4.2.1	1990: G2 Entering The Business	212
5.4.2.2	1991 – 1995: G1 & G2 Working Together	216

5.4.2.3	1996 – 1998: Succession Tasks	222
5.4.2.3.1	Passing the Baton?	222
5.4.2.3.2	Successor development	222
	Re-creating a business marriage	224
5.4.2.3.3	Evidence of entrepreneurial zeal?	227
5.4.2.3.4	Recycling controlling ownership?	230
5.4.2.3.5	Successor's struggle to attain credibility	231
5.4.2.3.6	Gaining comfort with outside advisers	232
5.4.2.3.7	Retirement and letting go	236
5.4.3	Conclusion	238
5.4.3.1	Notable features of the study	241
Chapter 6	Case Studies: Controlling Ownership to Sibling Partnership Firms: Cases B1 and B2	243
6.1	Introduction	243
6.2	Case B1: Controlling Ownership to Sibling Partnership <i>The false promise of succession: when personal readiness for retirement is out of synch with the plan.</i>	244
6.2.1	General Description	245
6.2.2	1981-1993: G3 Entering the Business	248
6.2.3	1983-1996: G2 & G3 Working Together	250
6.2.3.1	Business development	254
6.2.3.2	Succession management programme	255
6.2.3.3	Planning the transfer of title and power	257
6.2.4	1995-98: Succession tasks	259
6.2.4.1	To Pass or Not To Pass The Baton?	259
6.2.4.1.1	Procrastination before the acquisition (1995-6)	259
6.2.4.1.2	Personal identification with the business	260
6.2.4.1.3	The marital relationship	261
6.2.4.1.4	Letting Go	262
6.2.4.1.5	Procrastination after the acquisition (1996-8)	266
6.2.5	Conclusion. Notable features of the case.	271
6.3	Case B2: Controlling Ownership to Sibling Partnership <i>The entrepreneur's Dream: its tyranny over a family in business</i>	275
6.3.1	General description	276
6.3.2	1930- 65: The Founders	278
6.3.3	1965- 79: A Young Business Family	283
6.3.4	1979- 88: The New Venture: Entering the Business.	285
6.3.4.1	Growth Through Creativity	285
6.3.4.2	Diversification #1	289
6.3.5	1989- 93: Working Together:	293
6.3.5.1	Crisis of Leadership & growth through direction	293
6.3.5.2	Diversification #2	295
6.3.5.3	The Sales Crisis	296
6.3.5.4	Crisis as a trigger for initial thoughts about a family successor	298
6.3.6	1993 – 98: Succession Tasks: Working Together or Passing the Baton?	307
6.3.6.1	Crisis of autonomy & growth through delegation	307
6.3.6.2	Politicising Sibling Relationships Diversification #3	308
6.3.6.3	What business are we really in?	311
6.3.6.4	Diversification #4 and	
6.3.6.5	Transferring ownership and coming to terms with mortality	316
6.3.6.6	The politics of organisational structure	323
6.3.6.7	The non-executive director decision	328
6.3.6.8	Non-family directors' interface with the family system	332
6.3.6.9	The influence of values and principles on ownership and leadership transition activities	335
6.3.6.10	Testing the future ownership and leadership structures	342
6.3.7	Conclusion: notable features of the case	347

Chapter 7	The Journey through the generational transition: Developmental Influences on Transition Task Activity	348
7.1	Introduction	348
7.2	Sub-Objective 2.1: To examine the chosen critical path taken by family-business systems through the succession journey and to identify the succession outcomes achieved.	351
7.3	Sub-Objective 2.2: To investigate the processes used by key individuals and by families to manage the structural change required throughout their systems during ownership and leadership transition.	362
7.3.1	The transition cycle: process analysis at the family enterprise system level	364
7.3.1.1	Stability	364
7.3.1.2	Triggers initiating breakdown of the structure	366
7.3.1.3	Evolutionary and revolutionary development activity types in family enterprise systems	367
7.3.1.3.1	Evolutionary developmental activity and the resting period	367
7.3.1.3.2	Revolutionary developmental activity	367
7.3.1.4	Choice, commitment and closure	369
7.3.2	Deviations from the best practice succession journey	370
7.4	Sub-Objective 2.3: The influence of specific life cycle developmental pressures within family-business systems on decision making and on task activity during transition periods: Case study illustrations	371
7.4.1	Case A1: Dealing with 2 qualitatively different succession transitions	371
7.4.1.1	First CO-CO Transition	375
7.4.1.2	Case A1: Second CO-CO transition	377
7.4.2	Case A2: A CO-CO transition never recovers from a false start	383
7.4.2.1	Levels of developmental pressure: individual and family pressures taking priority over business pressures	392
7.4.3	Case B2: Case B2: CO-SP Transition	393
7.5	The transition cycle: consistent pattern of stability and activity	407
7.5.1	Linking adult development task activity to business development and succession task activity	409
7.5.2	Evolutionary and revolutionary development activity in the transition cycle	410
7.6	Conclusion	415
Chapter 8	Emotional Functioning and Transition Tasks	417
8.1	Introduction	417
8.2	Cultural Differences Observed in the Case Study Families	418
8.3	Sub-Objective 3.1: Identifying Patterns of Emotional Functioning in Response to Stressors or Pressure for Change	419
8.3.1	Assessing the Emotional Health of the Families in the Study	419
8.3.2	Emotional Functioning Patterns	433
8.3.2.1	Emotional Responses to Family Sub-System Tasks	433
8.3.2.2	Emotional Responses to Business Sub-System Tasks	438
8.3.2.3	Emotional Responses to Ownership System Tasks	445
8.3.3	Repeated Multigenerational Relationship Patterns	450
8.4	Sub-Objective 3.2: Investigation of the way in which common emotional responses led to different degrees of progress and different succession task outcomes	457

8.4.1	Emergency responses to alleviate acute anxiety	457
8.4.2	Planned responses to alleviate chronic anxiety	458
8.4.3	“Fight” and “Flight” Responses	459
8.4.4	Linking emotional and developmental anxiety	460
8.5	Conclusion	462
Chapter 9	Conclusions	474
9.1	Introduction	474
9.2	Emotional and developmental influences on task activity during generational transitions: summary of the findings	474
9.2.1	Conceptual approach of the study	474
9.2.2	The main findings	475
9.3	Developmental “readiness” as a mediating factor for succession task activity	478
9.4	Emotional influences on transition task activity	479
9.5	Implications of findings for family business theory	485
9.5.1	The succession timescale	485
9.5.2	The timing of generational transitions and adult development in the controlling family	485
9.5.3.	The functional effect of family “outsiders” in family functioning: preserving the equilibrium	486
9.5.4	Generational transitions and leadership in the family business	487
9.6	Implications for family business methodology	489
9.6.1	The importance of the neglected ownership variable	489
9.6.2	Superficial use of the concept of transition	490
9.7	Future directions for family business research	492
9.7.1	Qualitative and quantitative studies	492
9.8	Limitations of the study	493
9.8.1	Refining the research sample.	493
9.8.1.1	Refining the life-stage intersect between the generations	493
9.8.1.2	Refining variables in the business subsystem and the ownership subsystem	494
References		496
Appendices		
Appendix 1	Commentary written by managing director of Case A2 prior to introductory research meeting	1
Appendix 2	Case A2: Summary of consultant's report, February 1994	4
Appendix 3	Case A3: Consultant's report, January 1997	6
Appendix 4	Case B1: Summary of succession management report submitted by consultants in 1993	7
Appendix 5a	B2: Excerpts from Minutes of Strategy Review Meeting, 8-11 July 1997	9
Appendix 5b	Excerpts of Founder's Comments at Strategy Review Meeting, 8 th July 1997	10
Appendix 5c:	B2 Visit Record: Summary of Ongoing Issues and Tone of Meetings	11
Appendix 5d:	Production & Operations Management: Summary of Student's Report	14
List of Tables		xi
List of Figures		xiv
Glossary of Terms		xi

LIST OF TABLES

Table 2.1	The impact of anxiety on triangles (Kerr and Bowen, 1988)	22
Table 3.1	Punctuated equilibrium theory of transition and revolutionary change in living systems (adapted from Gersick, 1991).	60
Table 3.2a	Junior generation male adult development tasks (based on Davis, 1982 and Levinson, 1978)	70
Table 3.2b	Senior generation male adult development tasks (based on Davis 1982 and Levinson, 1978)	71
Table 3.3	Fathers' and sons' quality of work relationship by age (Davis 1982)	76
Table 3.4a	Tasks and issues associated with changing governance archetypes: Controlling owner recycle transition	85
Table 3.4b	Tasks and issues associated with changing governance archetypes: Controlling owner to sibling partnership transition	86
Table 3.4c	Tasks and issues associated with changing governance archetypes: Sibling partnership to cousin consortium transition	88
Table 4.1	Ownership and leadership configurations in CO-CO and CO-SP transitions: variation in case study sample.	112
Table 4.2	Summary of research sample	113
Table 4.3	Data collection: summary of interviews and visits to case study firms	119
Table 4.4	Postulates for relationship changes in business-owning families	135
Table 6.2.1	Forces for and against change in the system in 1997	265
Table 6.3.1	Table 6.3.1 Four siblings entering the new venture: 1979-1983	287
Table 6.3.2	Summary of consultants report for sales and marketing strategy	297
Table 6.3.2	Internal critique of successor candidates	301
Table 6.3.3	B2: industry and competitor analysis	313
Table 7.1	Temporal and environmental triggers	360
Table 7.2	Coincidental individual, family and business transitions	398
Table 7.3	The transition cycle: overview of the generational transition process and task activity in case study firms	408
Table 8.1	Bowenian family evaluation: CO-CO Case A1	421
Table 8.2	Bowenian family evaluation: CO-CO Case A2	423

Table 8.3	Bowenian family evaluation: CO-CO Case A3	425
Table 8.4	Bowenian family evaluation: CO-CO Case B1	427
Table 8.5	Bowenian family evaluation: CO-CO Case B2	429
Table 8.6.1	Family sub-system: ageing / death / illness Family functioning: emotional responses to events & triggers and progress achieved with tasks in case study firms	434
Table 8.6.2	Family sub-system: retirement Family functioning: emotional responses to events & triggers and progress achieved with tasks in case study firms	435
Table 8.7	Business sub-system: strategic planning and succession Family functioning: emotional responses to events & triggers and progress achieved with tasks in case study firms	439
Table 8.8	Ownership system: estate planning and ownership transfer Family functioning: emotional responses to events & triggers and progress achieved with tasks in case study firms	445
Table 8.9.1	Case A1: Family relationship themes in father-son transitions	452
Table 8.9.2	Case A2: Family relationship themes in father-son transitions	453
Table 8.9.3	Case A3: Family relationship themes in father-son transitions	454
Table 8.9.4	Case B1: Family relationship themes in father-son transitions	455
Table 8.9.1	Case B2: Family relationship themes in father-son transitions	452
Table 8.10.1	Case A1/1: First CO-CO. Anxiety patterns: chronology of adult development work and succession task activity	462
Table 8.10.2	Case A1/2: Second CO-CO. Anxiety patterns: chronology of adult development work and succession task activity	463
Table 8.10.3	Case A2 (G2-G3 CO-CO Transition) Anxiety patterns: chronology of adult development work and succession task activity	464
Table 8.10.4	Case A3: First CO-CO. Anxiety patterns: chronology of adult development work and succession task activity	465
Table 8.10.5	Case B1/1: First CO-CO. Anxiety patterns: chronology of adult development work and succession task activity	466
Table 8.10.6.1	Case B2: First CO-CO. Anxiety patterns: chronology of adult development work and succession task activity	467
Table 8.10.6.1	Case B2/1 1968 G1F undertaking major changes to life structure at mid life Anxiety patterns: chronology of adult development work and succession task activity	468
Table 8.10.6.2	Case B2/2 1978 G1F creates new venture to alleviate marital tension / rekindle dream Anxiety patterns: chronology of adult development work and succession task activity	468

Table 8.10.6.3	Case B2/3 1988 G1F Faced With Ageing and a Business Crisis	469
	Anxiety patterns: chronology of adult development work and succession task activity	
Table 8.10.6.4	Case B2/4 1993 First CO-SP Transition	470
	G1F Facing up to Mortality and Engineering Continuity	
	Anxiety patterns: chronology of adult development work and succession task activity	

LIST OF FIGURES

Figure 2.1	The interrelation of succession tasks	
Figure 2.2	Framework for the context of generational transition in family enterprises	
Figure 2.3	Typical emotional triangles: adapted from Brown (1997)	21
Figure 2.4	Self-Interests of constituents in the family enterprise system (adapted from Davis and Tagiuri, 1982; Ward, 1987, and Gersick et al, 1996).	32
Figure 2.5	The Circumplex Model: couple and family map (Olsen, 1993)	35
Figure 2.6	Family business over a single generation life-cycle (adapted from Ward, 1987, p20)	43
Figure 2.7	Dimensions of family business governance (based on Aronoff and Ward, 1996, p5).	48
Figure 2.8	Structures and plans in the three-circle model for family business governance (based on Gersick et.al., 1997, p226).	49
Figure 2.9	Governance structures and processes in the de Gaspe Beaubien family enterprise	51
Figure 2.10	The succession options: recycles, evolutionary and devolutionary transitions (based on Gersick et.al., 1997, p226).	53
Figure 3.1	The transition process during developmental changes in ownership (based on Desjardins et.al., 1998).	63
Figure 3.2	Developmental periods in the adult life-cycle (Levinson, 1996, p.18)	64
Figure 3.3	'Sequence of generations' theories	66
Figure 3.4	The stages of the family life-cycle (Carter and McGoldrick, 1989)	74
Figure 3.5	Greiner's theory of evolutionary and revolutionary growth	80
Figure 3.6	Loci of developmental transitions in family, business and ownership subsystems (adapted from Gersick et.al., 1997, p.17).	82
Figure 4.1	The research process	102
Figure 4.2	The research goal	104
Figure 4.3	Framework for the context of generational transitions in family enterprises	115
Figure 4.4	Bowenian family functioning profile (based on Kerr and Bowen, 1988, Chapter 10)	131
Figure 5.2.1a	Case A1: family genogram @ 1995	142
Figure 5.2.1b	Case A1: organisation chart @ 1995	142

Figure 5.2.2	Triangling patterns in Case A1	169
Figure 5.3.1a	Case A2: family genogram @ 1995	174
Figure 5.3.1b	Case A2: organisation chart @ 1995	174
Figure 5.3.2	Case A2: communications strategy for SBA1: promotion action plan	187
Figure 5.3.3	Triangling patterns in Case A2	202
Figure 5.4.1a	Case A3: family genogram @ 1995	208
Figure 5.4.1b	Case A3: organisation chart @ 1995	208
Figure 5.4.2	Triangling patterns in Case A3	236
Figure 6.2.1a	Case A3: family genogram @ 1995	246
Figure 6.2.1b	Case A3: organisation chart @ 1995	246
Figure 6.2.2	Triangling patterns in Case B1	273
Figure 6.2.3	Evolution and revolution in the life-cycle of B2.	294
Figure 6.2.4	Company performance up to 1992	293
Figure 6.2.5	Triangling patterns in Case B2	349
Figure 7.1.1	Critical path model for the transition journey	352
Figure 7.1.2	Critical path model when resistance overwhelms the pressure for change	353
Figure 7.1.3	Critical path model with no commitment or closure in the transition	354
Figure 7.1.4	Case A1: critical path of succession journey: no commitment yet to a new structure	355
Figure 7.1.5	Case A2: critical path of succession journey of failed succession	356
Figure 7.1.6	Case A3: Critical path of succession journey with ongoing lack of commitment to new structure	357
Figure 7.1.7	Case B1: Critical path of succession journey with premature commitment to new structure.	358
Figure 7.1.8	Case B2: Critical path of succession journey with premature commitment to new structure.	359
Figure 7.2	The transition cycle	371
Figure 7.3	Case A1: Events & life cycle stages in the family business system & subsystems leading to the first CO-CO transition	372
Figure 7.4	Case A1: Events & life cycle stages in the family-business system & subsystems leading to the second CO-CO transition	372
Figure 7.5	Case A1: Transition cycles	374

Figure 7.6	Case A1: Life-stage intersect of father and son in first and second CO-CO transitions	375
Figure 7.7	Case A2: Events & life cycle stages in the family-business system subsystems leading to the CO-CO transition	384
Figure 7.8	Case A2: The transition cycle.	386
Figure 7.9	Case A2: Life stage intersect of father and son in CO-CO transition	390
Figure 7.10	Case B2: Events & life-cycle stages in the family-business system subsystems leading to the CO-CO transition	394
Figure 7.11	Case B2: The transition cycle.	395
Figure 7.12	Case B2: Life stage intersect of father and son in CO-SP transition	405
Figure 8. 1	Emotional functioning in Case A1 family genogram	420
Figure 8. 2	Emotional functioning in Case A2 family genogram	422
Figure 8. 3	Emotional functioning in Case A3 family genogram	424
Figure 8. 4	Emotional functioning in Case B1 family genogram	426
Figure 8. 5	Emotional functioning in Case B2 family genogram	428
Figure 8.6.1	FACES II assessments	432
Figure 9.1	Emotional and Development Influences on Generational Transition Task Activity	480

GLOSSARY OF TERMS

Anxiety	The response of an organism to a real or imagined threat.
Business Sub-system	The structure containing the business entity.
Corporate Governance	The structure to organise, control and direct the business sub-system.
Deep Structure	The network of interrelations amongst individuals and organising structures that keeps a system intact and in equilibrium.
Evolutionary change	See First Order Change.
Emotional Equilibrium	The homeostatic balance of forces influencing a system to change, modify itself or to stay the same.
Emotional Functioning	The patterns of behaviour used by systems throughout nature (individuals, families, organisations) to manage anxiety.
Emotional System	A structure whose functioning is kept in balance by the management and control of anxiety
Family	An emotional system containing members from at least two generations.
Family Enterprise	A business in which the ownership and direction of the business is controlled by members of one or more families.
Family Enterprise System	The family enterprise conceptualised as a dynamic entity made up of family, business and ownership sub-systems.
Family Enterprise System Governance Archetype	The organising structure that directs and controls the family enterprise system and its constituents (Controlling Owner, Sibling Partnership and Cousin's Consortium).
Family Sub-system	The structure containing members of the family who control the business.
First Order Change	A homeostatic adjustment made within the deep structure of a system to maintain its current equilibrium and current level of functioning.
Generational Transition	The period in the life-cycle of a family enterprise when the governance archetype of the system is evaluated and either modified or changed by means of the transfer of ownership and leadership of the family enterprise.
Ownership Sub-System	The structure containing people who participate in ownership of the business.
Revolutionary change	See Second Order Change.
Second Order Change	Transformation of the deep structure of a system changing the level and pattern of functioning in a system and creating a different form of equilibrium.

System	An entity which exchanges resources with the environment by receiving inputs from the environment, processing these inputs according to its level of functioning and creating outputs given out to the environment.
Transition	A period of time in which a system has the opportunity to evaluate the suitability of its deep structure to exchange resources with the environment.
Transition Cycle	The distinct steps in the transition process (trigger, resting phase, exploration / disengagement, commitment and closure) in which the deep structure of a system is evaluated and either modified or changed.
Transition Map	A broad overview of the stages in the transition process.
Transition Process	The phases through which a system passes when it evaluates its deep structure and moves to its next stage of development.

CHAPTER ONE

INTRODUCTION

EMOTIONAL AND DEVELOPMENTAL INFLUENCES ON THE MANAGEMENT OF GENERATIONAL TRANSITIONS BY BUSINESS-OWNING FAMILIES.

1.1 Introduction

This thesis is concerned with business-owning families which are engaged with the process of generational transition. Transitions of this type involve major, often unprecedented and significant change in the form of the transfer of ownership and leadership of the business. The research project is concerned with the relationship between natural emotional / adult psychosocial development factors that individuals and families face throughout their life-cycle, and the business-owning family's ability to make progress with and to complete the transition process.

Emotional and adult psychosocial development factors have each been identified from a number of independent studies as important components in the process and outcome of generational transitions (Davis, 1982; Hollander, 1983; Stempler, 1988; Handler, 1989; Seymour, 1992 and Lansberg and Astrachan, 1994). However, although these components are known to affect both the course of generational transitions and the quality of the succession outcome, they have generally been studied by researchers in isolation, with the implicit linkages between the two components being inferred rather than clearly identified, defined and tested.

In addition, the route map of the generational transition process itself (the number of stages in the transition process) has been defined by researchers whose focus was on the transfer of managerial functions and roles between the generations (Longnecker and Schoen, 1978; Churchill and Hatten, 1988; and Handler, 1989). These studies omitted to take account of the structural dimension in individual, work group and organisational transitions, in which the stages of the transition process relate to the breaking up and re-construction of interdependent

networks of relationships that make up the system's "deep structure". Temporal, emotional and developmental factors are thought to contribute to triggering the breakdown of the structure in the old system and to generate the energy required to re-build the infrastructure of the entities that collectively make the family enterprise system whole again (Gersick, 1991). Conceptually, there is a gap in knowledge between the ideas relating to the structural imperative and those relating to the functional (managerial) imperative of the transition process.

The approach of this research project is exploratory. Its aim is to examine the overall context in which generational transitions take place, with specific reference to the influence of emotional and adult psychological development factors on the unfolding stages in the transition process. It aims to bridge these gaps in the family business research by examining, in five cases and throughout the transition period, the influence of both the emotional dimension and the adult psychosocial development dimension on the ability of key players to make progress with the structural and functional tasks that must be completed during the succession transition.

1.2 The management of generational transitions by business-owning families

Succession is not of itself a cause of family business failure: looked at from a higher level it is the family's inability to manage the complexity of succession tasks and processes that causes failure...Seen in a systems framework, succession is a piece of the management work which requires planning and thought. It is part of the complexity, not a prime cause for failure. (Hollander, 1983, p.198).

The quotation above is one of the main conclusions from Barbara Hollander's doctoral research. Hollander used the case study approach and systems theory framework to explore a family's ability to manage the tasks that emerged from four significant changes that had taken place in the family and business environments over a period of 32 years. Although her research was completed sixteen years ago, the conclusions are as valid as ever: in the time since this work was carried out, researchers have reached a broad agreement on the following points relating to Hollander's conclusion that succession is part of the complexity inherent in

family enterprise systems. Firstly, researchers agree that "succession" is a process and not an event, and as such it is not the cause of success or failure in a business enterprise (Hollander and Ellman, 1982; Ward, 1987; Seymour, 1992; Handler, 1994; and Gersick et.al., 1997).

Secondly, there is agreement that complexity is inherent in family enterprises and derives from the co-existence and interdependence of numerous sub-systems, each operating with different regimes in which different assumptions underpin action. The study of the family-business system as "a whole entity" therefore needs a wide lens approach to incorporate and bring into focus the factors and conditions that contribute to outcomes, rather than searching for simple cause and effect relationships (Miller and Rice, 1973; Davis and Stern, 1980; Tagiuri and Davis, 1982; Lansberg, 1983 and 1988; Whiteside and Brown, 1989; and Lansberg and Astrachan, 1994).

Finally, researchers have established more recently that the nature and scope of the management work that relates to the tasks arising when a family and their business go through the succession process must be recognised, understood and purposively managed. For this to happen, the existing organisational and governance structures (and the people within them) are required to undertake change to let go of the old whilst bringing in the new. This relies on there being effective processes in situ to drive the communication, relationship building and planning activities which are required to take place in each of the interacting sub-systems. The processes used in turn must guarantee that these activities are integrated in a synergistic way and are therefore able to move the whole entity in the direction of its vision or shared dream (Hershon, 1975; Ward, 1987; Gersick et. al., 1996; Neuberger and Lank, 1998 and Lansberg, 1999). Hollander's conclusion, supported by the widespread agreement of researchers on these components of the succession issue, is the start-point for this research into the management of generational transitions by business-owning families.

1.3 Setting the context for generational transitions: creating the conditions for change and for progress with the required tasks.

The approach of the study was two-fold: it took a wide lens view of the performance of whole-family enterprise systems when they were faced with identical tasks and challenges to do with the process of generational transition (their structural context).

It also used a narrow lens to probe in depth into the emotional and adult psychological developmental factors that were found to profoundly influence the degree and quality of progress made by the families with the tasks required to mobilise and take the systems through their transition journey (its emotional context).

The approach taken when collecting the data was to observe the functioning of whole family enterprise systems by examining the conditions that affected the ability of their constituent parts to carry out the activities and shift the system towards its vision or dream for the future (its situational context). It was evident, therefore, that what was being monitored throughout the research period was the families' ability to manage the three dimensions of their *context* for transition (emotional, structural and situational), and their ability to create conditions in these dimensions that would favour progress.

1.4 The Research Project

The aim of this research is to broaden the knowledge available on the factors affecting the ability of business-owning families to manage the tasks associated with shifting their entire system from the control of a senior generation to the control of one of more offspring in the junior generation. It uses a systems framework to take account of the complexity involved in family-business systems, and to guide in-depth research into five case studies. The firms involved were each carrying out similar types of generational transitions: three firms were recycling their leadership from one controlling owner (father) to another (son) with the intention of the son becoming the next controlling owner. The two other firms were transferring

ownership and leadership from the current controlling owner (father) to a group of siblings who would then operate as a sibling partnership.

The detailed objectives of the research are set out in Chapter Four, however their main emphasis is to identify the tasks to be addressed by individuals in family enterprise systems in order to complete the transfer of ownership and leadership in generational transitions. Having identified the common tasks faced by the five case study firms, observations and comparisons were made about different approaches that were taken by the families to carrying out these tasks and to making progress with their generational transitions. Specifically, the study was concerned with the influence of emotional and developmental factors that can lead families and the individuals within them to make progress or to prevent progress with the tasks required in these types of generational transitions.

The research took place in firms selected specifically to ensure that their family, business and ownership subsystems intersected at the same point of transition in life-cycle stages (the independent variable). The dependent variables of specific interest were the emotional and adult psychosocial development dimensions creating the conditions at this specific life-stage intersect. The data were collected over a timescale of 3 – 4 years and collected from in-depth unstructured interviews, documentary data and questionnaires. This allowed observation, over time, of the factors that were helping and the factors that were hindering the families' ability to make progress with the tasks of generational transition.

1.5 Structure of the Thesis

Following this introduction, the thesis starts by reviewing the literatures relevant to this study. This includes family business, family psychology, human relations, entrepreneurship, and organisational development and change theory. The relevant theories and ideas have been selected to reflect the holistic approach taken in the research design and data collection

process, and these have been organised to illustrate the context in which generational transitions take place, and three key dimensions making up this context (emotional, structural and situational). Chapter Two describes the emotional and structural dimensions of the transition context, while Chapter Three describes the situational context, and explores the converging views from different literatures that inform theory about life-cycles and stages in the transition process. The situational context takes into account the sequence of changes throughout the life-cycle that are thought to take place in the family, business and ownership subsystems that make up the family enterprise system. At the micro level of the family enterprise system, this involves the life-cycle changes taking place within individuals whose roles and positions in subsystems are changing (how individuals attempt to govern their lives). At the macro level, it examines the changes taking place in the governance archetype of the whole family enterprise system (how the whole system controls and directs itself).

Chapter Four sets out the epistemological foundations for the research, the objectives of the project and the design of the methods used to capture and to analyse data. The results of the study objectives are presented in Chapters Five, Six, Seven and Eight. Chapter Five contains written case studies for the three firms who were undertaking Controlling Owner re-cycle transitions. Chapter Six contains written case studies for the two firms who were undertaking Controlling Owner to Sibling Partnership transitions. The case studies have been written using the model of the life-cycle of a business-owning family presented by Gersick et.al., (1997). This identified four key stages based on individual and family life-cycle theory: the Young Business Family; offspring Entering The Business; both generations Working Together; and the final stage, Passing the Baton. Where possible, the written case studies contain the multigenerational histories of these families. By examining their stories and histories, emotional functioning patterns come alive and it is possible to track the approaches taken by each family to managing the anxiety they found when faced with the realities of major emotional, structural and situational tasks.

Chapter Seven takes a macro approach and identifies the stages in the transition journey undertaken by each family enterprise system. Chapter Eight then takes a micro approach and examines the influence of emotional and adult psychosocial development factors on the carrying out (or prevention of) of tasks by people in the system in order to get through the transition process. Chapter Nine concludes the thesis by discussing the findings and presenting recommendations for future research.

CHAPTER TWO

THE CONTEXT FOR GENERATIONAL TRANSITION IN FAMILY ENTERPRISES: THE EMOTIONAL DIMENSION AND THE STRUCTURAL DIMENSION

2.1 Introduction

Thinking about succession and transitions in terms of the *context* in which these processes take place is a different approach and an alternative perspective when compared to those used by the majority of researchers to explain the phenomenon of the family firm undertaking generational transition. Lansberg (1992) pointed out the importance of the contextual perspective:

Understanding the conditions which facilitate and / or hinder the ability of families to co-operate in the service of carrying out an important piece of work, such as managing a business, can surely be furthered through the study of family business. I can think of no better natural laboratory than family businesses to examine the complex and transcendental issues (*ibid.*, p.10).

Even though the family enterprise may be a natural learning laboratory for researchers, attempts to study the context in which generational transitions take place and the degree to which families are able to co-operate toward their common vision and dream is not straightforward from epistemological and methodological standpoints. In order to observe the context of the system as an entity, a holistic approach is required to examine the complex network of tasks being undertaken. This would need to take place over a period of years in order to capture the changes taking place in the roles people assume and the structures they inhabit within a complex unit and its interdependent sub-units. A deterministic approach would require the containment and control of very many variables, and means that the subtleties of intra-system interrelations are likely to be lost in the data collection process. An inductive approach would have to take account of many events and phenomena associated within the changes taking place in a whole system over time, and is likely to generate more data than any system of analysis would be able to handle. However, to explore the context of generational transition, some *rapprochement* between ideologies is needed to ensure that the value of the holistic approach can be realised.

The context (or the conditions under which a family enterprise undertakes the process generational transition), is a vast one because the tasks that each of the constituents in a family enterprise system are required to undertake are many and varied and they are conditionally interrelated. This means that a decision in one domain, such as how the future ownership of the business will be structured has an impact in the business domain regarding how the leadership of the business will be structured. These options about ownership and leadership affect and are affected by the strategic intention of the firm, which in turn affects its capital base and the risk profile of the business. In the family domain, junior generation individuals are affected by the potential career prospects on offer and have to decide whether the family business, and these ownership and leadership structures likely to deliver the aspirations they hold for a satisfactory life, especially the investment of career and inheritance interests. For senior generation individuals, the effort needed to compile a set of workable plans incorporating an estate plan, strategic plan and succession plan amounts to planning a future in which they will not be present. This is likely to generate emotional ambivalence about the whole process. The prospects of giving up some or all of their way of life is like giving up part of their identity (Sonnenfeld, 1988), and their willingness to engage with the practical, emotional and financial arrangements may ebb and flow depending on how they mentally approach the reality of moving into late adulthood (Figure 2.1).

This chapter and Chapter Two examine the context of generational transitions in family enterprises. This chapter deals with the emotional dimension of the transition as well as the structural dimension in the family enterprises system. Chapter Two explores the situational context in which changes to the family, ownership and business take place, leading to change in the organisation or governance of the family enterprise system.

2.2 A Framework for The Research Project

In this research, a method for analysing the context for transition task activity is studied involving a holistic (whole-system) approach to the analysis of a specific period in the transitional process of family enterprises. It is hoped that the method, concepts and the knowledge generated from this study can be tested in a broader research framework using

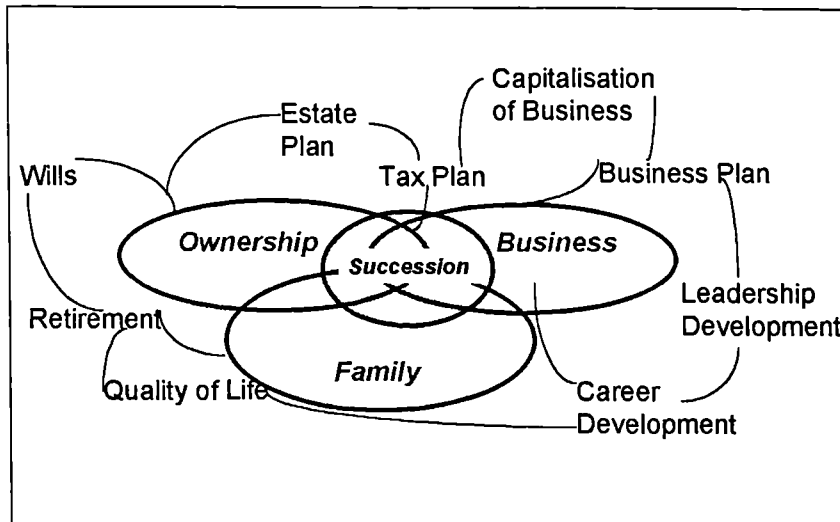


Figure 2.1 The Interrelation of Succession Tasks.

other methods. The value of examining the context for transition using this approach is that it should validate and build on other research into aspects of transition task management that have been carried out, and will provide a method for both the wide lens and narrow lens longitudinal examination of the transition phenomenon.

The literature relating to generational transitions is divided into the three key dimensions that make up the context for transition. Setting out the literature in this way helps with the creation of a descriptive framework for the context of generational transitions, and for carrying out holistic, inductive, multi-level research on this phenomenon. The three dimensions are:

- *The emotional dimension:* any deviation from patterns or norms that have been workable for families and the individuals within them throughout their time together is known to raise the level of anxiety experienced by those affected by the changes. Generational transitions bring with them the requirement that the people involved should cope with fundamental and complex changes to their roles, to their places in the structure and to the way in which the

system organises itself to exchange resources with the environment. The emotional dimension examines the ability of people within the system, and of the system itself to cope with and to manage the anxiety generated by these changes.

- *The structural dimension:* this involves the construction or design of the whole system containing its sub-systems and the constituent groups within the system. In times of transition, people change their positions in the structure thereby changing their roles in the system. At the level of the whole family enterprise system, the system may change its archetypal governing structure. Like the pressing of a master switch, this sets off the re-design of many other systems, structures and relationship processes.
- *The situational dimension:* this examines the life-cycle stage that the system and its components were moving away from, and the next stage that the system and its components were moving towards. Generational transitions are made up of coincidental and intersecting parallel life-cycle transitions taking place in the family, business and ownership subsystems. All the sub-systems have to re-design how they exchange resources with others and with the environment. This includes:
 - a) the personal transitions in terms of adult psychological developmental that all the individuals in the sub-systems are undergoing as they make the transition from one developmental stage to the next throughout the course of their lives;
 - b) the business subsystem transition: it has to adjust how it organises itself and its resources (its form of governance) so that it can continue to make exchanges with the outside world as the business environment changes;
 - c) the whole family enterprise system changing from one form of governance archetype to another when it goes through evolutionary generational transitions.

During times of transition, the structures and processes by which the whole system is governed have to be re-examined to assess their suitability for the future. Since the world has moved on from the time these structures were put in place, though they seemed suitable and feasible for the prevailing conditions of that time, these structures most often need to be dismantled and re-constructed to give the next generation the best chance of success. The situational dimension

examines the challenges and tasks associated with the system learning to deal with the coincidental multiple life-cycle transitions taking place in the subsystems.

In the past, periodic reviews of the family business research literature have divided the contributions made into streams or areas of focus rather than into the key dimensions of context for family business transitions. In the first review of the development of thinking about the family firm, Hollander and Elman (1988) identified four areas of focus and set out the contributions and limitations of each. The four areas were: the rational approach (seeking to excise the family), the approach focusing on the founder (emphasising male rugged individualism), the phases and stages of growth approach (exploring the interaction of entrepreneurial, family and business life-styles) and the systems approach (bringing together open systems theory with family systems theory). These approaches were not regarded as mutually exclusive: the first three are seen as micro approaches and the systems approach seen as a macro model that has echoes of the first three. Hollander and Elman identified the threads shared by all these approaches as interactivity and interdependence, and the continuous interrelationship of family processes and business processes. They suggested that these notions led those who are trying to explain the family firm into accepting and adopting systems constructs (p.162). Although they questioned in 1988 whether in a newly emerging field of enquiry it may be premature to adopt these constructs, Lansberg (1992) discounted this by pointing out that the field of family business incorporated the bodies of knowledge from organisation, management and family theory and that these bodies shared a number of common ancestors in the form of systems theory and cybernetics. In his view, this presented an opportunity to develop new concepts about human behaviour and made new insights possible into authority relations, gender relations and the interplay between socio-economic processes and task behaviour (Lansberg, 1992, p8).

The second major review of the literature was carried out by Handler in 1994 specifically on the topic of succession, which was by then regarded as the most prolific topic of research since the emergence of the field (Gersick, 1994, p105.). As with the earlier reviewers, Handler also organised the articles into streams representing major angles of focus on the topic. These

were: succession as a process (with specific stages and phases for which characteristic problems can be identified), the role of the founder (with psychodynamic theory advanced to explain resistance to the adjustment required for retirement and change), the next generation's perspective (with the emphasis on the successor's experience of succession, sibling and family relations and career planning), and multiple levels of analysis (examining the interconnectedness of related subsystems and systemic behaviour of stakeholders). This review compiles the relevant research articles in a different way and establishes three key dimensions of the context (emotional, structural and situational) against which a family undertakes a generational transition in its business enterprise. A descriptive framework for this approach is shown in Figure 2.2 below.

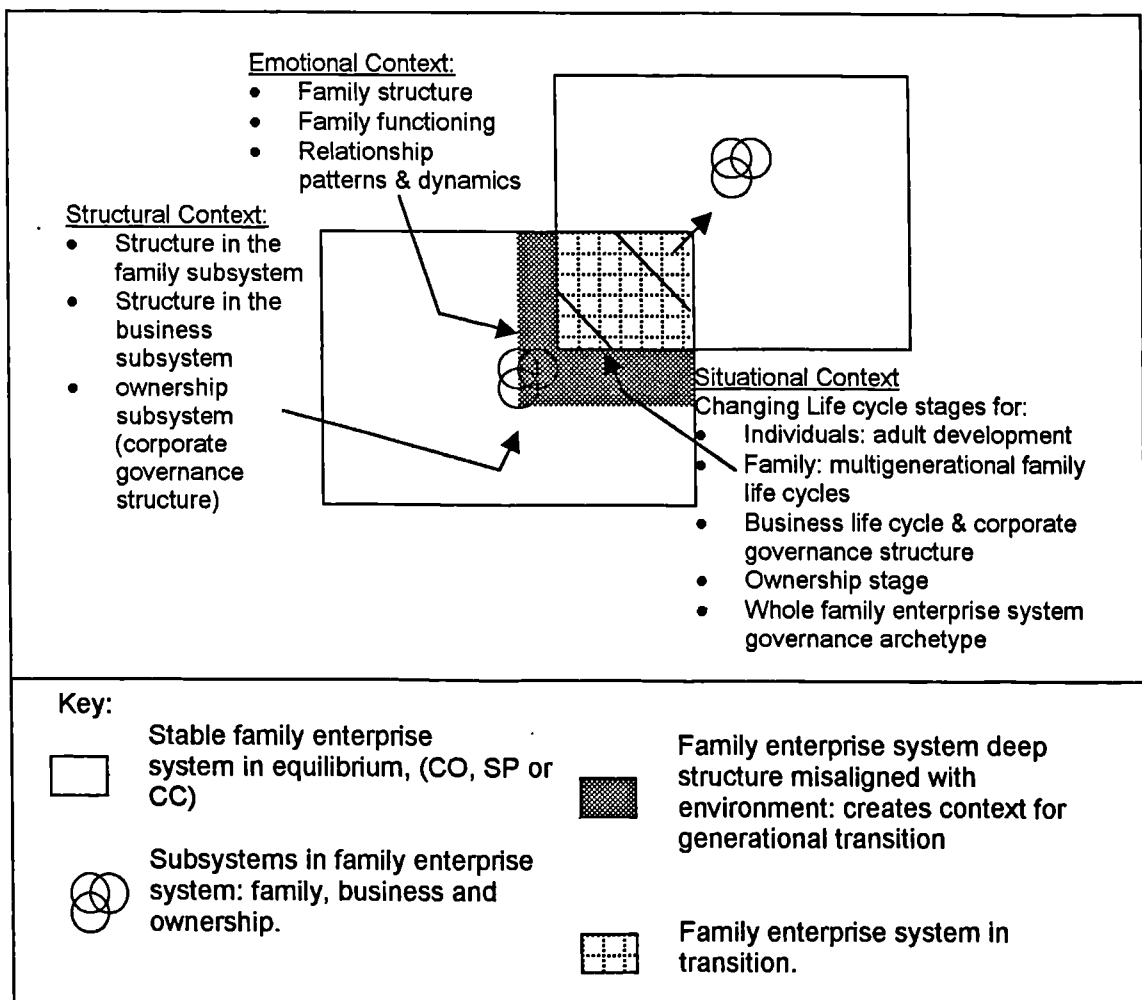


Figure 2.2 Framework for The Context of Generational Transition in Family Enterprises

2.3 The Emotional Context: Family Systems Theory

When a family is faced with circumstances that requires a change to the usual approach they take to problem solving or communicating, family members become anxious about what may happen to the integrity of their family unit. Generational transitions lead to anxiety being generated by the people who are faced with the challenge of coping with changes to their roles in the family, business and ownership subsystems, and in particular, to a change in their place in the family hierarchy. The family unit has to re-structure itself to ensure it can continue to exchange resources with the environment. Restructuring may require minor adjustments to the normal functioning of a family unit (first order or evolutionary change) or it may require the formation of new patterns of functioning (second order, or revolutionary change) (Burr, 1991, p.446). The emotional dimension of generational transitions requires people within the system, and the system itself, to cope with and to manage the anxiety generated by these changes.

Walsh (1993, 1994) concludes that "normal" relationships are those which appear to be workable for families, leading to acceptable levels of functioning and to satisfactory task management. The functioning (or dysfunction) of families when dealing with the changing requirements of their members over time has been reported in the psychology literature for many years. In the 1950s, when cybernetics and systems thinking were being applied outside the domains of physics and mechanics, psychologists and physicians first began to observe systemic behaviour in families.

One of the originators of the application of systems theory to theoretical and practical aspects of family therapy was Dr. Murray Bowen (1913-1990). Dr. Bowen trained and worked as a psychiatrist at the Menninger Clinic in Topeka, Kansas then moved on to carry out research on families with a schizophrenic member at the National Institute of Mental Health in Maryland. He then continued his research and practice at Georgetown University, Washington, D.C. where he became Clinical Professor of Psychiatry and Director of the Georgetown University Family Center. Dr. Bowen's major contribution was his belief that a science of human behaviour could be developed emphasising the similarities of human behaviour with other species, rather than the differences. By conceptualising the family as a system functioning as an emotional

unit, Bowen Family Systems Theory made two radical departures from conventional theory and practice in family therapy. The first departure took the emphasis off the symptomatic person by suggesting that the emotional functioning of every family member plays a part in the occurrence of medical, psychiatric, or social illness in one family member. The second departure held that treatment need not be directed at the symptomatic person, opening the door for alternative approaches to helping people who may refuse therapy. This different approach to theory and therapy brought new hope for apparently unchangeable situations, and allowed new insights into the emotional basis for change processes taking place on many levels: within individuals, families, organisations and societies (Kerr, in Gilbert, 1992, p.viii).

The key concepts of Bowen family systems theory derive from Bowen's observations of families along a spectrum from very impaired, normal (average) to optimal. Beyond human functioning, the concepts have been applied broadly to other species, to systems and tissues as well as to the functioning of groups, organisations of many forms and to societies (Section 2.4.2.1 below). Bowen (Kerr and Bowen, 1988) and Minuchin (1974) reported the tendency for families to function homeostatically, that is, the level of function / dysfunction in families ensured an emotional equilibrium from which the norms of a family's behaviour were derived. They also noticed that change was handled better in some families who, in order to get through their difficulties, were able to make a significant departure from previous relationship patterns (second order change) to emerge as more competent, or fitter: their way of managing achieved "the difference that makes a difference" noted by de Schazer (1984).

In order to understand this, Bowen postulated a range of concepts for evaluating family functioning known collectively as Bowen Family Systems Theory (Kerr and Bowen, 1988). However, the concept of "differentiation of self" represents the key tenet of the theory. Relatively well differentiated individuals are able to separate out what they instinctively *feel* from what they consciously *think* about an issue and then how they will *act* to defend or assert their position consistently in a given situation. This is difficult to achieve when such an act may be counter to the family of origin's values or functioning patterns. It is also hard for an individual to sustain a differentiated move if he or she may fear that the family could react to their move

by doing or saying things that could lead to being distanced or cut off. When attempting to change one's functioning position in the family, homeostatic pressure to get the individual to "change back" will be exerted so that the anxiety felt by family members about the change can be reduced and the system can get back to its normal functioning pattern. "Undifferentiation" is evident in families who are described as "enmeshed" (or "fused") and "disengaged". Family members in enmeshed families tend to occupy each other's emotional lives, whilst members of distant or disengaged families maintain a significant emotional distance from each other. Both of these types are "normal" to the extent that they also allow family members to function in a way that allows them to remain connected to each other, yet free enough to maintain their own personal boundaries and to have the autonomy they need to think, feel and act (Guerin, et.al., 1996).

Bowen describes this in terms of functional attachment to family members through closeness and distance. Closeness can mean being loved and cared for in a close relationship; distance can mean relief, freedom and respect. In an extremely undifferentiated family, closeness can lead to family members having emotional difficulties through feeling suffocated, crowded-in, controlled or trapped, and distance can lead to difficulties from feeling isolated, alone and uncared for.

Relatively undifferentiated family members in either circumstance are likely to work around first order change only, attempting only minor adjustments. For them, it is emotionally less risky to remain stuck in patterns which keep everyone connected in some way which is acceptable (or "normal") for them. This may come at the price of individuals being or feeling disempowered. Relatively better differentiated individuals and families are able to express their views, to listen and to be heard; they are able to work their way through challenges and crises, however difficult, because each member is clear about their own role in the process and can see how they contribute to the outcome.

Change of the second order is more likely to be successful in relatively better differentiated families. The level of differentiation in a given family is, according to Bowen, related to the level

of differentiation from previous generations, explaining why some families cope with change more effectively than others. However, the potential for improvement in one's level of differentiation exists to the extent that individuals are able to work on improving their own functioning and a marker for this is whether the new "self" is tested out in their families - a risky endeavour for most people in family enterprises who depend on the family's business for their livelihood. Because of the systemic nature of families and family functioning, a small, but sustained improvement in one member's functioning causes an increase in the overall level of the family's functioning because others in the system have to react to the change in order to get the system back in balance.

In this research, important variables to observe included the relative levels of differentiation and the quality of functioning in the families as each family-business system underwent the significant degree of change involved in succession transitions. One of the dimensions of functioning of particular interest was the anxious activity by individuals around emotional triangling. Hollander (1983) and Brown (1991) noted the tendency for the anxiety generated by those in the business to escalate at transition times when there were very high stakes involved for all in the family subsystem. Continuous interlocking multigenerational triangles were evident and hooked people into set patterns of behaviour .

Bowen's theory of family functioning aimed to explain the observed variability in human functioning using more scientifically derived constructs than other methods of psychiatry of the day, which has relied on subjective interpretation. Bowen regarded variability in family functioning to be a product of the degree of anxiety (defined as the organism's response to real or imagined threat (Gilbert, 1992 p180)), and the degree of differentiation in individuals and their family of origin. Relationship systems, such as those found in families, are naturally exposed to anxiety-generating stressors (such as adult development tasks) as the individuals and families in them go through their lives. They are also exposed to external stressors such as economic and political forces affecting one's ability to find and keep meaningful work and to be valued in the community and in society. The extent of the reaction to anxiety brought about by stressors on family members is related to the degree of differentiation of self and of the family

as a unit. When sufficient anxiety is present in a family, it can be "bound" in the family system and expressed as dysfunction or problems in a spouse or child, or in marital conflict. Under these circumstances, asymptomatic family members can function relatively well around the problem using a variety of mechanisms by which the dysfunction and their own better functioning are maintained in homeostatic balance. The source of the dysfunction or problems is to be found in any or all of the key concepts of Bowen family systems theory: individuality and togetherness, differentiation of self, triangles, nuclear family emotional process, multigenerational transmission process, emotional cut off, sibling position, and societal emotional process. These are described below.

It is useful before reading these to think of the human family as an emotional "field" (Kerr and Bowen, 1988, p.54) in which individuals equally contribute and respond to stimuli, taking reciprocal functional positions (what one does affects and is affected by another). An eldest sibling in a sibling partnership business may feel responsible for younger siblings who in turn behave so as to require protection. An overfunctioning person, who derives strength from the dependency of others in the family on him, is balanced by an underfunctioning person, who lacks confidence and feels capable of carrying out only minor tasks. In a business family, an overfunctioning founder may retard the leadership development of the underfunctioning successors-in-waiting by failing to create additional leadership responsibilities and accountability or other opportunities for their personal growth. They, in turn, do not feel able to take power perceiving that none is on offer.

Another facet when thinking about families as relationship systems rather than in terms of cause-and-effect involves looking for "functional facts". Rather than generate speculation or theories about motives ("why" people do things) a systems approach requires conceptualising individuals' emotional / behavioural stances as being a reflection of their function within the system and in the process that keeps the system in balance. Under these circumstances, "why" is best described as the result of people's functioning position (Kerr and Bowen, 1988, p.142). Why an unhappy business owner's wife does not complain to her distant husband reflects her role as underfunctioning spouse and allows her to focus on her own social interests.

Individuality and Togetherness: the family system is a product of its individuals' abilities to manage their needs for individuality, that is, to be their own person and function independently of the wants of others, and their needs for togetherness, that is, to fulfil their social needs for intimacy and belonging. Observations made by Bowen and others about family emotional systems are consistent with the existence of these two opposing forces and with families operating as if they were governed by these forces. When anxiety is high, a person may adapt in order to relieve the anxiety and keep the system stable by giving up or subordinating some of their "self" and therefore depending for their peace of mind on how another responds. In business families, the decision by a young family member to join the family business may be influenced by the long held and subtly expressed expectations of the parents, and may lead to the giving up of "self", by giving-in to the togetherness forces of attachment.

Differentiation of Self: Individuals vary in their ability to adapt - that is, to cope with the demands of life (the anxiety it generates) and to reach their goals (Gilbert, 1992, p.18). Part of one's level of differentiation is determined by the amount of "basic self" (the solid part of self that is non-negotiable) and the other part determined by "pseudo self" (the fluid part of self by which strength is traded or gained as a result of association with others).

A relatively well differentiated self can achieve a degree of separation of instinctive feelings from thoughts and from their emotional basis for action. In the family business context, a poorly differentiated person may *feel* compromised by a reward system which pays all the siblings equally irrespective of ability or contribution, may *think* it is unfair but *acts* from an emotional stance of non-committal for fear or upsetting family harmony. Under the same circumstances, a better differentiated person *feels* compromised, *thinks* about his or her view on the matter and if they consider it is unfair, thinks through options to change things and the likely consequences, and *acts* in an emotional stance which is congruent with their thoughts and feelings by presenting their views and thought processes to relevant others. The differentiated self is willing and prepared (in many senses of the word) to rock the family equilibrium in a bid for second order change to change things for the better. Thus, differentiation is not rebellion

(which is a demonstration of undifferentiation). Differentiation in Bowen theory is not related to personal power, social status, education, hierarchy or other such factors; it is a product of an individuals' ability to understand the processes taking place around them and to think through situations rather than be reactive to them (Kerr & Bowen, 1988). As described above, families whose individuals lack differentiation (who react collectively) function at one end of the differentiation scale where their selves have become "fused" or "enmeshed"; at the opposite end of the scale, there is "disengagement" where individuality is extreme and individuals can feel emotionally isolated. Care has to be taken to respect that in certain cultures, close family involvement and interdependence in decision-making processes about what is best for the family are the norm.

Triangles: No person exists in isolation. When an individual relates with a second person, it stirs up the individuality : togetherness forces. These settle out for the twosome at a level which is consistent with the amount of anxiety and their relative levels of differentiation. If things are calm, and they are reasonably well differentiated they can enjoy each other's company and retain some sense of autonomy without feeling too "crowded" or being kept by the other at a distance. However, a twosome is inherently unstable because ambient anxiety levels fluctuate consistently depending on what is happening in the environment. The ability to cope with further stress-inducing anxiety (determined by their levels of differentiation) will at some stage be less than that required to for the twosome to keep the anxiety contained amongst themselves. When this happens, the system acts in a way to reduce the experienced anxiety by spreading it further afield, typically seen as the "triangling-in" of a third party or object by one of the twosome. When this happens, a very predictable set of dynamics are set in motion: whilst one of the twosome senses relief at the perceived sharing of the anxiety, the third party has in fact taken on this anxiety: it never goes away. The other party in the original twosome may then feel like an outsider. If the anxiety is sufficiently high, the third party may in turn triangle-in another person to relieve the worry and create interlocking triangles. Figure 2.3 shows the types of emotional triangles people may activate to decrease their anxiety.

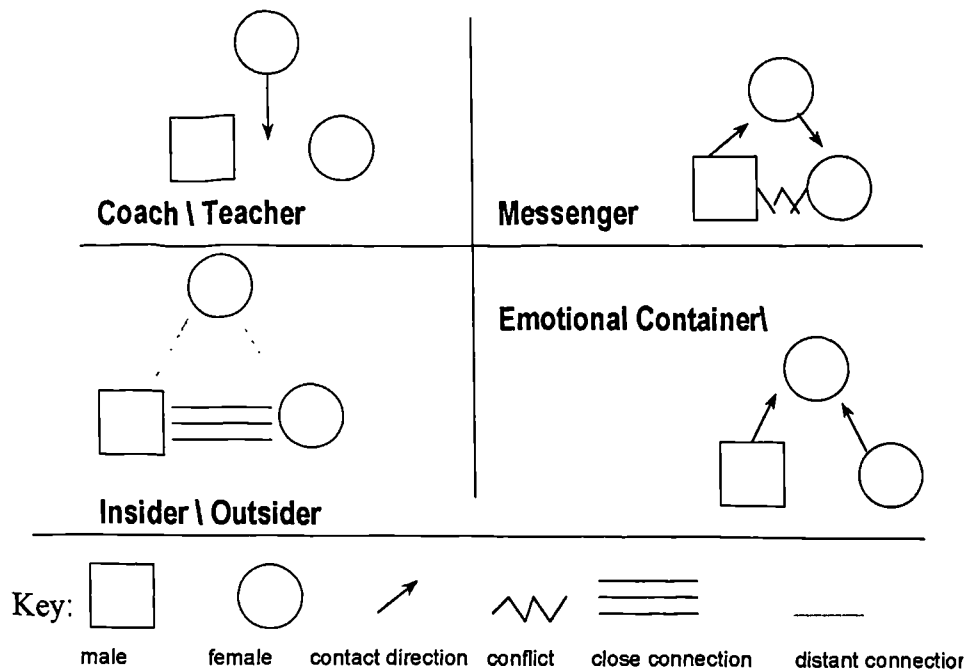


Figure 2.3 Typical Emotional Triangles: Adapted from Brown (1997)

Triangles are the smallest stable unit of human relationships; they are the most visibly observable of Bowen's concepts seen generically from the level of societies, nations, species and individual families. Their existence and their pervasiveness in family businesses has been documented extensively (Hollander, 1983; Brown, 1991; Papero 1996). They function to bind escalating anxiety and to relieve the tension between two of the threesome. To relieve one's own anxiety, the third person brought in to relieve the anxiety in a twosome in turn seeks togetherness with another, perpetuating the triangle. 'Outsiders' can take the form of objects, pets, the firm, fantasies or hobbies and activities. Triangles are generic and persist across generations (Kerr and Bowen, 1988). Table 2.1 below details what happens within triangles under conditions of low, moderate or high anxiety.

Nuclear Family Emotional Process: The three key patterns of emotional functioning in a nuclear family are all the product of undifferentiation in family members. No one has been known to

Table 2.1 The Impact of Anxiety on Triangles (Kerr and Bowen, 1988)

LOW	MODERATE	HIGH
2 comfortable insiders	Insiders' comfort eroded	Outside position desired
Outsider less comfortable	Insiders reactive to each other	Insiders seek escape from overly intense triangle
Outsiders look for entry / invitation to form togetherness with insider	Seek harmony via togetherness with outsider	Insiders recruit someone or thing to take up the tension
All make predictable moves	1 is uncomfortable or in conflict and the other 2 are fairly comfortable	Insiders may withdraw create distance, cut-off, (eg depression).
Calm emotional field	Anxiety is usually contained in 1 relationship at the expense of another	Once anxiety subsides, the previous insider - outsider relationship ensues,

achieve "differentiation" because such a feat would be naturally countered by reciprocal togetherness forces and by the anxiety generated by life tasks and other stressors. Everyone, therefore functions with a certain level of undifferentiation; however, it is the interaction of this with the amount of chronic or heightened anxiety that leads to impairment of the functioning of individuals in families.

Bowen describes three predictable patterns that these consequences can take. The first is illness or impaired functioning in a spouse; the second is marital conflict and the third is impairment of one or more children. They may typically show up as symptoms, but may or may not require medical or counselling assistance. Under conditions of high anxiety and in less differentiated families, they show up classically as physical illness ("medical disorder"), emotional illness ("psychiatric disorder") or social illness ("criminal disorder") (Bowen and Kerr, 1988, p.163). Bowen theory posits that all disorders or clinical dysfunctions are linked to the same basic patterns of emotional functioning in the nuclear family: the same patterns lead to physical, emotional or social illness.

These patterns affect an individual's ability to adapt successfully to factors causing illness. If a parent functions less well (physically, emotionally or socially), they absorb all the anxiety generated by the undifferentiated functioning of every other family member disproportionately. To the extent that this impairs the functioning of a family member, it protects other family members from dysfunction. In a business family, a distanced spouse who feels she has 'lost' her husband to the business may be susceptible to symptoms if she has no other source of connection or satisfaction in her life. Or, a protected, cosseted child who fails to make his way in the family business may develop physical, social or emotional symptoms if he has no opportunity for personal fulfillment outwith the family firm.

In the context of factors affecting progress with succession tasks in business families, the existence and timing of marital tensions, symptoms or illnesses, worry and incongruent behaviour will be evidence of the relative abilities of business families to adapt to the heightened anxiety which is a natural feature at times of multiple, coincidental transitions. Bowen theory assumes that 'adaptation' to anxiety is a product of the families' level of differentiation.

Multigenerational Emotional Process

...In contrast to the assumption of a random and unpredictable process or to the assumption of a process linked only to genetic transmission, family systems theory assumes that individual differences in functioning and multigenerational trends in functioning reflect an orderly and predictable relationship process that connects the functioning of family members across generations...called the multigenerational transmission process ...anchored in the emotional system and includes emotions, feelings, and subjectively determined attitudes, values and beliefs that are transmitted from one generations to the next. This transmission is assumed to occur primarily through the womb. (ibid. p224).

The multigenerational transmission process in families begins with the levels of differentiation of parents. Individuals select mates with the same level of differentiation (ibid. p225) and their offspring are subject to the emotional atmosphere (the patterns, reactivity, triangles) created by the parents. People who have emotional and relationship difficulties in life tend to blame parents and/or others for their problems. This is regarded as a manifestation of their own undifferentiation. In business families, an embittered family member who is unable to accept a

view that he or she was not forced into the business, and is adamant that there were no other choices, would be an example of such an undifferentiated person. A relatively better differentiated person may offer a wry grin and say there really wasn't a choice, where the implicit subtext is that succumbing to subtle parental pressure suited their needs for a job at that time and there is no illusion about other choices.

Emotional Cut Off: Patterns are predicted to repeat across generations by means of the multigenerational transmission process. In many families, to 'avoid' dealing directly with relatives, often a family member will either cut themselves off or be cut off from their family of origin. This is a pattern of avoidance which can be seen to be repeated by means of multigenerational interlocking triangles. If one family branch in a siblings family business is "cut off" by a second branch, and the cousins in the cut off-branch do not receive jobs and / or shares, the extent to which the cousins in each branch will re-enact the cutoff during their lives will be determined by their ability to make contact and stay neutral when in contact. This is not easy to do when other relatives have taken sides.

Cut off in Bowen family systems theory is described as an effort by family members to create distance between themselves in order to reduce the anxiety between them. It can take the form of a family being split along "sides" in a divorce, to the point where no one speaks to the other side or has any contact sometimes for years or generations. Although their communications are cut off, in fact both sides are investing as much emotional energy in being cut off as they are in remaining attached. Cut off can be physical (living in different regions or countries), social (avoidance or dropping out of society) or emotional (a distance posture). An indicator of undifferentiation, cut off shows up as the inability of a person or family to sustain clear, direct contact with other persons. Family businesses can provide the milieu in which cut off can be brought about (if "favoured" family members do better) and sustained (family branches can use distancing tactics such as geographical expansion to inhibit contact). The "reasons" for cut-off are rarely the stimulus. Money, divorce, perceived inequity can mobilise a cut off but the cause is the inability to adapt to the anxiety generated by a given situation, and the undifferentiated response to relieve the anxiety by creating distance to avoid communication.

Sibling Position: Much has been written on the topic of sibling position (birth order) and personality. The perplexing question of interest when considering generational transitions in business families is whether there is a relationship between sibling birth order, personality and family functioning. Personality variables such as leadership, rebellion, conformity and conservatism are all factors of interest in the context of siblings who share ownership of a business and who work together for most of their lives. If sibling position is a determinant of personality and family functioning, then its effects would be important when observing families in the process of dealing with their succession tasks over time.

At the time of Toman's (1961) initial research into sibling position, Bowen had set out the principles of family system theory and quickly incorporated sibling position into its key tenets in the early 1960s. However, family systems theory adds the variable of differentiation and functional position in family systems to Toman's characteristics. Sibling birth order theory states that eldests take leadership positions and to accept responsibility and youngests to prefer not to lead, and to rebel against authority; however eldests who lack maturity or who are poorly differentiated may have "functional eldest" younger siblings, who may not be a strong leader but can bring other qualities to the same effect (Kerr and Bowen, 1988, p.316). Further, Bowen relates aspects of functioning to the sibling position of parents and their parents. If two youngests marry and are themselves the products of parents who were youngests, it is likely that they will have difficulties about leadership and decision making because they have no experience of taking a lead role in their sibling contexts. Toman (1993, p263) concluded that the effects of sibling positions upon personality are weak and ambiguous if a *single* characteristic of family constellation is explored, such as "an eldest sister of brothers" or "a victim of early loss of father". Based on only one variable, sibling birth order position is expected to explain only 10%-20% of the variance of a person's long term social behaviour. Toman argues however that if *two or more* family constellation characteristics are combined, (for example if a youngest sister of brothers has a mother who is a youngest sister of brothers) then this explanation may rise to 50% of the variance and sometimes higher (Toman, 1993 p264). Toman's empirical work was based on 407 cases of families in psychiatric contexts

studied between 1951-61; further empirical work involved over 3,000 cases in various European countries (Toman et.al., 1961). Clearly, sibling position theory informs on the strategies and tactics to be expected by present generation siblings and allows some insight in to the multi-generational influence of family constellation on observed behaviour.

More recently, Sulloway (1996) carried out an exhaustive enquiry into the impact of sibling birth order and family dynamics on personality and creativity confirming this relationship. In Sulloway's work, firstborns were conforming, they identified with their parents, and were conscientious, anxious, jealous and extrovert. Laterborns, however, were supportive of revolutions and more likely to be the innovators. Sulloway concludes that in order to survive in the Darwinian sense, siblings develop strategies to pursue a family niche. Eldests tended to deploy dominance strategies and coercive tactics and the youngest to deploy strategies of co-operation with creative tactics. Toman's work, which qualitatively explored individuals and their families, provides the breadth where Sulloway provides the depth on a few key personality dimensions.

Societal Emotional Process Bowen theory is generically applied to societies, nations and to organisations of all kinds. Triangles interlock between families, the agencies who advise them and the legal system. In firms, cut offs can be seen between departments as a consequence of endemic rivalry for budget resources. Individuals within work systems have difficulty dealing with the anxiety generated by escalating workloads and so workplace counsellors are becoming a common third part of a triangle to relieve anxiety and facilitate adaptation to it, rather than prevent it.

Societal process refers to the alternation of regression and progression in society which is reflected in individuals, families and the groups in which they organise themselves. Progression is assumed to occur during periods of lower anxiety; regression can be triggered by overpopulation, pollution and threats to safety. Regression is activated and sustained by triangles which in extreme situations lead to polarised factions each processing information reactively at the emotional level rather than at the intellectual level. Leadership, through

differentiation of self (counterbalanced by the opposing togetherness force to prevent dictatorship) is theorised as a means of progressing society. The absence of differentiation or lack of leadership shown by lax application of principles leads to regression in societies (Gilbert, 1992 p166).

Bowen theory is regarded as central to this research project, and has been widely applied in the field of family business research. The key tenets of Bowen Family Systems theory provide a powerful lens through which to observe and explain family functioning, though it overlaps with other approaches and concepts used in different schools of family systems theory. And while the key concept of differentiation of self implies a Westernised view of assertive behaviour, it is not at odds with other key concepts widely accepted and applied in family theory about family structure and hierarchy, the management of subsystem boundaries, individuation, separation and personal autonomy. Nevertheless, what distinguishes Bowen theory from other schools in family theory and family therapy is the effort by researchers from other disciplines to test the theory in other functioning systems of greater and lesser complexity throughout the natural and social sciences, and the consistency of the findings reported thus far. It also sits comfortably with Darwinian evolution theory (gradualism), although it is not known whether the concept of punctuated equilibrium in revolutionary change has been tested in Bowen theory. It is also distinguished by the importance attached to the concept of multigenerational transmission of nuclear family emotional process, which is of particular interest since families in business may transfer their business to succeeding generations.

2.4 Structural Context

“Structure” here refers to the rules and patterns determining the way in which the family enterprise systems and their constituent sub-systems organise themselves to exchange resources (emotional and economic) with the environment. The systems approach to explaining the family enterprise shows that there are a limited number of defined and explicit places and associated roles for people to occupy within the whole system. The position(s) occupied by people, and the role(s) they carry out determines the circumstances in which they find themselves in the family enterprise system at any point in their lives.

This section examines the application of systems theory to family enterprises. The architecture of the whole entity of the family enterprise system is described first to show in generic terms the overall construction of any family enterprise: the system itself is a structure operating under a governance archetype and containing an infrastructure of subsystems. Then, the internal structure of each of the three sub-systems (family, business and ownership) is described to show the differences that each sub-system contains in terms of its governance of organisational form and function. These differences mean that each sub-system relates to the environment in order to exchange resources with it in different ways. These inherent differences lead to "structural conflict" (Lansberg, 1999,p.47) at any given time because people find themselves in circumstances in which their needs are different from those of their relatives and co-workers or co-owners.

This is a cornerstone of the context for generational transition in family enterprises because it means that structural conflict, which is endemic in the system, will be heightened at times when people move across the boundaries of subsystems and change their roles and positions in the system. Systems are thought to exist because the whole is greater than the sum of the parts. This being so, then the family enterprise system has to find a way to overcome the ever-present challenges that arise from there being multiple, overlapping sub-structures competing for resources being made available within the system. This is especially the case when the whole system itself is engaged in competing for resources from the business environment to sustain its own survival and growth.

The family enterprise system also faces the additional burden of overcoming these challenges when all of its subsystems are themselves in transition from one form of structure and organisation to another, as is the norm during generational transitions.

2.4.1 The Theory of Functioning in Systems

The structural context of a generational transition involves conceptualising the whole entity of the family enterprise as a living, dynamic system containing interrelated subsystems. Writers

who produced the seminal work on systems theory proposed that the elements making up the system interact and form a whole, that there is a hierarchy in the system and that the system is open to stimuli from the external environment and interacts with the environment to exchange resources with it. Von Bertalanffy (1968) thought that the concepts from general systems theory could be extended to the sciences involved in the study of human behaviour and human social organisation. His view was that man could be viewed as an “active personality system” in which individuals were creators of their own cognitive worlds rather than passive recipients of external stimuli. Wiener's theory of cybernetic behaviour in systems was based on there being organising principles and mechanisms that regulated relationships between the component parts of systems; these principles were homeostasis (the maintenance of an equilibrium or pre-determined steady state) and self-regulation through communications of information between systems components and their environments (Caskie, 1994, p.9).

The scientific study of families expanded upon these emerging systems theories around the 1950s. Minuchin (1974) Bowen (1978) Bateson (1972) and Watzlawick (1967) worked towards their own views of family functioning in a systems framework. Theories were developed about the principles at work and styles of intervention possible when the family was conceptualised as a dynamic, fluid entity capable of processing information from its environment, and able to stabilise itself and maintain its own equilibrium under varying conditions (homeostasis). This led family research away from psychoanalysis, (which had been based on subjective interpretation), and towards the more 'scientific' study of function and dysfunction in systems such as families, groups, organisations and societies.

Although there are similarities between general systems and cybernetic theory, some family theorists have questioned whether extrapolating these concepts to biological and social sciences is too idealistic (Keely, 1980, in Hollander and Elman, 1988, p161). Bowen family systems theory recognised this (Bowen, 1978; Kerr and Bowen, 1988) and had found that a more encompassing view was needed when thinking about systems, one that could incorporate views from natural systems thinking (Darwin, 1859) into the model of family systems by conceiving of humans as merely one species in the evolving part of all life. Nature, was

therefore the “whole entity”. The family, in common with other natural systems such as organisms and assemblages of cells, is made up of a relationship system that is governed by:

“a combination of emotional and relationship systems. The term “emotional” refers to the forces that motivate the system and “relationship” to the ways it is expressed” (Bowen, 1978, p158).

Caskie refers to the emotional system as an

...instinctive guidance system to guarantee individual and group survival. While the human’s guidance system is more complex than those in other forms of life, it is in essential ways the same. The human, through the evolution of the cerebral cortex, has also developed a complex intellectual system that functions differently from the emotional system and that represents the most significant *difference between the human and other life forms* (Caskie, 1994, p17).

In the family psychology literature, Bowen family systems theory is unique in its “natural systems” exploration of common functioning patterns in other biological species. The basic tenets of the theory have been applied downstream of the family, by researchers exploring the impact of anxiety on the functioning of taxonomically lower order species, single organisms and cellular and physiological systems (de Waal and Embree, 1997; Comella, 1997). It has also been applied upstream of the family and other species, by its application to the functioning of human groupings, organisations, nations and societies (Wiseman, 1996; Papero, 1996; Baker, 1995). The theory assumes that families and other systems are subject to forces (principally emotional energy in the form of anxiety shifting from other systems) that stimulate predictable patterns of behaviour acted out in functional responses to the anxiety. These predictable patterns of behaviour are thought to be common to all natural systems (Section 2.3 above).

2.4.2 The Structure of the Family Enterprise as a System

Family businesses come in many forms, shapes and sizes depending on the size of the family, on the type and size of the business and also on the type of ownership structure and the culture in which the firm and family operates. However, when the family enterprise is conceptualised using a systems framework as a whole entity or entire system, it is clear that whatever the external variation, all family enterprises share the same systemic structure. The whole entity is made up of overlapping sub systems whose interdependence and interrelationship lead to the inherent complexity faced by the individuals and groups who occupy places and roles in the system. Davis and Tagiuri (1982) identified the three subsystems (ownership, family and

business) in terms of overlapping spheres of influence. When the three subsystems overlap, this creates seven possible constituent positions in the structure represented by the model. It shows that the same person may have one, two or three roles, and within these roles will have to compete with other constituents for the available resources in the system. Lansberg and Philips (unpublished manuscript, 1996) commented: "one of the most important truths that this model helps to highlight is that people located in different segments of the diagram are apt to have very different views on issues that affect family and businesses".

The position(s) occupied by individuals in the structure influence the response they are likely to make to any given issue. Their response is based on how anyone "sees the world" when carrying out the role of someone in this part of the structure, and is likely to be generic to that position. This means that to a certain extent, conflict that emanates from disagreements of perspective (disputes about who is "the problem", "being awkward" or "to blame") are *structural* in origin rather than being thought to be based on other factors such as personality clashes. There is no neutral place in the model: every segment brings a different role and a different set of needs (Figure 2.4). During transitions, people often change roles, moving their roles and positions in the structure to another segment and thereby having a different set of needs to be provided for. It is only by understanding that differences of opinion are built into the structure of the family business, that these issues can begin to be managed by clarifying personal, family, management and ownership boundaries (Davis and Stern, 1980; Lansberg, 1983).

In the context of generational transition, Hershon (1975), Davis and Tagiuri (1982), Ward (1987), and Lansberg (1983) have all concluded that the central challenge to the sustainability of a family's enterprise is the ongoing management of the competing self-interests of individuals who occupy different constituent positions in the structure of the ownership, family and business subsystems at any given moment in the life cycle of a family enterprise. This is inherently difficult because these self-interests change when individuals change their position in the structure, as is the case during generational transition.

How each constituent “sees the world” is very different depending on their place in the structure because each constituent’s position in the structure has different needs, wants and outlooks on

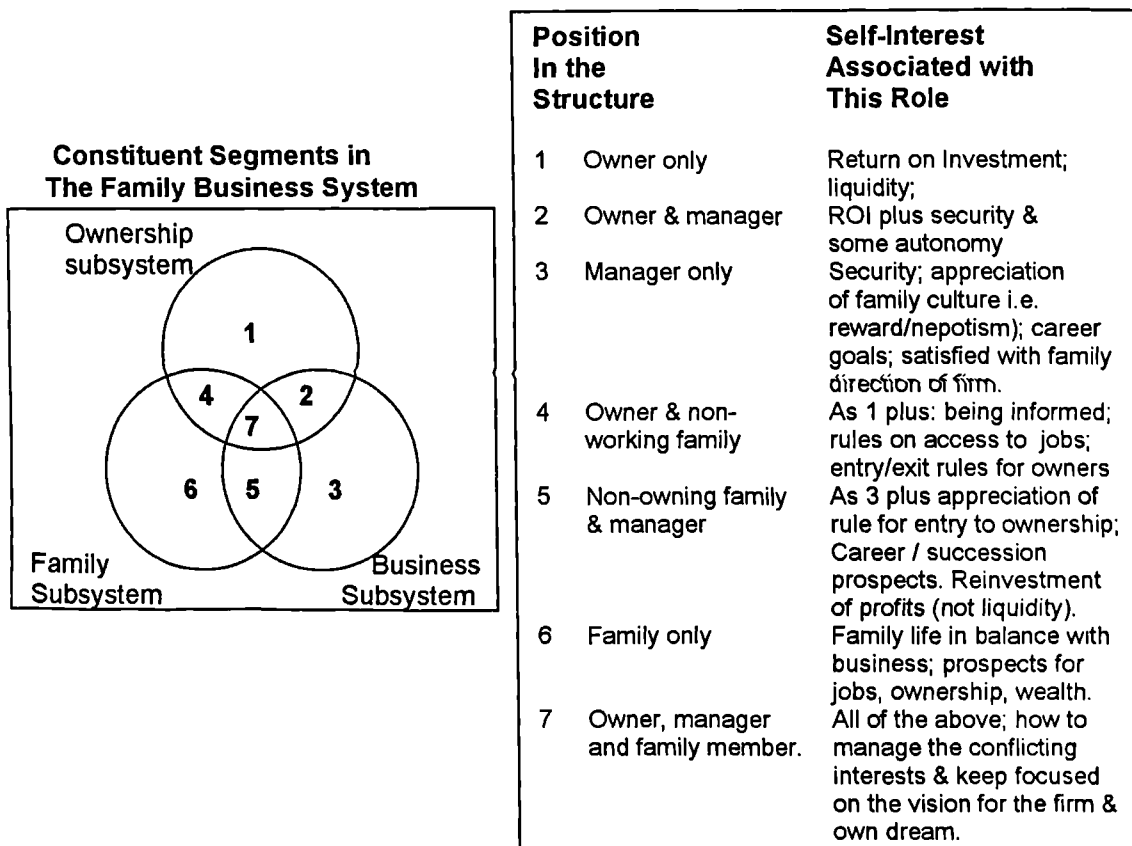


Figure 2.4 Self-Interests of Constituents in the Family Enterprise System (adapted from Davis and Tagiuri, 1982; Ward, 1987, and Gersick et al, 1997).

the same situation. Conflict in family business systems is therefore inevitable not only because personality differences exist in families, but especially because of this inherent structural feature leading to conflicting needs and world-views. Anxiety in the constituents can be expected to heighten during times of transition in the system, because constituents can end up moving to different places in the structure and having to deal with new challenges inherent in the new constituent group. A non-owning family member (segment 4 in the 3 circle model) who works in the business can become a working family member and owner (segment 7) following the death or retirement of the previous owner. Shifting to this constituency brings a requirement to understand the rights and responsibilities of ownership and to handle the competing constituent requirements of non working owners and non-owning workers. A

systems approach to family business research encourages observers and participants in the systems alike to regard conflict as inevitable at any given time and throughout the passing of time. A non-systems view is likely to seek out “the problem” (e.g. father-son conflict) rather than take the view that the perceived problem is an effect of the whole system’s functioning, or to focus on an event such as “succession”, rather than factors or variables affecting the process underway and its outcomes (Gilbert, 1992; Hollander, 1983).

2.4.3 Structures within Family Enterprise Subsystems

2.4.3.1 Structure in the Family Subsystem

Family structure is the invisible set of functional demands that organises the ways in which family members interact. A family is a system that operates through transactional patterns. Repeated transactions establish patterns of how, when and to whom to relate, and these patterns underpin the system. When a mother tells her child to drink his juice and he obeys, this interaction defines who she is in relation to him and how he is in relation to her, in that context, and at that time. Repeated operations in these terms constitute a transactional pattern...[which] regulate[s] family members’ behaviour. (Minuchin, 1974, 51).

Salvador Minuchin is regarded as the founder of structural family therapy, a school of clinical research and practice which emphasises the importance of hierarchy in families and the use of boundaries to clarify roles and position in the hierarchy. This view of the structure of families is broadly accepted by other family systems groups.

Under Minuchin’s theory, the family is seen to comprise a generational hierarchy of parents and offspring, whose behaviour (their transactions) is regulated by two different systems of constraint. The first is the natural power hierarchy in which parents have different levels of power and authority than children, and the second involves a system of expectations amongst family members based on many years of negotiations over normal family life events. The system maintains itself by resisting changes to these patterns and to the natural hierarchy it contains. When change is necessary, a healthy system seeks to draw upon its range of patterns of transactional behaviour in which flexibility is enabled; it responds by transforming itself to meet the new circumstances without losing the continuity that provides a frame of reference for its members (ibid.p52).

In this work contributing to structural theory, Olsen (1989) identified two main variables by which the quality of family functioning can be assessed. *Family adaptability* refers to a family's ability to make internal adaptations to stressors originating from their situational context (to differentiate itself), including stressors arising from developmental pressures throughout the life-cycles of individuals and families. *Family cohesion* refers to the degree of connectedness and emotional bonding that family members experience within the family (the individuality-togetherness forces and how a family balances separateness and togetherness). Olsen's Circumplex model of family functioning identifies the extent to which families function in an adaptable way: on a range from *chaotic* (no structure) to *rigid* (highly structured) where rules are explicit and firmly enforced on the family and its members. *Flexible* or *structured* families are in the mid-range (where changes and shifts can be made to adapt the way the family system deals with the environment. The model also identifies the extent to which families function in a cohesive way: on a range from *enmeshed* where families emphasise and expect togetherness (a focus on "we") so that there is a high dependency and loyalty expected to *disengaged* where there is little closeness and high independence (a focus on "I"). *Separated* and *connected* are mid points on the range where there is more or less dependence and independence and moderate levels of loyalty and moderate "I" or "we" positions. (Figure 2. 5). The Circumplex Model in Figure 2.5 is based on a three dimensional grid containing zones regarded as balanced, mid-range and extreme. Families and individuals move around the grid depending on the stage of development in people's life-cycles, and on the level of anxiety they may face at certain times. Their location on the grid at any time, and over time is established using the FACES (Family Adaptability and Cohesion Evaluation Scales) assessment instrument. (Olsen, Russell and Sprenkle, 1989). This determines where families are situated in the grid in terms of one of the four Balanced relationships (structurally separated, flexibly separated, structurally connected or flexibly connected) or in terms of the four unbalanced (Extreme) regions (chaotically disengaged, chaotically enmeshed, rigidly disengaged and rigidly enmeshed). Olsen (in Walsh, 1993, pp.104-137) derived the following hypotheses from this model:

1. Couples and families with Balanced types (two central levels) cohesion and flexibility will generally function more adequately across the family life-cycle than those at the

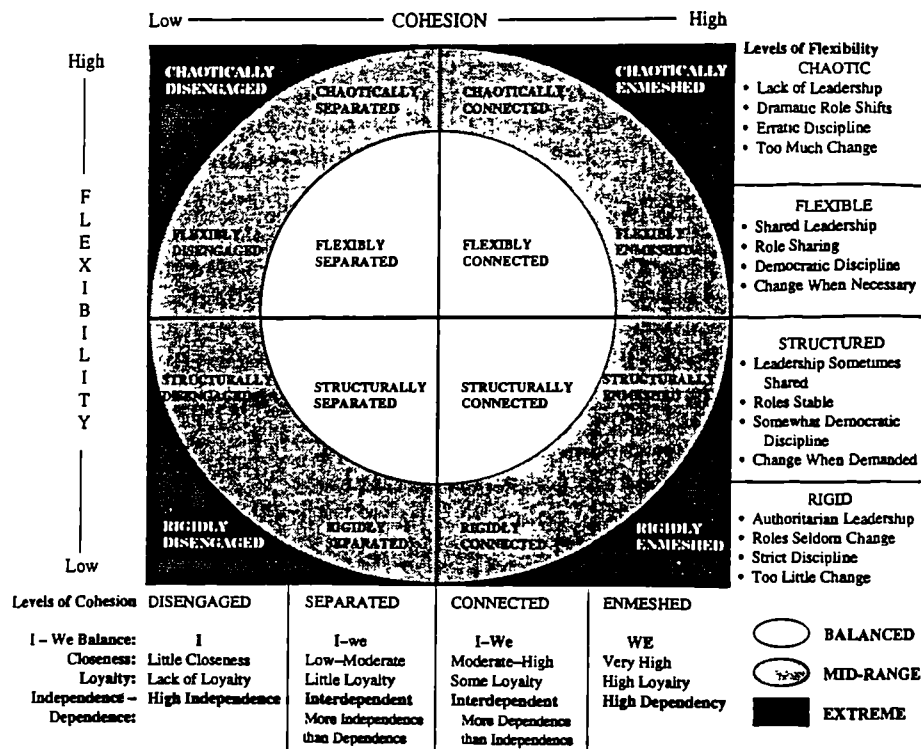


Figure 2.5 Circumplex Model of Couple and Family Map (Olsen, 1993).

Unbalanced (Extreme) types; because family members can experience being both independent from and connected to their family.

2. Positive communication skills will enable Balanced types of couples / families to change their level of cohesion and flexibility more easily than those Unbalanced (Extreme) types; because negative communication skills impede movement into the Balanced types, thereby increasing the probability that Unbalanced (Extreme) systems will remain extreme.
3. To deal with situational stress and development changes across the family life cycle, families will modify their cohesion and adaptability to adapt to the stress; because the

family is able to bring about second order change to its system in the belief that change can be beneficial to the maintenance and improvement of their family functioning.

This model is of value for conceptualising and assessing the ability of families to function under the anxious conditions that generational transitions bring. It allows a family's functioning to be assessed during the transition period to support the observations made on their emotional functioning and their ability to make progress with the many tasks in their transition process. The FACES II questionnaire was used in this research as an objective assessment method to provide additional data on how well the families were functioning at the time the feasibility of their family, ownership and business structures was being tested for the future under different ownership and leadership.

The infrastructure of the family system contains sub-systems so that tasks and functions can be carried out by the appropriate people. Typically, subsystems are formed by gender, sex, function, or interest in specific topics. To be a member of one or more family subsystems means individuals have to learn different skills and to handle being in a different role with certain levels of authority and power and to participate in complementary relationships in order to attain mutuality and access to resources to survive and grow.

Typically, family systems have spousal sub-systems, a parental subsystem and sibling subsystems (Minuchin, 1974). Being in more than one subsystem involves taking on different roles: being a parent involves exercising hierarchical authority whilst being a spouse involves using negotiation and consensus building skills rather than relying on personal power and authority. Someone in a sibling subsystem has a different role when relating to a parent (i.e. as a subordinate) than the role they occupy when relating to a sibling (i.e. as a peer). Roles in family subsystems are upheld when an invisible structure known as a boundary is maintained. The boundary allows interaction with other subsystems without undue interference, and allows the subsystem to carry out its tasks and functions. Families can get into difficulties when the boundaries between the subsystems or between the family and the environment are far too diffuse and the hierarchy breaks down, or when the boundaries are too rigid, and communication about adaptation becomes difficult. The maintenance of boundaries, and the

ability of people in the family system and subsystems to differentiate themselves and their roles determines the family's ability to manage under stressful conditions when the system has to cope with an increase in anxiety.

Bowen family systems theory explores the issue of hierarchy in natural systems in terms of the respective giving and receiving of aspects of the psychological "self" from subordinates to the leader of the system. In this sense, any position taken up in a hierarchy represents a relationship posture employed by the members of the system to keep the system in balance through reciprocal emotional relationship arrangements (Bowen, 1978, p378). Consequently, in a couple there may be an overactive spouse complemented by an under-active spouse or family member. The dominant figure in the system is thought of as the one who assumes responsibility for the system by absorbing parts of the "self" given up by others who assume an adaptive role in order to feel they belong to the system. Gilbert (1996, p.212-213) describes this feature of hierarchy as follows:

...theoretically, the individual at the bottom of the hierarchy would be contributing self to each individual of higher rank in the system...The individuals at the top of the hierarchy would be considered to be gaining the most self. The individuals at the bottom would be donating or giving up the most. Bowen described the adaptive, or underfunctioning position as being at risk for physical or other symptoms. The one in a more dominant position does better, all things considered.

A business-owning family going through a generational transition is required to re-organise the people who occupy key roles in its hierarchy. This changes the internal structure of the family – a structure that has proved to be workable for the family by means of the giving and taking of self since the offspring were born. Ageing of the senior generation and maturation of the junior generation eventually trigger the process of re-structuring the reciprocal pattern of relationships in the family, so that the junior generation can legitimately attain seniority. At these times, the balance or equilibrium in the family system has to be adjusted in order to let the new reciprocal arrangement develop and become established as the new pattern in the family subsystem structure and in the business subsystem structure.

Since any change to established patterns and norms that have instinctively kept the system in balance generate anxiety in those affected by the change in their circumstances, those

experiencing the most anxiety may trigger the homeostatic tendency to get things back to the way they were, and in so doing, engender resistance to the attempts being made to change the power status in the relationship. Change itself generates anxiety, but when it is accompanied by the prospect of ageing, decline and mortality at a time when the senior generation or others in the system are not ready to acknowledge that these are approaching, then the whole system itself may be mobilised to resist the transition as long as possible (Lansberg, 1988). The family's resistance to recognising and acknowledging that the generational transition is approaching may therefore prevent the tasks required in the family sub-system from being carried out. It is difficult to envisage a smooth transfer of power, authority and leadership in the business sub-system if the family has not yet reached the point of recognising the signs of the forthcoming change in roles.

Although the succession literature strongly advocates that a smoother transition can be achieved if families get actively involved in the planning of their generational transition and in the training and development of the successors, few studies have examined the impact of family relationships on whether these tasks are carried out (Seymour, 1992; Lansberg and Astrachan, 1994). Lansberg and Astrachan's 1994 study examined the extent to which relationship variables (family cohesion and family adaptability) were determinants for succession planning and successor training during the transition process. They found that the relationship was not straightforward: family cohesion and adaptability influenced important *mediating factors* on the degree of succession planning and successor training. The mediating factors were the family's commitment to the firm and the owner-manager's and successor's relationship.

Family adaptability, it was suggested, significantly predicts the quality of the relationship between the owner-manager and the successor which was positively associated with successor training activity. Family adaptability was not significantly associated with the degree of the family's commitment to the firm: it was suggested therefore that family rigidity rather than flexibility that may influence the family's commitment to the business. Family cohesion was significantly associated with commitment to the firm but only with the quality of the owner-

manager's relationship with the successor from the perspective of the owner-manager. Importantly, the authors found that family cohesion and adaptability do not directly affect whether succession planning and successor training is carried out: these are determined by the effect of mediating factors such as the family's commitment and the quality of the senior-successor relationship. Their findings gave an indication that simple cause and effect relationships between family relationships and organisational behaviour are unlikely to exist in these complex systems, because variables and mediating factors relate in complex ways and must be taken into account. The mediating factors are themselves complex phenomenon: a family's commitment to the firm (defined in terms of the extent to which the owning family want to ensure family ownership continues and their legacy lives on), for example, is the product of numerous cultural and emotional variables as well as being a mediator through which family connectedness and relationships are acted out. As the authors pointed out (*ibid.*, p.55) the interdependence of family and business may mean there are other factors impacting on the degree of family cohesion and adaptability: the Circumplex model on which this work is based is dynamic and families are expected to move around the zones depending on the anxiety they encounter: a downturn or a crisis in the business could make them more cohesive to cope with the stress.

Lansberg and Astrachan's study identifies the importance of Olsen's concept of cohesion and adaptability and Bowen's concept of differentiation in family systems in the specific context of two succession tasks: succession planning and successor training. However, more work is needed on the wider task environment of generational transitions, and that is the aim of this project. Is it clear from their results that "rigid" families will have difficulty establishing a new leadership regime because to do so would be second order change and would represent a major shift in their normal functioning pattern. However, they may get through the transition anyway because their cohesion (the family level of undifferentiation) keeps them committed to the firm if this tends toward an extreme: that is, if they are enmeshed or emotionally "stuck" there. Families who are extreme on adaptability and / or cohesion may still get through the transition even if the process and its outcome creates a level of dissatisfaction for family members. This is because their system will nevertheless have survived intact, and it will have

avoided radical change that threatened to force them to re-define their connection with each other. Kaye (1996) proposed that some family businesses are manifestations of "sick" (enmeshed) systems in which individuals are prevented or held back from individuating or separating from their families-of-origin. Lansberg and Astrachan's findings raise the question of how the influence of family cohesion and adaptability is mediated on successor training, planning or other succession task activity. The research being conducted for this report aims to explore the overall context in which these dimensions of family functioning are mediated. Of specific interest is the extent to which a family's business is "used" to maintain family cohesion even if this leads to family members feeling emotionally or developmentally held back.

Seymour's (1992) findings, based on a survey of seventy seven firms supported Lansberg and Astrachan's findings that the quality of work relationship is an important predictor of succession training; however, it was an important, but not crucial factor in determining whether a succession plan will be developed. The conclusion from both studies is that the likelihood of successful retention of family leadership in the next generation is most likely to be improved if the focus is kept on improving the work relationship between the owner-manager and the successor. Lansberg (1999) reported that above all, an excellent social relationship outside the business between the predecessor and successor significantly improves the prospects of each generation being able to manage the inevitable tensions arising as the transfer of power takes place.

In terms of the context for generational transition, the structure of family systems is important because it constrains the family's ability to manage its circumstances and the fundamental change that takes place in people's circumstances. During the transfer of leadership in the business to next generation family member(s), the patterns of family transactions that have taken place since the offspring were born change in the parental subsystem as the next generation rises in the family hierarchy. The spousal subsystem has to learn to adapt to changes in the relationship in which the business can no longer be used to regulate the emotional and physical distance between the spouses. In the sibling subsystem, their elevation in the family hierarchy also requires an adjustment to the decisions being made about

leadership in the family and the business, power, wealth and ownership. The generational transition process seriously challenges the family system's ability to adapt to the changes required, and to re-set its equilibrium at a different level.

2.4.3.2 Structure In The Business Subsystem

Although there are many different possible organisational forms that a business may assume, it is generally agreed that there are a limited number of types of structure (Johnson and Scholes, 1993, p344). These are assumed by firms when they see the need to organise themselves to get the best benefit possible when exchanging resources with their business environment.

Smaller firms in stable environments therefore tend to adopt a simple structure or a functional structure to ensure the primary tasks of production, finance, marketing and personnel are carried out. When the business environment is more complex, and when the firm itself is large and multi-functional, more complex structures are adopted such as the multidivisional structure, the holding company structure, the matrix structure, or some intermediate structure.

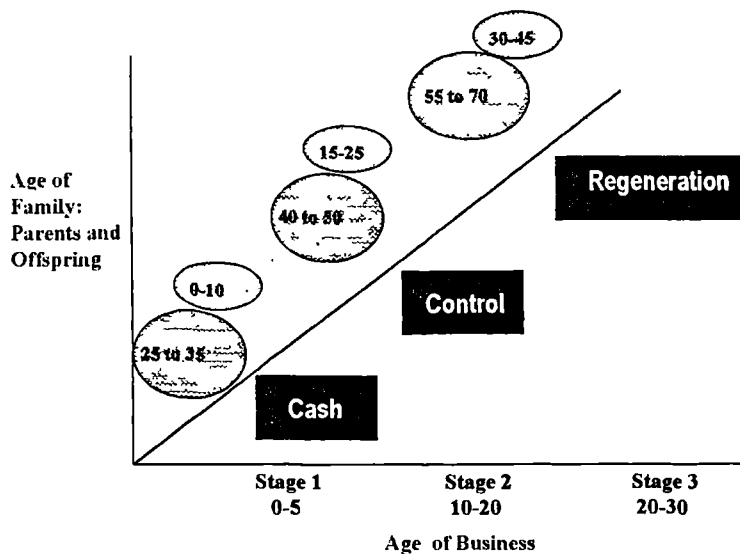
Family ownership and participation in their business can affect the structure chosen to exchange resources with the business environment. Hershon's (1975) study into the problems of management succession was the first to bring the family dimension into models of organisation development. Hershon described the discernible organisational patterns over the typical life-span of a business organisation as follows: Pattern A is the one-man show characterised as individualistic with close supervision; Pattern B has collaborative management characterised by the fission of general authority into specific functions; Pattern C has collective management and is characterised by a fusion of independent units into an interdependent union of companies. Relating this to the structures adopted when there is family ownership and participation in the firm, he commented (ibid., p.V-11)

In general, the organisation structure in each pattern grows naturally out of the family relationships among the owners; the elaboration of the pattern characteristics, however, result at least in part from external forces operating on the firm. Thus, while the organisational milieu of the family firm in many ways is not unlike other organisations, it almost invariably bears the unique mark of the family's moral and ethical standards and traditions.

Ward's analysis of the stages of family business evolution took the organisational development model further by taking account of the simultaneous needs of the family and of the business over the duration of the lives of the founding generation of family members and the life-cycle of the business. By taking the ages of family members into account, he identified three specific evolutionary stages (Stage I: Growth; Stage II: Control; Stage III: Regeneration). By moving from one stage to the next, some changes to the structural form and the systems driving these structures were required. Since ageing and changes in the business environment are inevitable, this puts pressure on the family and business subsystems to evaluate the ability of the structures they are using to deliver the most effective exchange of resources with the business environment. As the family matures, the needs of the individuals within it change and this leads to changes taking place in the way the business as a sub-system organises itself to continue gaining access and giving resources to the business environment effectively, but in addition, to also channel resources to and from the family subsystem. By the time the business subsystem has evolved from Ward's stage I to stage III, the needs of each subsystem will have moved from being consistent, to being split, to being in conflict. When the generational transition begins at the end of stage III, one of the primary tasks facing the family is to assess how to readjust and re-set the balance under circumstances in the business subsystem when the generations have such differing needs and outlooks (Figure 2.6).

Gersick et al.'s (1996, p.108) developmental model of the family enterprise also includes three stages in the evolution of structure in the family business corresponding closely to those identified by Ward above. Gersick et al. incorporated models of adult psychological development into the key challenges facing the business structure at each of the key stages:

- **Start-Up Stage (SU):** characterised by an informal structure with the owner-manager at the centre; there are two key challenges at this stage. The first is to carry out the required business planning, market entry and financing of the enterprise, while the second is to engage in the dual process of analysing the venture and at the same time, keeping the Dream (one's personal sense of vision and hope for one's life) in sight.



	Stage 1 Growth	Stage II Control	Stage 3 Regeneration
Nature of Business	Rapid growth; demands Time and money	Maturing	Needs strategic regeneration & re-investment
Character of Organisation	Small, dynamic	Larger and more complex	Stagnant
Owner-Mger Motivation	Committed to business success	Desires control and stability	Seeks new interests or is "semi-retired". Next generation seek growth and change.
Fam. financial Expectations	Basic needs.	More needs, including & education	Larger needs: incl security and generosity.
Family Goals	Business success	Growth & and devel. of children	Family harmony and unity
Alignment of Needs:	Aligned: family & business survival Via cash flow	Splitting: family and business need cash and time for different Purposes (parenting vs business growth)	Generations have different agendas: risk outlook differs. Funds wanted for retirement vs growth & regeneration.

Figure 2.6 Family Business over a Single Generation Life-Cycle (adapted from Ward, 1987, p20)

- **Expansion / Formalisation (E/F):** characterised by the need to instil organisational structure in the firm, often along functional lines, and to deal with the possibility of multiple products or business lines. The business is too complex for informal, centralised control. The key challenges of this stage are balancing the owner-manager's role with the evolving need for a different style and skills; strategic planning exploring different scenarios; putting in place organisational systems and policies to underpin the structure in the business subsystem, and the management of cash flow.
- **Maturity (M):** characterised by an organisational structure that will support stability in the firm; modest growth based on a stable or perhaps declining customer base; a senior management team running the structure; and well established organisational routines. The key challenges of this stage are to strategically refocus the business; to assess management and ownership commitment for the next stage of the business, and to ensure the availability of appropriate reinvestment.

2.4.3.3 Structure In The Business Family

The evolutionary perspective on the changes that take place in the structure and infrastructure of family enterprises was further developed in Gersick et.al.'s (1997, p.17) development model. Rather than focus on the business structure relating to a single life cycle (i.e. of the founding family), the developmental model brings together the family and business subsystems and in so doing, takes account of the influence noted by Hershon that the family has on the organisational milieu and the development of the business, and that Ward noted leads to changes in the needs of family and business over time. Whichever generation is in control, or whatever ownership from the business may have (i.e. there may be multiple families involved in the business), Gersick et. al. identified four stages with corresponding structures that each family will experience during its developing involvement with the business over time:

- **Young Business Family (YBF):** where the adult generation is under forty and children, if there are any, are under eighteen. The "marriage enterprise" between the founder(s) (or founder and spouse) or in the lives of siblings and cousins is the key structure at this stage. The key challenges of this stage are to make the marriage functional and workable; to

make initial decisions about how the relationship between work and the family will be managed; working out relationships in the extended family, who may or not participate in the business, and raising children.

- **Entering the Business (ETB):** where the senior generation is between thirty-five and fifty-five and the junior generation is in the teens or twenties. The key challenges of this stage for the adults is to manage the mid-life transition (Section 2.4) in which a serious appraisal of the career path, social and love relationships (the "life structure") is carried out, and decisions made about whether and how to modify any aspects of the life structure. The younger generation faces the challenge of separating and individuating (Section 2.4) from their family-of-origin; if they work in the family business this may not be attainable (Kaye, 1996, p355) or may be set back. Their parents also face the challenge of facilitating the next generation in making their initial career decisions.
- **Working Together (WT):** where the senior generation are between fifty-five and sixty five and the junior generation is between twenty and forty five. The key challenges of this stage are to foster cross-generational co-operation and communication and also to encourage productive conflict management. In some families, there may be three generations working together if the grandparents of the senior generation are still involved; this can create problems for the middle generation, who need to assert their authority yet may find themselves "sandwiched" in the structures within the family and business subsystems between the elder and younger generation (Gersick et.al., 1997, p.91).
- **Passing The Baton (PTB):** where the senior generation are age sixty and above. The key challenges of this stage are for the senior generation to disengage from the business and the generational transfer of leadership. This means the structure of the family and the business will be adjusted as the next generation assumes its new position in the hierarchy.

2.4.3.4 Structure In The Ownership Subsystem

Ward (1987) introduced the concept of three key ownership categories with specific structures. Gersick et. al., (1997) built upon this concept by setting out the developmental context for the three ownership structures: in an evolutionary sense, each stage moves towards the next, more complex stage: the controlling owner (owner-manager or close supervision), sibling partnership

(collaborative management) and cousin consortium (collective management). Gersick et. al.

(ibid., p276) said of the ownership structure:

The ownership structure changes least often, but most dramatically. We have emphasised that it is often not the identity of individual owners that is important, but the structure of the ownership group that determines so much about the operation of the family business system. The distinction between Controlling Owner, Sibling Partnership and Cousin Consortium are not only consequences of the serendipity of procreation and estate plans. They are choices, made in pursuit of individual and collective dreams. Nearly all the other dynamics presented...-among family members, managers and shareholders – follow from the stage of ownership development, and change when the ownership structure changes (ibid. p. 277).

Ownership can be described as a stage (it is transient, and subject to change when shifts in ownership are made), a category (with characteristics that distinguish it from other ownership categories) or a structure (it can lead to certain types of organisational form depending on whether the ownership is concentrated in the hands of one or a small number of people, or whether it is diluted and spread over many family branches or to family and non family owners). Ownership represents the wealth that has been invested or created by the business, and also stands for the work or “sweat equity” carried out to allow the business to survive and grow. For these reasons, ownership is of prime importance in the family business and it can be used as a lever of power to enable or prevent decisions being made, and as a lever of the generational transition. Even though a successor or team of successors may have achieved the working title of managing director, the transition is not fully sanctioned until the power that accompanies ownership is also transferred. Lansberg (1999, p.28) commented

Whether or not the owners are working in management, in the last analysis it is they who hold the ultimate power in the company. This assumption in no way diminishes the importance of managerial authority in many companies. The point is simply that in family businesses, the traditional distinction between ownership and management is at best blurred, so that, when the chips are down, ownership rights typically prevail over management authority.

Gersick et.al. describe the typical features of each ownership structure as follows:

- **Controlling Owner (CO):** where ownership control is consolidated in one individual or couple. The key challenges under this structure are to secure the capitalisation of the business; to balance the unilateral control of the business with the need for other input and expertise; and to choose an ownership structure for the next generation. If the business

moves along the developmental model in an evolutionary direction, the next stage would involve passing the ownership of the business to a sibling partnership.

- **Sibling Partnership (SP):** where two or more siblings share ownership control, and the direction of the business is effectively in the control of the hands of one sibling generation. The key challenges under this structure are to develop a process for shared control among owners, some of which may or may not work in the business; to define the roles of non-employed owners in the structure; to retain capital for reinvestment and yet provide liquidity; and to control the factional orientation of family branches. After a sibling partnership, the next evolutionary stage would involve siblings divesting their ownership to their offspring, thereby creating a cousin consortium.
- **Cousin Consortium (CC):** where there may be many cousin shareholders, and there is likely to be a mix of employed and non-employed owners. Each cousin branch may contain different numbers of people so the power may be unequal amongst branches unless each of the siblings in the previous generation decided to keep the branches equal when they come to power. The key challenges under this structure are to manage the complexity of the family and the shareholder group, especially since the cousins (who were not brought up in the same household, and who can not relate to a sense of sacrifice made to establish the business) may feel differently about the business than the founder and his offspring. Since the degree of loyalty to the business may differ, a key challenge is therefore to create a family business capital market.

2.5 Ownership Structures as Governance Archetypes of Family Enterprise Systems

There are many variations possible in the forms a family business can take, depending on who started the firm and what the relationship was between founder(s) and leader(s) of the firm. The ways and means found by family enterprise systems to govern themselves are known to be instrumental in determining the prospects for survival of the family enterprise. Aronoff and Ward (1996, p.1) point out that unless a conscious effort is made to organise effective governance practices throughout the family enterprise system within and throughout the transitions to each stage in the development of the family business, many business-owing families will find themselves drifting unconsciously into haphazard or destructive patterns of decision making

and communicating. These patterns can threaten and even destroy the shared interests of those in the system. The three basic ownership forms (CO, SP and CC) are widely regarded as the key governance archetypes to be found over the development cycle of the family enterprise (Gersick et. al., 1997; Aronoff and Ward, 1996; Neubauer and Lank, 1998, and Lansberg, 1999).

There has been a lot of emphasis on corporate governance in recent years following the Cadbury Report of 1992 from which a code of conduct at board level was recommended for governance systems in British industry. This was largely taken up to avoid the need for legal intervention to ensure that companies were being properly controlled and directed (Neubauer and Lank, 1998, p67). In family enterprise systems, the interdependence of the family, business and ownership subsystems means that governance has to extend beyond the Cadbury recommendations for the functioning of the board. The board, as the structure that represents the overlap between the ownership and business sub-systems, is concerned primarily with only one of the three overlapping areas inherent in the family business system. The others involve the overlap between family and ownership and between business and family. A mechanism of governance is therefore needed to control and direct the whole system. This can be achieved firstly by considering the needs and interests in each of the constituent sub-systems that must be taken into consideration throughout the life-cycle of the family business. Aronoff and Ward (1996) provided an illustration of these interests, showing how disparate they are (Figure 2.7 below).

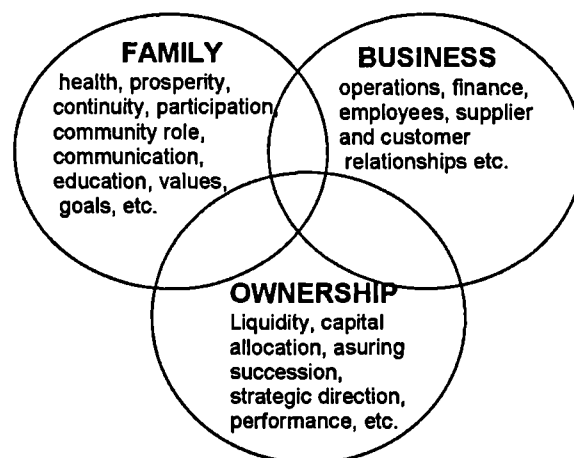


Figure 2.7 Dimensions of Family Business Governance (Aronoff and Ward, 1996, p5).

Having identified these competing self-interests, workable structures and processes must be created and used to organise each of the subsystems. Communication needs to take place by means of an integrating mechanism bringing representative “voices” from each of the subsystems together to guide and control the whole system collectively. Gersick et.al. identified the structures and plans commonly used to organise the sub-systems’ interests and the development of the whole system (Figure 2.8 below).

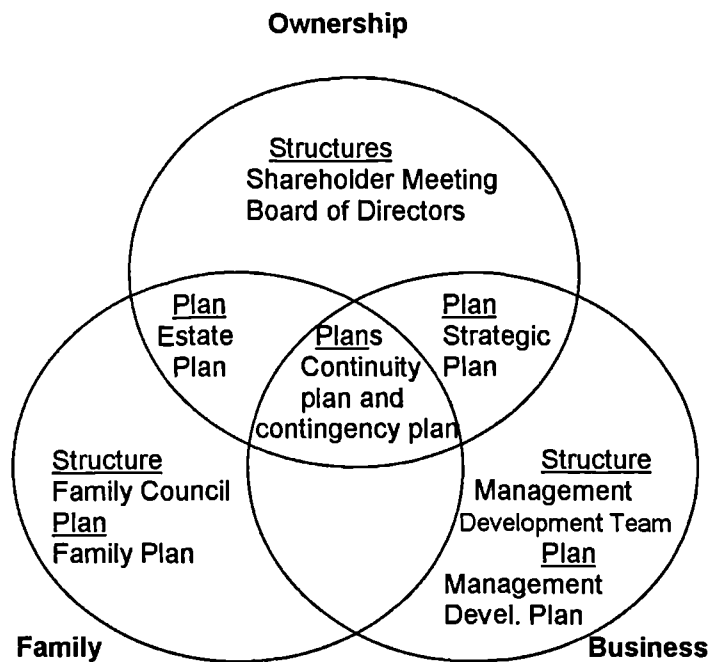


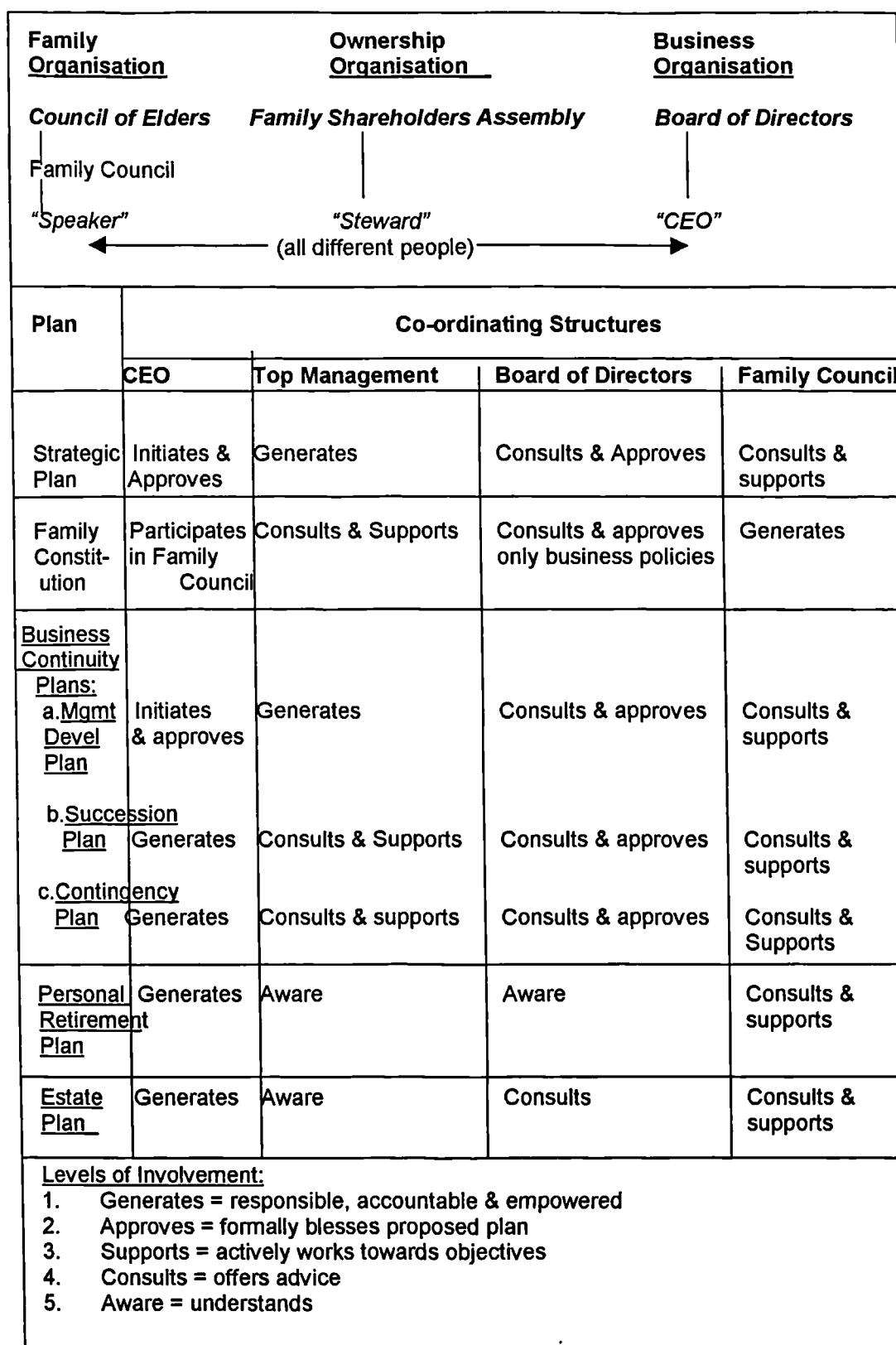
Figure 2.8 Structures and Plans in the Three-Circle Model for Family Business Governance (based on Gersick et.al., 1997, p226).

In close agreement with Aronoff and Ward (1996) and Gersick et.al. (1997), Neubauer and Lank (1998) identified the main ingredients of family enterprise system governance in terms of the institutions (structures) involved and the key measures for corporate governance (i.e governance of the family enterprise system). The institutions are defined as the family council (or other similar forum), top management and the board of directors. The key measures of effective governance were: securing CEO succession, establishing a vision and strategy for the firm; securing the financial resources to satisfy the financial needs of the company and the family, and controlling the firm at the highest level.

How each family enterprise co-ordinates its governing structures may vary, depending on the prevailing culture in the family enterprise system. Although Neubauer and Lank offer numerous examples of pieces of family enterprise governance systems such as family constitutions and statements of values and policies, documented examples of fully controlled and integrated working governance structures are rare. This may be because governance as a management practice has only recently been publicised as best practice and the technology and process know-how to implement it in family enterprise systems is still being developed and refined. However, one family, The de Gaspe Beaubien family in Montreal (Institute for Family Enterprise, 1997) have developed a comprehensive and sophisticated system of governance for their highly complex family enterprise, and are encouraging other families in business to adopt their own approach to applying best practice. Their governance system evolved from a combination of their own experience of what was working well for them as a family in business, and from what they learned by visiting over 100 families around the world who were known to have effective governance structures, processes and practices in place. Their governance model is shown in Figure 2.9 below. Although less complex family enterprises may not need to have such an elaborate structure, adhering to the organising principles and generating the commitment to using the processes constructively are equally necessary.

Governance structure relates to the systems and process that are used for managing the conflicting interests that constituents have in the family business system. These originate in the overlap of the subsystems in the three-circle model and lead to individuals often occupying multiple roles in the system at any one time. Unless it continually recycles its ownership-governance form, over time the family business will change its form by making a transition either to become more complex (evolving) or to revert to a less complex structure (devolving). To avoid drifting into destructive or dysfunctional structures and behaviours, it is critical that the management systems and processes collectively referred to as governance are in place in advance of the transition in order to contain the transition process and to guide the whole system through the restructuring processes in each of the subsystems. Governance structures and processes create the mechanisms by which the interests of the people involved can be taken into account during the transition process. The structures and processes of governance

Figure 2.9 Governance Structures and Processes in the de Gaspe Beaubien Family Enterprise



in the family business guide and nurture the restructuring processes taking place in the infrastructure of the family, business and ownership systems. In so doing, they help to contain the anxiety generated by people who are undergoing changes in their roles and in the structures which define power, authority and autonomy in each subsystem, and which define the pattern of their interrelationships with others. When the total family enterprise system is undertaking a generational transition, it is effectively changing the model it has used in the previous generation for organising the tasks and duties of keeping the system intact and working effectively, and is shifting the system towards a different way of organising these functions.

When the change in governance structures amounts to the break down of the equilibrium that held the total system intact, the transition is “revolutionary”. This is inevitable when the ownership and leadership of a business changes from controlling owner to sibling partnership or from sibling partnership to cousin consortium, or when the reverse transitions occur. These transitions require major changes in the organisation and structure of each sub-system and therefore in the total family enterprise system. In contrast, generational transitions in which the governance structure of the outgoing generation is recycled is evolutionary in nature because the systems and processes by which the entity is organised and ran are kept intact, whilst changes take place in the personnel who operate them.

Not all family businesses change their ownership structures in an evolutionary direction: some may recycle their ownership structure, or devolve into a different or previous form. The developmental model shows that when a family business is considering what form of ownership structure to adopt, it has nine choices based on the ownership developmental model (Figure 2.10).

In the context of generational transition, changes to the ownership structure are the most profound because of their legal formality and the changes in power and authority they represent. They are also profound at the emotional and structural level. This is because anxiety is generated in individuals, groups and families when the transition process requires change that threatens the equilibrium or homeostatic balance of the system, and this anxiety must be

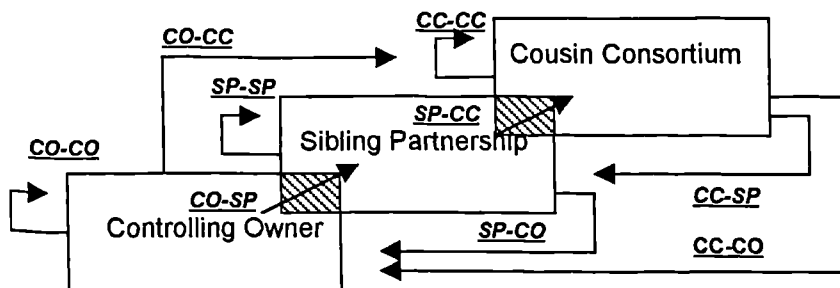


Figure 2.10: The Succession Options: Recycles, Evolutionary and Devolutionary Transitions (based on Gersick et.al., 1997, p226).

managed. At the structural level, anxiety comes from the prospect of change being required or enforced upon the network of structures and relationships which hold each subsystem intact (the “deep structure” (Gersick, 1991)) and which, in turn, keeps the family enterprise system as an entity intact. The deep structure is uniquely organised in each system so that the system can exchange resources with the environment. During transitions, the deep structure breaks down because it is no longer suitable for the system, and the most fundamental task of transition is to re-build the network of subsystem relationships back into a new deep structure which is feasible for the next phase of family ownership and leadership.

In keeping with the three circle “family business system” model, when any of the nine possible ownership outcomes in the developmental model are the goal of change in the family subsystem, there will be consequences felt in the structures of the family and business subsystems: shifts in wealth, power and authority affect family members in the family subsystem, and shifts take place amongst the membership of the owner’s group and often the board of directors. People change roles, and this creates for them a different way of seeing the world. A junior family member who just became an owner and joined the board for the first time now has a set of legal rights, duties and responsibilities for each of their roles as director and as owner. A senior family member who retires and passes on the ownership effectively

changes his or her role in the system and becomes a family member only, perhaps just advising the board. The roles, duties and rights that have been given up mean that leadership of the family has also changed, and the hierarchy that kept the family's sub-systems in place has changed.

Although changing ownership is usually the most profound in the generational transition, and would therefore warrant the most preparation and thought, research into ownership transfer has shown that parents usually struggle to find a solution that they feel can straddle the boundary between family business. On the family side, parents often seek to be "fair" to their offspring in their estate plan, but then realise that being fair may not mean leaving the estate divided equally amongst the children (Ayres, 1990). In these cases, using the principle of preferential partibility, parents leave the business to the offspring who work in the business and leave other assets, even if unequal, to the other offspring (Schwartz, 1996, p456). When the business is the main part of their estate, the structure in these cases is being recycled from one controlling owner to another. In the family subsystem, the heir should expect to deal with the envy of any other siblings, as well as the challenge of taking on the burden and responsibility of leading the business and dealing with the establishment of different roles vis a vis the parents. Some parents feel that the estate must be divided equally amongst the offspring, in which case the challenge in the context of generational transition is to plan for the transfer of power from a unitary system to a plural system. If, when the siblings were growing up in the controlling owner household, they had no experience in their parenting of shared and devolved decision making, this type of transition will present a significant challenge to the family and to the business: in the family subsystem, there will be no experience on which the siblings can draw in order to learn how to share power. In the business subsystem, all the stakeholders are used to there being a chain of command in which the parent took decisions; no one will be sure who is the real leader. If all of this takes place after the death of a parent, a lot is at stake in terms of the family members' credibility and the well being of the business leading to pressure to get this process working smoothly from the outset. Lansberg (1999) provides extracts from two different successors to illustrate what can happen when the consequences of changing the ownership structure have not been planned properly in advance. In the first extract, the lack of any familial

role model for conflict resolution and power sharing in leadership when a brother and sister were growing up together led to failure in the business when they became a sibling partnership:

Unfortunately, my family never learned to talk openly about our aspirations. So when we had to figure out what we would do in the future, we had a terrible time breaking past the idea of what we thought our father would have wanted...Perhaps, if my brother and I had learned to collaborate earlier, if the concept of a leadership team had been sold to the employees, the board and to the rest of the family by my father, well...As it was, it became too difficult for me...I know I did not want to become a bitter 45-year old woman...so I decided to go and ultimately my brother had to sell.(Lansberg, 1999, Chapter 5).

In the second extract, a successor describes his experience of living with his siblings in an ownership structure for which he was not prepared, since he expected to continue the controlling owner structure he had seen his father model all his life:

It was always understood by everybody that I was the one who was going to take over the family company. I loved working with my parents. I put in the time, I made the effort, and I achieved the respect of all the employees. My parents had always led me to believe that I would control the company. However, shortly before their deaths, they came to feel that giving majority control was going to be unfair to my brothers and my sister. Unbeknown to me, they changed their will and left us all equal shares in the business. I now feel like an ox pulling the rest of the family along. The irony of it all is that they thought this would minimise the conflict among us (Ibid., Chapter 7).

Generational transitions bring the challenge of thinking about the roles and structures present in each of the sub-systems and thinking forward to what should be put in place in terms of structures and processes to give the next ownership form the best chance of success. The extracts above show how difficult it is in the family subsystem to cross the boundary from the parental subsystem (when deciding what goes in the will), to the business subsystem (when thinking of the consequences of the will on the sharing of power and on the leadership and direction of the business). Similarly for the siblings in these extracts in their own sub-system in the family circle, each finds it hard to put their role as a sibling (concerned with fairness, equity and rivalry) behind their roles as owners (concerned with the stability of the business) and as sharers of executive power (concerned with the direction of the business). Sooner or later, the anxiety generated from structural conflict (i.e. being in multiple roles with competing objectives and with no prior preparation for managing one's self in this situation) becomes "too much" for one or more siblings. To lessen the anxiety generated by these dilemmas, siblings may try to distance themselves from the problems by cutting themselves from ownership (selling), leadership (leaving the business) or by being unable to relate to their family members as long

as these conflicts of interest are unresolved. Or they may remain in situ, tolerate the high levels of anxiety and either “tough it out” or “fight it out”.

2.6 Conclusion

All of the subsystems in the family enterprise as a whole entity therefore have their own infrastructure with rules and systems to guide how people and resources are organised so that the family and business can co-exist purposively. Each subsystem has its own way of managing power and each has to manage the boundaries between itself and the other systems. When the people who occupy constituent roles in the system carry out transactions with people who occupy constituent roles in other parts of the system, structural conflict is inevitable. The family enterprise as a whole entity achieves equilibrium as a dynamic system when its subsystems are working well under their different structures and rules, and when each is aware that crossing the boundary between subsystems means transacting in a different way, under different rules and in a different role to the one that people may be used to inhabiting. Structural conflict is therefore an important component for generational transitions. The next chapter explores the third dimension in the context of change in generational transitions: what happens when the whole system's situational context moves from one type of structure to another, as is the case during the succession process.

CHAPTER THREE

THE CONTEXT FOR GENERATIONAL TRANSITION IN FAMILY ENTERPRISES: THE SITUATIONAL DIMENSION

3.1 Introduction

The previous chapter examined the in-built structure present in family enterprise systems and made a cross section through the whole system to reveal the infrastructures in place in each of the subsystems at any given time. Evolutionary and developmental activities in systems are continually underway in each of the subsystems and are being carried out at different rates. This chapter explores what happens when the whole system moves from one stage to another in its development. When a generational transition takes place, the whole system (with all its constituent sub-systems) embarks on the work of a transition period and goes through certain discrete steps in the change process.

This chapter reviews the literature on the process of transitional activity in systems to set the scene in terms of what are thought to be the generic stages in a transition process. It then focuses attention on the types of developmental life-cycle transitions, and their related tasks, which have been reported for individuals, families, businesses and the ownership of organisations. Finally, it examines the research on coincidental transitions and the effect of intersecting life-stages on individuals and generational transitions in family enterprise systems.

3.2 The Situational Context for Generational Transitions

3.2.1 The General Process of Transition Between Developmental Stages in Systems

The "situational context" of generational transitions refers to the type of change needed to take place in the internal structures of a family business system as it moves from one developmental stage (or situation) to the next stage or situation. In order to be functional in the forthcoming developmental stage, work may be required to adjust, re-orient or re-create the internal structures binding the system together.

Although the family enterprise system is a complex entity due to the interdependency of its sub-systems, there is much support from a wide variety of literatures for the general application of a theory of the process of change by which this work gets done. Gersick (1991, p11) found support from a diverse range of literatures for a shared paradigm and shared constructs relating to revolutionary change brought about by punctuation of the system's equilibrium. This paradigm is centred around Eldredge and Gould's (1972) view that evolution is not a gradual stream of small mutations shaped by environmental selection but rather that taxonomic lineages exist in static form (equilibrium) over most of their histories, such that new species arise abruptly, through sudden revolutionary punctuations. The shared paradigm and constructs concerned an evolutionary process containing:

relatively long periods of stability (equilibrium), punctuated by compact periods of qualitative, metamorphic change (revolution). In every model, the interrelationship of these two modes is explained through the construct of a highly durable underlying order or deep structure [based on Chomsky's (1966) construct] . This deep structure is what disassembles, reconfigures and enforces wholesale transformation during revolutionary punctuations. (Gersick, 1991, p12).

The different literatures cited by Gersick as sharing this paradigm are the fields of individual adult development (Levinson), group development (Gersick), organisational evolution (Tushman and Romanelli), the history of science (Kuhn), evolutionary biology (Eldredge and Gould) and self-organising systems (Prigogine & Stengers and the Brussels School).

Central to the punctuated equilibrium paradigm is the concept of deep structure, described by Gersick (1991, p15) as

... a network of fundamental, interdependent "choices" of the basic configuration into which a system's units are organised, and the activities that maintain both this configuration and the system's resource exchange with the environment. Deep structure in humans is largely implicit...

and

systems with deep structure share two characteristics: (1) they have differentiated parts and (2) the units that comprise them "work": they exchange resources with the environment in ways that maintain – and are controlled by – this differentiation. *Deep structure* is the set of fundamental "choices" a system has made of (1) the basic parts into which its units will be organised and (2) the basic activity patterns that will maintain its existence. (p14).

The concept of deep structure builds on the description of systems by Minuchin (1974) and Kerr and Bowen (1988) mentioned in Section 2.4.1 above and extends it to the processes by

which systems interact. The “choices” mentioned above that are “made” by systems are usually not conscious ones; Gersick (1991 p.29) stresses the importance of the history of the system, which contains its own unique array of information and conditions from which the system members can select their new direction. Similarly, Bowen (1978) described the multi-generational process in family systems as the mechanism whereby relationship and emotional functioning patterns are passed down lineages. The choices to be made to establish a deep structure in different types of systems are as follows:

- choices in individual adult development: pertaining to the design of one's life at that time: in terms of the person's relationships with various others in the external world: (career, work, love and social relationships);
- choices in group development: a set of givens about the group's situation and how it will behave that form a stable platform from which the group operates; and
- choices in organisation development: answers the question “what is it that is being converged upon?” – in terms of core beliefs and values; products and competitive timing; the distribution of power; the organisation's structure and the nature and pervasiveness of control systems.

The primary task of revolutionary transition is to evaluate the composition of the deep structure currently in place, and to evaluate its suitability for the new conditions emerging as the transition unfolds. The key phases of the transition process are described in detail in Table 3.1 below. In summary, the transition process involves:

- equilibrium: relatively long period of stability where activities build and strengthen the deep structure to exchange resources with the environment. The system is closed to alternatives.
- prior to the transition, an awareness emerges of a change internally or externally which means the strands of the deep structure (how one or more of the relationships operate) are no longer working, and or the system's means of exchanging resources is threatened. The deep structure is no longer functional and trouble spots are identified.
- The trigger can be an event or issue which created the conditions for transition, such as a temporal milestone (a significant birthday, or retirement date) or a newcomer bringing a different outlook to support and encourage those in the system. The timing of these events is significant because it affects how they are perceived and whether or not they lead to

Table 3.1 Punctuated Equilibrium Theory of Transition and Revolutionary Change in Living Systems
(adapted from Gersick, 1991).

Equilibrium Period	Preparation for Transition	Triggers for Revolutionary Change	Revolutionary Change	Closure
<p>Deep Structure in the system (DS) Kept intact: i.e. choices lived out to maintain, build & deepen the structure.</p> <p>Incremental adjustments to dampen perturbations from the environment: turbulence masks stability of DS.</p> <p>Inertia keeps the DS intact. This prevents alternatives from being generated and pulls any deviations back into alignment with DS.</p>	<p>Disruption perceived either <i>internally</i>: if strands of DS are pulled out of alignment with each other or with the environment; or <i>environmental</i>: if something external to the system threatens its ability to exchange resources with the environment</p> <p>Human system outgrow the DS that governs their responses and activities: i.e. uncover inadequacies of the old DS & generate new needs. Old DS agenda can no longer be met & perceive discrepancies or flaws in life structure.</p>	<p>Timing: the timing of events (not the events themselves) determine their perceived significance and the potential to interrupt the equilibrium.</p> <p>Newcomers: events such as the bringing in of newcomers at key temporal milestones: can't ignore trouble spots any longer.</p> <p>Temporal Milestones: An acute awareness that time is finite and the need to act.</p>	<p>Tasks:</p> <p>a) terminate old DS and initiate a new DS</p> <p>Disrupting DS: either by internal change: (misalignment of strands of DS with each other or with the environment) or external: (a change in env. affects ability to exchange resources with the environment).</p>	<p>"Master switch" leads to rapid change: cascading through the system one the new DS is chosen.</p>
<p>Reasons not to change: <i>Cognitive</i>: Limitations are set on the ability to envisage alternatives: If "it doesn't fit the box", its discarded.</p> <p><i>Motivational</i>: fear of loss, of failure or of doing something that may eliminate one's sense of belonging.</p>	<p>Trouble Spots: Apparently unresolvable anomalies point to trouble spots in the system & focus attention on them.</p> <p>Failures create major sources of energy for revolutionary change.: builds readiness.</p> <p>Shifts in conditions create the need for change, not the cause.</p>	<p>Equilibrium is Punctuated: The system's inertia and equilibrium is broken.</p> <p>Urgency for New Order: Urgent need to seek new order and stability otherwise those with vested interests pull the system back to the old structure: then the transition ends by default.</p>	<p>Dismantled DS is Temporarily Disorganised: period of uncertainty about future before choosing new DS</p> <p>Types of Outcome: radical recreations change the core values by which system makes decisions; re-orientations change power, systems, structures.</p>	<p>No Guarantee of Positive Outcome: system can change for the worse due to inertia, passivity, fear.</p> <p>Dawning of Insight: a moment of shift from confusion to clarity. Urgency from discomfort.</p>

change. If change is triggered, the deep structure, or parts of it are dismantled leaving the system in a state of flux and uncertainty.

- In revolutionary change, the conditions created prior to the transition (when the old deep structure was unsatisfactory) and by the trigger create enough energy to punctuate or break up the system's equilibrium. Members in the system are then living and working in a chaotic system in which there is no order, and they urgently seek to find a new order. They are driven by fear of loss or failure and perhaps also by the exciting possibilities the transition sets the scene for. Eventually, a moment comes in the transition where the "dawn of insight" occurs: some piece of information is either brought into the system by a newcomer, or the system is able to see existing information in a new way, and the new deep structure emerges. Parts of the old with some new strands may then create the new deep structure. If no new order is found, those with vested interests to keep the old system intact may act to re-assert the old deep structure.
- Closure comes about when the new deep structure is established and a new equilibrium formed.

As Gersick points out, these common transition rules are like the rules and statutes governing a game: they do not determine the outcome of the game, which may turn out to be highly exciting or mundane and dull, but they decree the conditions by which the game will be played. As with evolution, there are no guarantees that the deep structure being formed will be successful: in fact some transitions create change for the worse and leave a system weakened because the members of the system were unable to break the inertia of the old equilibrium due to inertia, passivity or fear of loss and failure (ibid.p31).

The ideas about a general transition process in organised systems containing predictable, defined stages of stasis and change, and the concept of a deep structure which can be periodically evaluated and amended, have great appeal to the situational context of generational transition. This is because it is widely accepted that succession is a long-term process which involves the re-organisation of interdependent relationships in the family, business and ownership systems. It is easy to see that resistance to any changes being made to the way people in their structures relate to each other and to the environment is to be

expected during times when the system is in a state of equilibrium, and that people will be very unsettled by the uncertainty and emotionality involved in revolutionary change, seeking to get the system settled back down again as quickly as possible. It is also of value when considering how the conditions making up the generational context are changing as the system is moving towards the end of a period of stability towards punctuation. Gersick's theory sits comfortably with the situations in family businesses where people in the system learn to recognise that they (and their system) have grown out of the deep structure which was formed a long time ago in response to an environment which is no longer around. For example, the senior generation in control may not be able to assert their influence in the structure as effectively any more because their peers and supporters have left or died and their offspring are now fully fledged adults, or because new technology is generating information about the performance of the business that is not deemed to be accessible.

3.3 The Transition Process in Family Enterprise Systems

Desjardins, Dunn, Gersick and Lansberg (1998) recently applied Gersick's ideas on the punctuated equilibrium paradigm to a model which would describe the sequence of stages evident in the transition process when family enterprises change their ownership structure either from controlling owner to sibling partnership, or from sibling partnership to cousins consortium (Figure 3.1 below). The model illustrates the work to be done in each stage, and infers that when the key individuals carry out the work in this order, they have the best chance of achieving a successful outcome.

Although this was based on experience from the authors' observations and consultations to many family businesses in transition, no empirical data were presented to support the conceptualisation. Consequently, it is still the case that little is known about what helps the individuals to make progress with the tasks associated with these transition stages, and what factors can prevent the timely completion of the transition process.

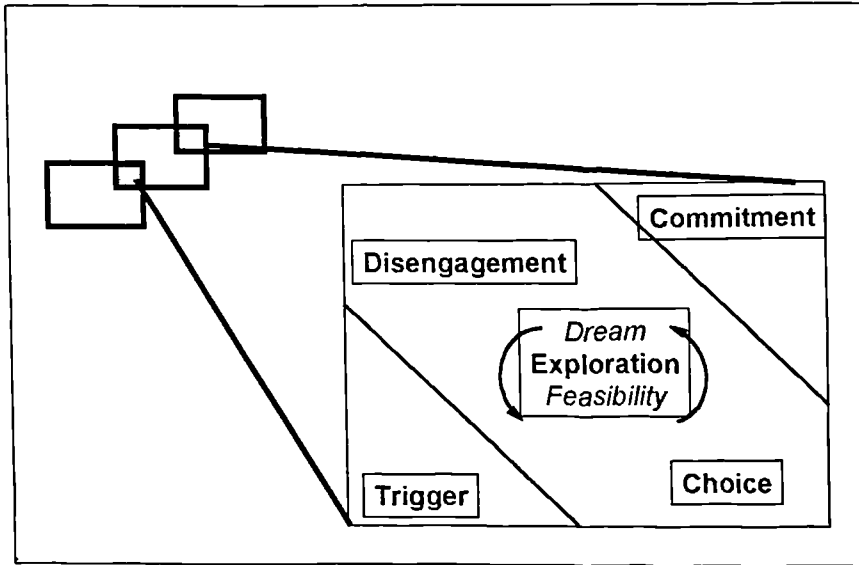


Figure 3.1 The Transition Process During Developmental Changes in Ownership (based on Desjardins et.al., 1998).

This project aims to explore the stages in the transition process in five family businesses as they go through their generational process: it aims to identify evolutionary and revolutionary change and the impact of developmental pressures and events on the deep structure and equilibrium in each system. In particular, it focuses on the “exploration” period in which each generation faces specific tasks whose origin lays in their adult psychological developmental agenda and for which the outcome relies in part on the functioning of the business-owning family as an emotional unit. Each life-stage in adult development involves the task of building on the chosen life structure until the transitional stage at which point the structure is evaluated and modified or changed if necessary (Levinson, 1978).

3.4 Life Cycle Transitions for Individuals in Business Families

In 1978, Daniel Levinson proposed a theory of adult psychosocial development in *The Seasons of A Man's Life* charting the journey taken by men through predictable, time-specific phases of stability and transition in their life cycle (Figure 3.2). Levinson was of the view that standard research methods (surveys, questionnaires or structured interviews) would not be appropriate for exploring adult psycho-social development, and chose instead to use Intensive Biographical Interviewing over a period of ten years so that lives could be examined in greater depth.

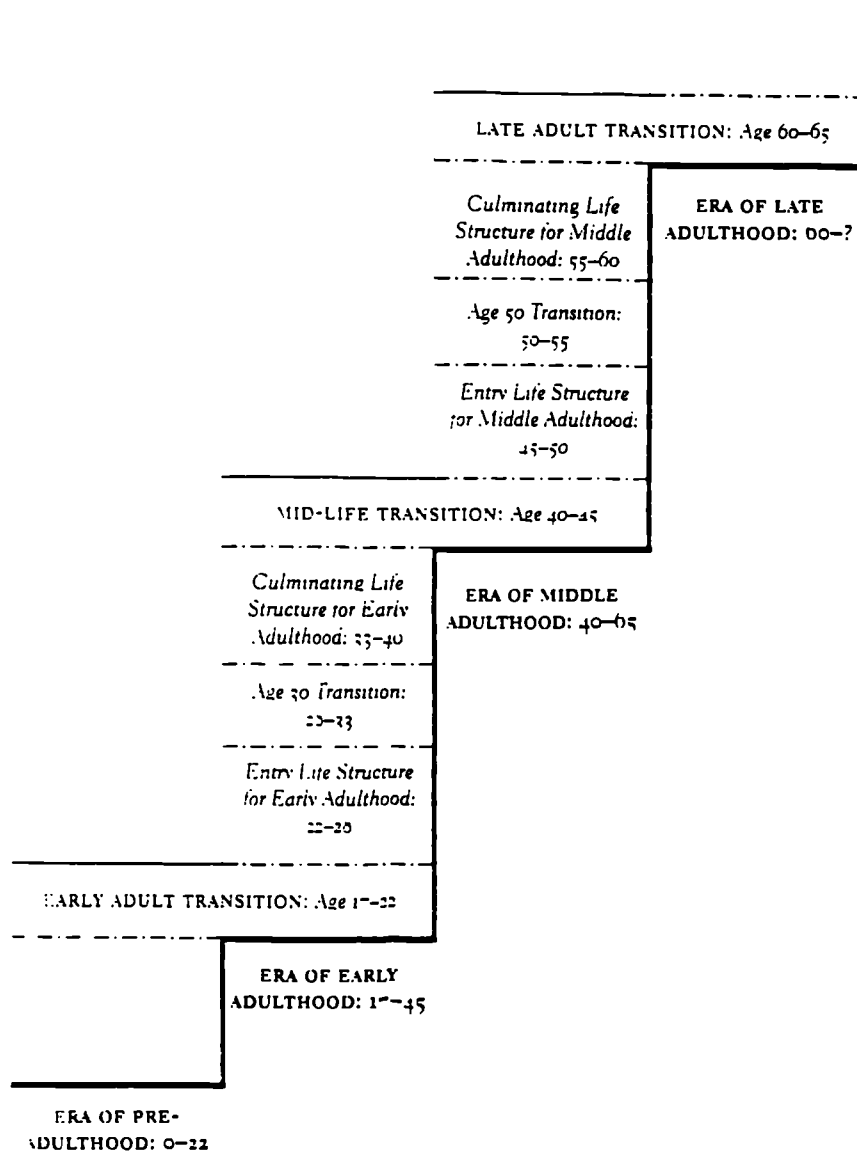


Figure 3.2 Developmental Periods in the Adult Life-Cycle (Levinson, 1996, p.18)

Levinson explained the importance of this research method in relation to the phenomenon of eras in people's lives, and their increasing awareness of forthcoming milestones:

Most studies of retirement [for example] have used conventional methods...short interviews or survey questionnaires. They were not designed to tap the deeper, long-term issues that retirement brings up for people. To get at these issues, one really needs to do in-depth interviews. Such an approach would reveal that concerns about retirement actually enter the person's mind much earlier than typically assumed. Of course, the fact that retirement is an emotionally loaded process also fosters a tendency to deal with it as an event. This way, we can avoid the anxiety that it stirs up in all concerned. (Lansberg, 1991, p.63).

The research on men was limited to forty subjects: 10 each of novelists, biologists, executives and workers. For women, the research was based on 15 women in corporate-financial careers, 15 with academic careers and 15 homemakers. The phases he identified and defined in great detail constitute the macrostructure of the life cycle. They contain three main eras, early, middle and late adulthood, each with "its own bio-psycho-social character, and each mak[ing] its distinctive contribution to the whole" (Levinson, 1996, p17). Within each era, there are three distinct phases: in the first phase, a life structure is built upon; the second phase is a transitional period during which time the choices that were made (about career, work, family, and social relationships) to construct this era are evaluated and decisions made about whether to change or amend the life structure for the remaining time in this era; and the final phase is the culmination of this life structure, when it becomes clear that the next era is approaching and the life structure must be examined anew.

Levinson built on Carl Jung's work on adult personality development, by thinking about this over a life-time by examining the concept of the generations identified by Ortega y Gasset (1933) and defining them in the light of his own findings as "seasons":

...*childhood*, age 0 to 15; *youth*, 15 to 30, *initiation*, 30 to 45, *dominant*, 45 to 60 and *old age*, 60+. Collectively, all five generations co-exist at any moment in human society. Life in each generation is shaped by the particular point in history at which it exists. Each of us moves over time from one generation to the next. The generational divisions thus contribute to the shape of the life cycle, and the potentials in the life cycle affect the ways in which generational boundaries are drawn (Levinson, 1996, p16).

Levinson also regarded Erik Erikson's (1950) work as fundamental to the development of his own thinking. Erikson's theory of personality development contained eight ego stages, each

appropriate to a specific age segment in the life cycle, and containing opposing tendencies that must be resolved before the next stage can commence. (Figure 3.3). Stages one to five are involved with childhood, stage six (Intimacy vs Isolation) begins at the start of young adulthood. Levinson regards Eriksons' views on stage seven (Generativity vs Stagnation) as "elusive" (ibid, p17.). This is called the Dominant era in Ortega y Gasset's framework, where the key task of this era is to relate to the generations of younger adults: i.e. "to educate and foster them in their initiation period so that they will, in time, be ready to succeed (and perhaps exceed) their seniors." (ibid.). Levinson describes this stage as Middle Adulthood and stresses the task for

Jose Ortega y Gasset

- Childhood [0-15 yrs]
- Youth [15-30]
(entering adult world)
- Initiation [30-45]
(end of early adulthood)
- Dominance [45-60]
(governs and directs)
- Old age [60+]

Erik Erikson

- stages1-4: childhood
- 5: Identity vs Identity confusion
(adolescence and early adulthood)
- 6: Intimacy vs Isolation
(20s)
- 7: Generativity vs Stagnation
(40)
- 8: Integrity vs Despair
(60s)

Source: Levinson, 1978

Figure 3.3 'Sequence of Generations' Theories

people in this stage of developing skills to mentor the younger generation, who will be in their early adulthood or initiation years.

Levinson completed his study of the developmental journey taken by women just prior to his death in 1994, and this was published in 1996 as *The Seasons in a Woman's Life*. Levinson

was specific about his focus of study and the generalisability of his findings:

In *The Seasons of A Man's Life*, I presented my own initial map of the developmental periods in men's lives over the course of early and middle adulthood, from roughly 17 to 65. These periods are *not* periods in a single aspect of living, such as personality, cognitive, moral, or career development. They are, rather, periods in the development of the adult life structure – the underlying pattern or design of a person's life at a given time. The life structure of a man, I found, evolves through a sequence of alternating periods, each lasting some five to seven years. A period of building and maintaining a life structure is followed by a transitional period in which we terminate the existing structure and move toward a new one that will fully emerge in the ensuing structure building-maintaining period.

I did not assume that the periods in the life structure development would be the same in nature and timing for women as for men. As with the eras, however, I made the surprising discovery that women and men go through the same sequence of periods at the same ages. (Levinson, 1996, p6).

Levinson's perspective on the profound effect of gender on the lives of men and women is described using the concept "*gender-splitting – a sharp division between feminine and masculine that permeates every aspect of human life*" (ibid.). Levinson was surprised to find that the sequencing of development in women's lives was the same because so much in the circumstances of their lives is so different:

...the circumstances of women's lives are very different from those confronting men, and the timing of many events tends to be different. Women tend to get married a little earlier. They tend to live longer. If they work, the pattern of their work and career development occurs with different timing, and so on. We are so used to the idea that women's lives have a different sequence that it is a surprise that anything should be the same. (Lansberg, 1991, p67).

In the context of generational transitions, it is important to recognise the developmental agendas, tasks and challenges that the individuals in each generation face in terms of the personal work they need to do on their life structure as they move across the generations.

Table 3.1 above showed the nature of the transition changes taking place in the deep structure of a whole system, when its equilibrium is no longer stable and the strands of the deep structure are out of alignment either with other strands and / or with the environment.

Levinson's work suggests that whilst this is taking place at the whole system level, at the same time, all the men and women in the various subsystems are dealing with moving through their own different stages of a common developmental process at the personal level. This implies that at a given time in a family business transition, there will be some people at different stages of readiness and willingness to deal with the inevitable break up of the whole system's equilibrium during the transfer of power, control and authority, depending on whether an

individual's own life structure is in a structure breaking-phase (transition) or a structure building-maintaining phase (equilibrium).

Levinson identified that periods of stability were evident when choices were made and built upon: work was done in the lives of men and women to strengthen the strands they had put in place in the previous transition, in order to build on the life structure for the next major phase of their lives. For example, a man in his early twenties in the early adult transition (17-22) makes tentative choices about his chosen career, social life and love / relationship choice. He starts to firm up his ideas by developing a Dream about what he would like his life to achieve. The Dream was found by Levinson to play a powerful role in the key stages of adulthood and was described as follows:

In its primordial form, the Dream is a vague sense of self-in-adult world. It has the quality of a vision, an imagined possibility that generates excitement and vitality. At the start it is poorly articulated and only tenuously connected to reality, although it may contain concrete images such as winning the Nobel Prize or making the all-star team. It may take a dramatic form as in the myth of the hero: the great artist, business tycoon, athletic or intellectual superstar performing magnificent feats and receiving special honours. It may take mundane forms that are yet inspiring and sustaining: the excellent craftsman, the husband-father in a certain kind of family, the highly respected member of one's community.

Whatever the nature of his Dream, a young man has the developmental task of giving it greater definition and finding ways to live it out. It makes a great difference to his growth whether his initial life structure is consonant with and infused by the Dream, or opposed to it. If the Dream remains unconnected to his life, it may simply die, and with it his sense of aliveness and purpose... Though it has its origins in childhood and adolescence, the Dream is a distinctly adult phenomenon: it takes shape in the Early Adult Transition [age 17-22] and is gradually integrated within (or in some cases, is excluded from) an adult life structure over the course of early adulthood. The novice phase is the crucial time for establishing the Dream in one's life (Levinson, 1978, pp91-93).

For young people entering the family business at the time they are putting together an early life structure and beginning to form their Dream, a major issue for their future development will be the extent to which the family business is consonant with the Dream or whether they are unable to connect with the Dream when working in the family firm. At some point, they will have to reconcile whether to pursue the Dream, and attempt to re-negotiate their opportunity to do so in the family business with their parents, or whether to deal with the consequences of foregoing the Dream, and settling for less than they had envisaged. When the senior generation enter

late adulthood (60-65), their developmental task involves re-visiting the Dream to see if they have been able to achieve any or all of it over their life time. They may have given it up during the mid-life transition and now feel profound regret. In Eriksonian terms, people who feel satisfied with their lives may look back at the effect or influence their life's work has contributed and develop a sense of integrity. For those who were unable to make progress with their Dream and were forced to put it aside (perhaps to deal with other life challenges such as economic, health and relational issues), their entry into late adulthood may be a painful one, and may be resisted, holding back the succession (Lansberg, 1991; Lansberg, 1999).

Lansberg (1999, p.155) commented that the central task in Eriksonian development theory was to deal with the "dialectical tension" arising from the need at every juncture to resolve the two conflicting tendencies at each stage (Intimacy vs. Isolation; Generativity vs. Stagnation; Integrity vs. Despair). Erikson and Levinson agree that individuals must resolve the specific dilemmas of each juncture in the developmental cycle in order to complete each stage before moving on to the next stage of development. Failure to do so means that the next stage is setback and can lead to crisis at the next transition. There are specific tasks at transition times:

The task of a developmental transition is to terminate a time in one's life: to accept the losses the termination entails; to review and evaluate the past; to decide which aspects of the past to keep and which to reject; and to consider one's wishes and possibilities for the future. One is suspended between past and future, and struggling to overcome the gap that separates them. Much from the past has to be given up – separated from, cut out of one's life, rejected in anger, renounced in sadness or grief. And there is much that can be used as a basis for the future. Changes must be anticipated in both self and world...a transitional period comes to an end ...when the tasks of questioning and exploring have lost their urgency, when a man makes his crucial commitments and is ready to start on the tasks of building, living within and enhancing a new life structure (ibid.p52).

The tasks for each of the life-stages are shown in Table 3.2a and 3.2b below.

**Table 3.2a Junior Generation Male Adult Development Tasks
(based on Davis 1982 and Levinson, 1978)**

Junior Generation	
<p>Age 25-35 Stage: Early Adulthood Developmental Period: <i>Entering the Adult World</i> Tasks: 22-28 Enter the adult world Novice adult with own home base. Test initial choices of occupation, love & peer relationships, values and life style. Work towards the Dream. Create the foundation for a stable life structure. Let go of pre-adult world . Break off "child-parent" stance. Keep options open Avoid string commitments Maximise alternatives. Practice novice adulthood.</p> <p>Tasks: 28-33 Age 30 Transition: Changing the First Life Structure Work on flaws of provisional life structure. Create more stable structure with which to go forward into middle adulthood before it is too late (by reform or revolution). Sense whether in crisis (unable to make reforms) / loss of hope of the dream. Reaffirm choices or make new choices. Create second (more permanent) life structure.</p> <p>Tasks: 33-40 Settling Down Attempt to establish a niche in society. Anchor life more firmly with choices made. Increase competence in chosen field. Invest in major components of the structure: work, family, relationships, leisure) Realise goals and aspirations. Work towards the dream: making it happen. Work to build a better life. Work for affirmation of others. Become fully-fledged adult. Becoming one's own man. Culmination of early adulthood. <i>Erikson: 20-40: Intimacy vs Isolation</i> <i>Character trait Love</i></p>	<p>Tasks: 40-45 Mid-life Transition from Early to Middle Adulthood Evaluate life structure. Evaluate suitability for self, workability for the world and satisfaction with aspirations for self. Reappraise, explore, test choices: create the basis for a new life if necessary. Reappraise commitments, ambitions, passions and illusions of youth. Attempt to establish a niche in society. Anchor life more firmly with choices made. Increase competence in chosen field. Invest in major components of the structure: work, family, relationships, leisure) Realise goals and aspirations. Work towards the dream: making it happen. Work to build a better life. Work for affirmation of others. Become fully-fledged adult. Becoming one's own man. Culmination of early adulthood. <i>Erikson: 20-40: Intimacy vs Isolation</i> <i>Character trait Love</i></p> <p>Tasks: 40-45 Mid-life Transition from Early to Middle Adulthood Evaluate life structure. Evaluate suitability for self, workability for the world and satisfaction with aspirations for self. Reappraise, explore, test choices: create the basis for a new life if necessary. Reappraise commitments, ambitions, passions and illusions of youth.</p>

**Table 3.2b Senior Generation Male Adult Development Tasks
(based on Davis 1982 and Levinson, 1978)**

Senior Generation*

Age 55-65 Stage: Middle - Late Adulthood

Developmental Period:

Culmination of Middle Adulthood

Erikson: Generativity vs Stagnation

Tasks: 55-60

Building a Second Middle Adulthood Structure

Put in place the structures to allow a second "settling down".

Tasks: 60-65

Late Adult Transition

Create the basis for late adulthood:
relationships, work, interests, leisure.

Erikson 40-65: Generativity vs Self Absorption

Character trait: Care

Tasks 65+

Erikson: Integrity vs Despair

*Task: Make sense of one's life and look back on it with a sense
of satisfaction. If handled properly:*

Character trait: Wisdom

One of the most important developmental tasks is to become more individuated as an adult. This means creating a boundary between oneself and the world; a strongly individuated person can become independent and self-generating, and has the confidence and understanding to have more intense attachments in the world (Levinson, 1978, p195). Kerr and Bowen (1988) define this independence in terms of differentiation of one's self, or separation of one's self from one's family of origin. A relatively well differentiated person achieves a balance between the emotional forces pushing him or her towards "togetherness" or attachment with others, and the opposing emotional forces pulling them towards their own individuality (Gilbert, 1992, p.12) and can therefore maintain contact with his or her family of origin, yet feel able to direct their own life. Erikson called the sixth ego stage "Intimacy vs Isolation" where the task was to integrate the formation of one's own identity yet attain satisfactory relationships. Levinson described one of the tasks for such novitiates in the adult world to be the need to loosen their ties to the pre-

adult world and the pre-adult self. Depending on how much progress is achieved with this task, young adults may establish a valued identity (strong sense of differentiated self) and become capable of living with more autonomy. After the novice phase, the opportunity to do this work closes down in developmental terms until the mid-life transition (age 38-45). This is described by Levinson as follows:

In this period, a man must modify the early adult self (including, as it does, the baggage of unresolved problems from childhood and adolescence) and the life structure of the thirties. Greater individuation is needed if he is to form a life structure more appropriate for middle adulthood...[This involves] coming to terms with one's own mortality: a man must learn now, more deeply than was possible before, that his own death is inevitable and that he and others are capable of great destruction...each task requires a man to confront and reintegrate a polarity – that is, a pair of tendencies or states that are usually experienced as polar opposites...as he becomes more individuated in middle adulthood, a man can partly overcome the divisions and integrates the polarities (ibid.p196-197.).

The strong sense of urgency during this transition comes from the realisation that having reached the mid-life years, a temporal milestone has been reached: there are likely to be less years left than have been lived so far, and the flaws in one's life structure must be reconciled to strive for satisfaction in the last half of life. The polarities mentioned above to be worked on are the reconciliation of being Young yet Old, capacities for Destruction and /or Creation, assessing Masculine and Feminine parts of the personality and reconciling the degree of Attachment and Separateness to one's family of origin. Also, the Dream must be reassessed and decisions made about whether it can even be partially fulfilled; if not, the task to be rid of the tyranny or the excessive hold of the Dream and feel less driven to follow it. If it has been attained to some extent, the general direction it prescribes can be followed (ibid. p331). If this work on individuation is not completed to any satisfaction during the mid-life transition, the life structure for middle adulthood will be flawed and this will make the task harder to achieve when it comes around again during the late adult transition (60-65) when one has to deal with resolving (Integrity vs Despair) one's life's work.

Between 22 and 28 there is a period of stability during which the life structure tentatively put together for early adulthood is tested. Data is collected about what works well (these strands are strengthened) and what does not work well. By the age of 28-32, the tentative structure is evaluated and the Dream revisited during a period of time in which one is potentially open to

learning from the data that has been collected, and one has the chance to adjust or change the strands that are not working. Levinson found that as life goes on, that the choices made during these transitional periods becomes ever more critical because time and the opportunity to effect change to these critical life structure strands is running out. Similarly, a man of 58-62 in his age 60 transition has the same tasks as in the earlier transitions between eras: he re-appraises the choices he had made for his middle adulthood and revisits his Dream, this time in the context of entering the final phase of his life. He may feel reasonably satisfied with his life structure and what has been achieved, and may therefore enter late adulthood with the readiness and ability to create a legacy and integrate his learning. Or, he may feel dissatisfied that he was never able to get the strands in his life structure quite right, and feel despair at the thought of late adulthood.

For people in family businesses, where the aim of being a family in business together is to have a high level of control of one's own destiny, the potential exists for Dreams to be surpassed or to be crushingly disappointing. It is also the place where the destinies of people's lives are interconnected and often enmeshed. Each individual carries out his or her adult development work alongside others in their family system, and in a context where family hierarchy and executive seniority put power and influence in the hands of the senior generation. In the context of adult development theory, whether power and influence can be transferred in a timely manner fundamentally depends on how well attuned each generation is to its adult development agenda. A father in his mid 60s who is in denial of late adulthood is unlikely to create sufficient developmental space for his offspring, who may be facing their mid life transition and be worried about whether it may be too late to achieve their Dream or have a satisfactory career in the family business. Collectively, the family and its members as a functioning unit also go through defined life-cycle stages (Carter and McGoldrick, 1989, p15) (Figure 3.4). For families undertaking generational transitions in their businesses, this means that there are also collective tasks associated with the parents' ability to launch their children and move on (re-negotiating the marital relationship and coming to terms with relating to their children in adults-adult interactions), and the junior generation's ability to leave home and form significant relationships with partners (establishing one's self and achieving financial

Family Life Cycle Stage	Emotional Process of Transition: Key Principles	Second-Order Changes in Family Status Required to Proceed Developmentally
1. Leaving home: Single young adults	Accepting emotional and financial responsibility for self	<ul style="list-style-type: none"> a. Differentiation of self in relation to family of origin b. Development of intimate peer relationships c. Establishment of self re work and financial independence
2. The joining of families through marriage: The new couple	Commitment to new system	<ul style="list-style-type: none"> a. Formation of marital system b. Realignment of relationships with extended families and friends to include spouse
3. Families with young children	Accepting new members into the system	<ul style="list-style-type: none"> a. Adjusting marital system to make space for child(ren) b. Joining in childrearing, financial, and household tasks c. Realignment of relationships with extended family to include parenting and grandparenting roles
4. Families with adolescents	Increasing flexibility of family boundaries to include children's independence and grandparents' frailties	<ul style="list-style-type: none"> a. Shifting of parent child relationships to permit adolescent to move in and out of system b. Refocus on midlife marital and career issues c. Beginning shift toward joint caring for older generation
5. Launching children and moving on	Accepting a multitude of exits from and entries into the family system	<ul style="list-style-type: none"> a. Renegotiation of marital system as a dyad b. Development of adult to adult relationships between grown children and their parents. c. Realignment of relationships to include in-laws and grandchildren d. Dealing with disabilities and death of parents (grandparents)
6. Families in later life	Accepting the shifting of generational roles	<ul style="list-style-type: none"> a. Maintaining own and/or couple functioning and interests in face of physiological decline: exploration of new familial and social role options b. Support for a more central role of middle generation. c. Making room in the system for the wisdom and experience of the elderly, supporting the older generation without overfunctioning for them d. Dealing with loss of spouse, siblings, and other peers and preparation for own death. Life review and integration

Figure 3.4 The Stages of the Family Life-Cycle (Carter and McGoldrick, 1989,p.15)

independence, and commitment to a new relationship system involving the adjustments made for children). The task environment for people in the family subsystem involves the adjustment of structures in individual, dyadic and triadic relationship systems, interwoven with the realities

of the need of a business organisation to address its power, authority and governance structures to facilitate these changes.

3.6 The Intersection of Individual, Generational and Family Life-Cycles.

The situational context of generational transitions involves a number of different transitions taking place simultaneously. Only one notable study has been carried out in the family business context on the intersect between specific developmental life-stages taking place in the family business system. In 1982, Davis used the survey technique to apply the adult development life-cycle model to a sample of 89 father-son dyads by mapping the intersect between life-stages of fathers and sons. He concluded that when the phases of stability and transition for each generation are congruent, both parties enjoy a more respectful and productive working relationship.

Based on his findings, Davis was able to model periods of time during which father – son dyads with certain age configurations can expect to experience poor, moderate or good quality in their working relationships. 'Poor' and 'moderate' quality is indicative of increasing anxiety between the pairs and 'good' indicates workable levels of anxiety. Each relationship affects the other as hypothesised using Levinson's and others' life-stage models, and therefore leads to the predictable generating and shifting of anxiety between the parties,

...the period when the father is in his fifties and the son is between his mid-twenties to mid-thirties is a relatively good one...compatibility in this period seems due to the father's willingness to teach, support, and promote his son and to the son's eagerness to grow and his not threatening the father at this time;

by contrast:

...When the father is in his sixties and the son is in his mid to late thirties some tension between them can be expected, because the two cannot have what they are likely to want from the relationship. The son wants to continue to grow and as he nears forty his need to be on his own and achieve his personal goals becomes very pressing. But by this time in his career in the typical smaller company he cannot satisfy his need for independence with his father still in charge. If the father did not have his own need to demonstrate his vitality in this period, some mutual accommodation might be found. Instead, what often ensues is a fight for control of the firm (ibid. p173-4).

The findings are summarised in Table 3.3 below.

Table 3.3 Fathers' and Sons' Quality of Work Relationship by Age (Davis 1982)

Period	Sons	Quality Fathers	Developmental Periods
A			
S: 15-27	Mixed	Poor	Entering Early Adulthood
F: 45-53			Entering Middle Adulthood
B			
S: 25-36	Good	Good	Early Adulthood Transition
F: 47-62			Mid-End of Middle Adulthood
C			
S: 30-40	Poor	Poor	Settling Down - Mid Life Transition
F: 58-75			Entering Late Adulthood
E			
S: 38-55	Good	Good	Mid-Life Transition - Middle Adulthood
F: 66-80			Late Adult Transition
E			
S: 43-54	Poor	Poor	Entering Middle Adulthood
F: 71-79			Late Adulthood

The consequences of delayed individual development in next-generation family members is a theme widely reported in the family business literature. Whilst the family business can be a fast track to independence through accelerated career pathing and increased income and / or status, working with parents can prolong the period of separating or individuation from the family of origin and becoming one's own person. Kaye (1996) presents certain cases in which the family business can be conceptualised as the medium (a "sickness") used by dysfunctional families to enable their process addiction; in such cases, normal individual and family development, especially individuation, is inhibited to serve the self interests of "addicted" parents. Rothstein (1994) reports that some family members never succeed in emancipating themselves, remaining as grown up children in their parents' home forever. Many are ambivalent about independence, longing to be self-sufficient, resenting those on whom they depend yet reluctant to trade the security and comforts of continued dependence for the uncertainty and responsibilities of independence.

Davis's work describes how progress with the basic life-stage developmental tasks that fathers and sons are working on is normally (to the extent that it is predictable) a source of greater or lesser anxiety depending on which life stage intersects are being experienced. What is clear, however, is that the younger generation have many developmental tasks to deal with and do

not have the experience of age on which to draw for the creation of life structures as the senior generation do with their tasks. If there are also unfinished tasks from previous adult development transitions to be dealt with by either party, then it is reasonable to expect anxiety to be even more intense around these coincidental individual-family-ownership-business transitions. Davis also reported that fathers are less sensitive and more positive about interactions than their sons, again illustrating the reciprocal nature of systemic behaviour. Fathers have a lot less going on developmentally and have more maturity to draw upon than sons, and being closer to achieving wisdom may appear to be less sensitive to the enormity of the challenge felt by younger men. Alternatively, younger men may be sensitised through being unaware that this is typical behaviour of older men (ibid., p176).

Davis concludes that what is predicable can be planned for:

“the more the father and son realise that their needs will change over time, and that their expectations in the relationship must also change, the less they will blame each other personally for incompatibilities” (p181).

In Bowenian terms, the better differentiated dyads will sense that their reactivity to each other signals change and will create ways and means to help with the change process. Lansberg and Astrachan (1994), Seymour (1992) and Lansberg (1999) have suggested from their work on owner-manager and successor relationships that this is a critical determinant for a successful succession outcome. Improving the work relationship could involve the use of mentors or other respected outsiders who are responsibly triangled-in by each to be neutral sources of calming support to guide each of the pairs.

Levinson's focus was clearly on the experiences of individuals, and Davis's focus was on the dyad relationship. One of the limitations of the survey method used by Davis is that it can not provide the depth and richness of data required to understand how individuals experience the need to make shifts in their life structure. This research therefore aimed to build on Davis's survey work by taking a holistic, qualitative and longitudinal approach to explore the impact of adult development life stages on transition activity.

3.6 Life Cycles in Organisations

Section 2.4.3.2 above described the structural context of the business system in terms of the degree of complexity faced by the organisation as it grows. The situational context in an organisation refers to the stage (and related structures) in the life cycle that the business is moving from as it develops, and the stage (with different structural requirements) that it is moving towards.

Hershon (1975) and Ward (1987) examined the organisational life cycle in terms of the changes taking place in the infrastructure of the business to accommodate the growth in activity. They describe a gradual evolution through a sequence of phases, referring to Pattern A or Early Stage development based around the "one man show" (Ward, p29), Middle Stage or Pattern B (Collaborative Management) and Late Stage or Pattern C (Collective Management). The changing role of the owner(s)-in-management is important as these stages of organisation development are reached, because hands-on involvement and centrality in all decision making is expected to lessen as the organisation matures. Fewer operational decisions are expected to be taken by the owner(s)-in-management in the later stages, when their attention is thought to be on control over the strategic decisions. In the particular case of the family enterprise where, as Hershon described, the family tends to make its mark on the organisational milieu of the family firm, Ward identified the life-cycle of the business owner, in terms of the influence of their personality and dimensions of their character which affect their management skills, their leadership style and their motivations (Ward, p.36). This is important in family enterprises, where the tenure of chief executives is known to be much longer (on average twenty to thirty years in the US (ibid.), the UK (Stoy Hayward, 1989), and Scotland (Dunn, 1995)). Since the average tenure of a chief executive in a non-family business is four to six years (Stoy Hayward, 1989), it should be expected that chief executives in a family enterprises may go through numerous early and middle adulthood life-stages, and possibly two cross-era transitions during their tenure in office and ownership. Ward describes the relationship between chief executives and their companies as "intricate" and "symbiotic" so it is likely that the business will be affected

by the likelihood of changes taking place in the values and personality of the chief executive over their life-cycle.

One of the most detailed theoretical descriptions of the life cycle of organisation was presented by Greiner in 1972. Greiner proposed that organisations go through defined periods of evolution, defined as prolonged periods of growth where no major upheaval occurs in organisational practices. Evolutionary times are regarded as quieter periods, in which only modest adjustments appear necessary for maintaining growth under the same pattern of management. If the business continues to grow, each evolutionary period sows the seeds of a phase of revolution, defined as periods of substantial turmoil in organisation life. Revolutionary times typically contain a serious upheaval of management practices. These may have been suitable for a smaller size and earlier time, but during revolutionary times, frustrated top managers and disillusioned lower level managers scrutinise the effectiveness of current management practices and push for change. Firms who are unable to shake off the old practices and effect major organisation change are likely to fold, or to level off their growth rates. Greiner (1972) and Ward (1987) both point out that the speed at which an organisation grows is a function of the industry life cycle in which it competes (Porter, 1980) and of the life cycle of its products and services (Kotler, 1976). Figure 3.5 illustrates Greiner's theory of the phases of evolution and revolution undertaken as the organisation grows.

It is important to note that although the terms and general sense of evolution and revolution are used by Greiner in relation to organisations and by Gersick (1991) in her analysis of the punctuated equilibrium theory of revolutionary change in systems development, the terms are conceptually different and should not be used interchangeably. Greiner does not elaborate on the nature of organisation practices other than describing in broad terms what changes during revolutionary periods. Whether the strands of the deep structure of the organisation are affected and the equilibrium is broken down and recreated is not known. Gersick (1991, p.14) describes Tushman and Romanelli's departure from stage theories since organisations in their view get to their respective strategic orientations through different patterns of convergence and

Category	PHASE 1	PHASE 2	PHASE 3	PHASE 4	PHASE 5
MANAGEMENT FOCUS	Make & sell	Efficiency of operations	Expansion of market	Consolidation of organization	Problem solving & innovation
ORGANIZATION STRUCTURE	Informal	Centralized & functional	Decentralized & geographical	Line-staff & product groups	Matrix of teams
TOP MANAGEMENT STYLE	Individualistic & entrepreneurial	Directive	Delegative	Watchdog	Participative
CONTROL SYSTEM	Market results	Standards & cost centers	Reports & profit centers	Plans & investment centers	Mutual goal setting
MANAGEMENT REWARD EMPHASIS	Ownership	Salary & merit increases	Individual bonus	Profit sharing & stock options	Team bonus

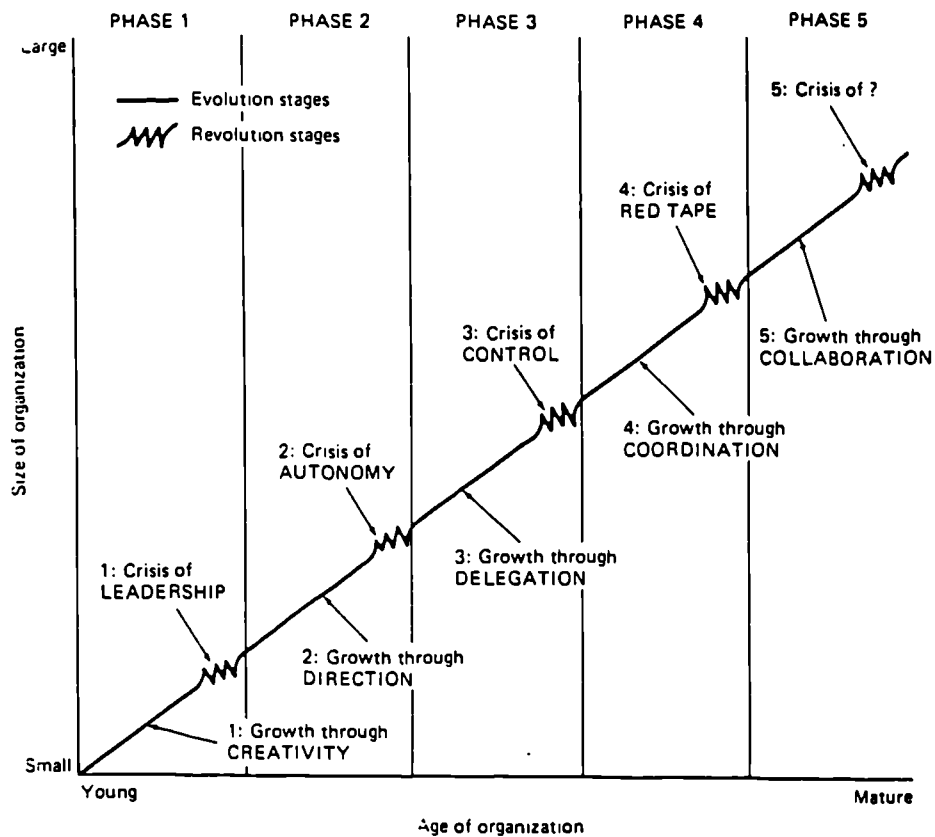


Figure 3.5 Greiner's theory of evolutionary and revolutionary growth (Greiner, 1972)

reorientation, rather than through standard stages of development. It is not clear, therefore, whether Greiner's revolutionary periods would be regarded as "turbulence" under the punctuated equilibrium model, or whether the deep structure is re-created. However, Greiner's general description is useful for relating to the life cycle of organisations when considered in terms of the need for management and organisational practices to be changed, and has been

used for this purpose in the present research project. The firms studied all classified themselves at the start of the research as undertaking growth and expansion and were typically facing, in Greinerian terms, the crisis of leadership, growth through direction and crisis of autonomy stages pertaining to the shift from phase one to phase two (Creativity to Direction), and from phase two to three (Direction to Delegation).

3.7 The tasks associated with changing governance archetypes during transitions in the life cycle of the family enterprise system

Since Greiner's work was published, writers in the family business field have developed the concept of the family business life-cycle cycle. Gersick et.al., (1997) expanded upon Ward's (1987) earlier work on family business continuity by incorporating the adult development agenda into the concept of continuity of a whole family enterprise system. The developmental model, described in Section 2.4.2 above is shown in Figure 3.6 below. It has been adapted to illustrate the loci of the multiple, coincidental transitions underway in each of the three subsystems when the whole system is going through a generational transition. It makes evident the complexity of the task environment during generational transitions, when the many levels of structural, personal and subsystem development activities that take place are considered together. Each of the subsystem transitions, represented in the diagram in the form of hatched boxes, entails work being carried out in the periods before, during and after the transition in which the equilibrium and deep structure-building and breaking processes are carried out. Aronoff and Ward (1996), Gersick et.al., (1997) and Lansberg (1999) advocate there being a working, tested set of *governance processes in place prior to the transition* (namely the mechanisms for co-ordinating the control and direction of the three subsystems and thereby, of the whole family enterprise system), so that the changes taking place in *the archetypal structure governing the business* can be carried out as seamlessly as possible. The system is re-designing itself, and it needs to have a working infrastructure in place to guide and contain the process of re-design until the new structure has been tested and is embedded.

As described above, it is generally accepted that the three main ownership structures to be found in family enterprises so influence the structure, operations and culture of the firm that they are regarded as key governance archetypes in the family business universe. At the beginning of this chapter, Hollander (1983) suggested that from the perspective of a systems framework, succession is a piece of the management work requires planning and thought and action. It is evident that the “work” or tasks to be managed by the relevant people in the system is in the service of re-structuring the whole system from one governance archetype to another during evolutionary transitions, and to sustain and strengthen the existing governance archetype during recycle transitions.

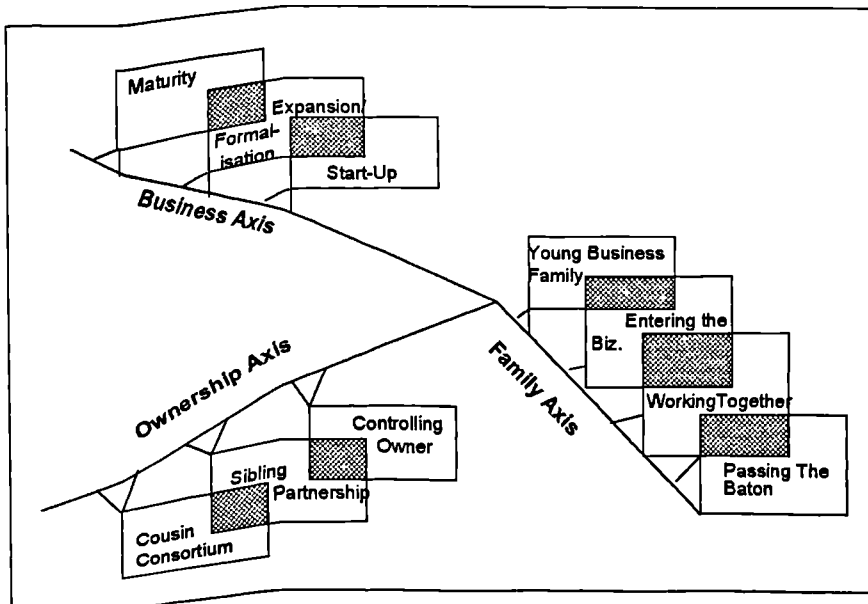


Figure 3.4 Loci of Developmental Transitions in Family, Business and Ownership Subsystems (Adapted from Gersick et.al., 1997, p.17).

3.7.1 Tasks for the Entrepreneur to Restructure the System

To understand the nature of the task environment facing those in the family enterprise system, it is important to consider what restructuring means for the whole system and its constituent parts. Poza (1989, pp.102-4), describes the objective of restructuring in growth-oriented family business systems as being to increase the yield (or value-added capability) of the system under

conditions of strategic change. This yield is significantly reduced by “waste”, as happens for example when organisational and family structures that are not designed to promote growth are allowed to exist. When the form of the organisation is allowed to be out of alignment with its strategy or function, waste is generated in terms of human energy and financial resources.

Poza explains that the task of restructuring the family enterprise system goes beyond “tinkering” with organisation charts: it ultimately affects the organisation's will to grow:

It may involve altering the structure or hierarchy of the family by, for example, naming the youngest sibling president of the company, because of his/her competence and zeal. It also involves the softer, more dynamic side of the organisation: the culture of the firm, the capability of its human resources, the problem solving skills of the family and business systems, the communication and information practices followed, and the mechanisms for board review and business generation (ibid., p103).

Ward (1987) also examined the management work required when undertaking generational transitions in order to mobilise the whole system for transition and growth. Ward and Poza agree on the pivotal role of the entrepreneur / controlling owner when preparing the system for transition and ensuring the work is carried out. The work itself entails making sure the strategy is right for the future, and since the organisation's form affects its function, it also involves making sure the structure of the firm can deliver its strategy. It requires the entrepreneur to promote and encourage problem-solving, to educate and develop employees, to influence the culture in this direction and manage the transition. Finally, it means the entrepreneur has to make sure the board is monitoring the sources and use of capital in the firm. Beckhard and Pritchard (1992, p50) point out that these tasks require a shift in the mind of the leader from being preoccupied with what he or she should *do*, to what he or she should *know*.

Ward (1987, p38) elaborates on this in his discussion of the limitations of entrepreneurship skills (which were appropriate for the Start Up phase) when the family business system is moving along its life-cycle towards the Expansion and Formalisation stage. He found that there are three traits required to be present in some form that allow entrepreneurs to overcome the typical limitations of their skills. The first trait was to have a strong enough growth strategy in place which, by default, attracted good people into senior positions to share the load and bring complementary capabilities. Secondly, entrepreneurs who were able to get beyond the Start-Up stage had an enthusiasm for problem solving and decision making. “Improving the business”

was seen as the “mark of a well-rounded manager, not a bold inventor” (ibid.). Finally, they had a philosophy of management pertaining to what it was that they were “entrepreneuring” (Ward, 1996), in terms of a legacy of better of ways of managing, motivating, or to achieve some religious or social purpose. The right conditions under which the whole family enterprise system can be mobilised for restructuring require these three traits. If they are not present, the tasks may not be completed for very practical reasons: no-one else can be found to replace some or all of what the entrepreneur does, and therefore the process of transferring what he or she knows can not take place. Eventually, the effect of ageing and of having too high a work load for too long means the entrepreneur loses the will to grow the business and settles for a quieter life.

Lansberg (1999, p. 283) also argues that a change in the governance archetype of a family enterprise system requires installing very different approaches to the exercise of leadership and authority. Changing the governance structure moves the family undertaking the transition out of its realm of experience for organising leadership and authority:

...their experience has not taught them how to make the new form work. Nor are they equipped to assess the evidence of whether a given business form is feasible for their family...even in “recycles” [where the seniors’ roadmap does provide some direction based on experience] the next generation will inevitably face changed circumstances. Every family must be able to look ahead and picture how their leadership and governance structures will work when, for example, more of their members are involved in the business, or economic circumstances change dramatically, or products reach the mature stages of their life cycles.

3.7.2 Tasks & Issues for Restructuring the Governance System Archetypes.

Ward, (1987); Aronoff and Ward (1992a), (1992b) and (1996); Aronoff, Astrachan, Mendoza and Ward (1997); Gersick et; al., (1997) and Lansberg (1999) have examined the tasks to be managed during generational transitions in which the family enterprise is to be governed under the specific governance structures (controlling owner (CO), sibling partnership (SP) and cousin consortium (CC). These have been compiled and summarised in Table 3.4a 3.4b and 3.4c respectively. The tables show that the same tasks are to be addressed during all three types of generational transition, and shows how the tasks become increasingly more complex as the family enterprise system evolves. After each stage, as more people enter the family enterprise

Table 3.4a Tasks & Issues Associated With Changing Governance Archetypes Controlling Ownership Recycle Transition

Structure	Tasks	Issues
CO-CO Recycle	<p>Select successor</p> <p>Assess risk:</p> <p>Avoid Abuses of Power</p> <p>Capitalisation of the Business</p> <p>Dividing the parents' estate: if amongst siblings with CO leader</p> <p>Set up Redemption Fund</p> <p>Choose & prepare for next ownership structure</p> <p><u>Essential Conditions:</u></p> <p>Parent – Offspring Relationship</p> <p>Work experience</p> <p>Social relationship</p>	<p>If more than one sibling, avoid inflating rivalries by setting up a “horse race”; also Deciding on leadership model: in CO one & only one sibling to be dominant leader & prominent owner How to create conditions to support a CO despite family tensions over “winner takes all”. Avoid putting selection off: makes competition fiercer Avoid favouritism or bias clouding judgement Can parents choose amongst offspring? Can they provide real tests to overcome protection from failure? Family's store & fortune depends on the talent, Acumen & emotional maturity of one person</p> <p>Concentration of ownership control risks abuse of power Balancing unitary control with input from stakeholders</p> <p>securing adequate capital for growth / regeneration</p> <p>Parents may feel forced to share equity Creating minority shareholders changes the way the company is run: leader accountable to owners; Leader has no experience of minority shareholders: may regard them as nuisances or intruders New CO may expect independence without accountability; minority rights may be asserted Careers & inheritances are locked in Creates a forced interdependence (SP with CO structure)</p> <p>New owners to have a buy-out agreement & funds in place to prevent lock-ins</p> <p>A strong parent – successor relationship to cope with inevitable tensions during the transition for successor outside the family business Senior & junior enjoy a relationship outside work</p>

Table 3.4b Tasks & Issues Associated With Changing Governance Structures Controlling Owner to Sibling Partnership Transition

Structure	Tasks	Issues
CO-SP	Why Choose a SP?	<p>SPs chosen by parents as a last resort tend to fail</p> <p>Is SP being chosen to avoid choosing a leader?</p> <p>Can siblings manage the rivalries carried over to adulthood?</p> <p>Is SP chosen as a reaction to try to counteract the natural forces for the family to spread & move away?</p> <p>Will it suffocate the siblings: will it allow them to achieve their independence?</p> <p>Can parents enlist help to asses leadership capability?</p> <p>Is SP chosen for tax or estate planning purposes?</p>
	Collaboration	<p>What evidence is there of siblings' strong commitment to collaborating?</p> <p>Are fraternal relationships between partners-to-be robust and congenial?</p> <p>Is there an even distribution of complementary skills and talents?</p> <p>Is there enough of a Shared Dream amongst their hopes and aspirations?</p> <p>Can they cope with interdependence - share the credit for success & the blame for failure?</p> <p>Is there a clear division of labour, and agreement on titles, co-ordination of activities</p> <p>Can the siblings find ways to manage rivalries and conflicts in their business relationships?</p> <p>Have they an institutionalised mechanisms for resolving conflict?</p> <p>Is there a sense of humour to smooth tensions?</p>
	Leadership model:	<p>Can the siblings agree to a leadership model: consensus (all equal); first-among equals, or pseudo-parental (replacement parent)</p> <p>Can the group handle strains emerging from a "lead sibling" taking over ?(a primus inter pares)</p> <p>Can the partners counteract divide and conquer strategies, as well as the outside world's bias against shared leadership?</p>
	Minority & non-working owners	<p>Can the siblings in the business deal with there being non-working owners in the shareholding?</p>
	Controls over capital	<p>Are there adequate controls for diverse interests: more family owners, workers, growth, re-investment</p>
	Extended family:	<p>Are relationships with in-laws managed effectively?</p>
	<u>Essential Conditions</u>	
	Redemption & exit plan with pricing & terms to prevent lock-ins of inheritances	
	Independent outside board : as a forum for debate and testing by neutral advisers	
	Siblings' code of conduct: agreement on decision making process, conflict resolution, dealing with press & outside world, open & ethical conduct, how to treat each other.	

Table 3.2b continued
Tasks & Issues Associated With Changing Governance Structures
Controlling Owner to Sibling Partnership

Structure	Tasks	Issues
CO-SP	Essential Conditions (Cont'd)	
	Proven success at conflict resolution	to prove to parents that issues can be resolved without their intervention
	Experience with open disclosure	all know present & past salary, perks, parental support & gifts.
	Future compensation policy:	process for deciding future salaries, perks, dividends; to audit perks; for financial relationships with the business & each other.
	Completed, known estate plans:	security for spouses and intentions for ownership transfer known.
	Participation agreements:	policies for who can own / how to a sell stock and for family / extended family entry to employment.
	Comfort with outside advisers:	all siblings have good personal relationships with important advisers & consultants
	Consensus on the future of key non family execs:	All respect non-family who make the business succeed
	Shared sense of purpose:	to accept the duties and burdens of ownership; shares concept of continuity

Table 3.2c Tasks & Issues Associated With Changing Governance Structures Sibling Partnership to Cousin Consortium Transition

Structure	Tasks	Issues
SP-CC	Choosing the CC Model	Siblings (seniors) may wish to re-create the SP (as the model they know). Unrealistic of siblings to expect "team" model for division of labour and collaboration to work. Siblings may oppose the formality and bureaucracy required for CC. Critical mass needed in firm to sustain CC needs as livelihoods & branches may depend on firm
	<u>Essential Conditions</u>	
	Creating structures For inherent complexity	Institutional structures needed to manage complexity of CC
	Creating a Culture of Formality:	Institutionalised Structure for Business, Ownership & Family: Independent board required for decision making & resolving major issues. Owners' forum required for discussion of shareholders' issues. Family Council required for family to express their rights. Explicit goals, policies, procedures, forums, written constitutions People trained to function within formal, legalistic culture. Engendering respect for different roles in and out of the business
	Creating a Clan Mentality	Cousins (juniors) do not share a common upbringing, values and attitudes. Clan mentality (rather than extended family) needed to overcome branch politics
	Maintaining a Balance of Power	A system for maintaining balance of power among sibling branches: Transfer of shares from siblings to cousins re-defines power structure Equal power / representation per branch? Unequal distribution depending on sizes of branches? How to transfer stock: by stirpes (unequal division means unequal influence amongst cousins) or by equalising stock amongst cousins (may give one branch a lead) Can siblings discuss their ownership transfer plans? (i.e. is there enough trust?) Can family members separate ownership control from management?

Table 3.2c cont'd
Tasks & Issues Associated With Changing Governance Structures
Sibling Partnership to Cousin Consortium Transition

Structure	Tasks	Issues
	Minority & Non-Working Shareholders	<p>Minority shareholder rights increase complexity of the enterprise. Redemption Fund and Buy-out Agreement to allow family members to pursue careers & investments elsewhere</p>
	Leadership Model and Selection	<p>Seniors must be open to discuss & assess each others' children Role of the independent board in selection.</p>
	Changes in Relationships	<p>Inevitable differentials in wealth, income, create branch rivalries Conflict over business issues personalised "Inner sanctum" vs exclusion felt by those not working in the business. Disillusionment in young cousins: large age range means younger cousins can be disadvantaged</p>

system, and as the business itself becomes more complex, the relatively informal means of governing (controlling and directing) the system that worked during the founder's tenure becomes obsolete. The family enterprise system is then challenged, by means of the transition process, to re-design itself and come up with a more effective means of governing itself. If the controlling family can recognise this, and can dismantle and re-create its deep structure, new ways and means of governing the system are tested and taken up. If they are unable to do this, and persist with the old equilibrium, sooner or later the system will be unable to continue to exchange resources with the environment in the way it has in the past, and the system will break down. The table also shows that the essential conditions required for successful adoption of each governance archetype is the presence of formal structure, appropriate to the level of complexity in the family enterprise system. The first transition, (CO-SP) challenges the family enterprise system to change, for the first time, the way it has arranged its power, hierarchy and authority structures and relationships. It challenges the founder(s) to forego unitary control and give their blessing to shared control, which is a significant departure from what they know to have worked in the past. The second transition in the developmental model challenges the sibling in control to forego what they know to have been workable in their tenure, and give their blessing to the creation of a democratic constitution held together by a different "glue" (complex and integrated structures, formality and bureaucracy) to the glue that held their regime together (shared values, a common experience of upbringing closeness to the founder(s)). These are significant challenges facing the family enterprise system and its constituents at each juncture.

3.8 Conclusion

The aim of this research project is to identify the respective life stages in individuals, subsystems and whole systems in five family business transitions. It is also to follow the activities taking place in these systems over time in order to assess their ability to deal with their coinciding transitions and to deal with the primary task of getting through the generational transition.

The previous chapter described two of the three key dimensions of the succession context: the emotional dimension and the structural dimension. The chapter has taken a macro approach to examine the third key dimension: the situational dimension of the context for generational transition faced by family enterprise systems.

The complexity of the structural dimension was deconstructed to reveal its components. It was shown to involve consideration of what stage in the life cycle of the whole system was being completed, and that certain conditions in the environment can assist the system and its constituent subsystems in its move towards the next stage in its life cycle. It also showed that at the same time that the family enterprise system as an entity is engaged in its transition process, each of its constituent parts (the subsystems and the individuals within them) in turn have their own life cycles to go through containing work to be done on moving through their own defined stages and on the transitions between stages.

In this project, the families in the case studies contained senior generation members with couples between 58-65 and junior generation members with siblings between 28-42. This leads the focus of enquiry in the junior generation towards the tasks of the three distinct life-stages. The first is the "age 30 transition", regarded as the mid-point of early adulthood, when the early life structure is examined. The second is the "settling down" period between 32-38 when the final structure for early adulthood is built upon and strengthened. The final stage is the "mid-life transition", regarded as the mid-point of life, when the suitability of the life structure for middle adulthood is seriously evaluated. For the senior generation, the focus of enquiry is on two distinct life-stages. The first is the "culmination of middle adulthood", taking place between 55-60, the time during which the structure created for middle adulthood is strengthened and capitalised upon. The second distinct stage for the senior generation is the late adult transition when the life structure must be assessed for facing late adulthood: the final season of life.

The whole family enterprise system is organised by a governance archetype which itself undergoes change during the generational transition. The form of governance which organises, controls and directs the whole system is either adjusted (during re-cycle transitions), or is

fundamentally re-organised during evolutionary transitions. In the latter transitions, the whole system evolves to a more complex form of governance archetype, such as the shift from controlling owner to sibling partnership, or from sibling partnership to cousin consortium.

A framework for research was constructed as the outcome of this literature review (Figure 2.2, p.13) and to guide the research design. The following chapter describes the research design and the methods employed to explore the context of generational transitions in five case study firms.

CHAPTER FOUR

RESEARCH METHODS

4.1 Introduction

The aim of this research is to examine the ability of business-owning families to manage issues and tasks arising from the context of their generational transition. It is specifically concerned with the influence of developmental and emotional factors on the management of these tasks at the level of the whole family enterprise system, and within the subsystems it contains. The approach used in the research was inductive and employed the multiple case study method. This involved the use of in-depth interviews with the people who occupy constituent roles in the family business systems under observation. Data analysis used a grounded theory approach to the case study material. This chapter starts by outlining the methodological issues to be considered for such a research approach, and the broader research framework on which the study is based. It then describes the specific methods used for data collection and analysis.

4.2 Theoretical Underpinnings for Multiple Case Studies

The key research question: "how do family relationship dynamics impact upon a family's ability to make progress with the tasks necessary for generational transition in their family enterprise?" intrigued the researcher long before doctoral research was envisaged. The experience of entering these systems as a researcher, educator and consultant had led to an interest in the complexity of these systems, and in the types of methodological approaches available and suited to the study of this complexity. The positivistic approach to research design uses quantitative methods on a representative sample so that the results can be generalised. However, this comes at the expense of depth and richness of the data gathered, and since this enquiry expected to probe personal and emotional matters developing in the lives of people associated with family businesses, the positivistic approach was not regarded as suitable. The phenomenological approach to research design uses qualitative methods that typically generate voluminous research data in depth about a much smaller population of family social

systems. Confidence in the generalisability of the findings in projects with much smaller sample sizes can be assured if the theory emerging from the study is shown to be grounded in the data selected, and if the sample selected for the study contained sufficient scope for variation.

The qualitative approach was appropriate for a number of other reasons: the researcher's prior experience and pre-understanding created a desire to carry out exploratory work in what is typically a messy area emanating from the overlap between family, ownership and business sub-systems and the fact that each sub-system has its own evolving life cycle. Also, prior familiarity with the literature and other secondary sources relating to family business research and practice had created a degree of theoretical sensitivity (Strauss and Corbin, 1990, p 75).

It was anticipated and expected that what was really going on in these systems would be found under the surface as opposed to what was presented for observation. Hollander (1983) and Crampton (1994) in their doctoral work both used a single case study approach in which the business-owning family was their unit of analysis. This greatly influenced the choice of method for this project because their methods demonstrated both the breadth of perspective and the depth of detailed enquiry required when studying a complex living, evolving system. Each of their cases contained an important story to be told offering lessons, theory and research methods to others who may be encountering the challenges of living through or researching similar stages in the overlapping life-cycles of family, business and ownership.

Davis's (1982) study of the influence of life-stage on father-son work relationships in family companies, which tested Daniel Levinson's (1978) theory of male adult development, was another major influence for this project. Davis used the survey method to explore three different intersects of fathers' and sons' life stages, and to assess the quality of the work relationship at these intersects. Respondents in his study used self-reports to describe the factors that, in their view, were making the relationship work well or with difficulty. This was the first piece of work in which adult development theory was explored in the specific context of family enterprises, and

was regarded as seminal in the newly-emerging academic study of family firms. However, Davis cautioned against the use of retrospective reports in future research designs because distortions were created in the data (Davis, 1982, p181). He found that the survey method did not agree with one of Levinson's most robust findings about the very specific age ranges pertaining to each life-stage and to each transition period. Levinson's view was that this was an effect of using quantitative methods that were not suited to this work because they can not accurately report on the process that individuals go through when, during times of transition, they assess the quality of their lives and the choices they have made. Gersick (1999, personal communication) reported that in Levinson's view "a longitudinal approach to data collection - such as a series of in-depth interviews - was far more likely to uncover the moment at which individuals make decisions about their lives, and to follow the process of self-exploration taking place". Davis also suggested that future work should focus on the influence of other variables on the father-son work relationship such as the generational values of the men, the son's birth order, and the influence of other family members in and out of management (ibid.). This project aims to build on the prior case study research and on Davis's work and research recommendations. To this end, a systems approach is used to conceptualise the business-owning family as the unit of analysis, and multiple case studies are used involving in-depth interviews as the preferred method to overcome the limitations of data collection found in the survey method.

A final reason for choosing a qualitative approach was the researcher's desire for personal and professional growth to be an outcome of the research experience. It was clear that a better understanding would be gained of these organic, dynamic systems; that improved interviewing and analytical skills would be developed as a consequence of going into these firms and their constituent systems and by becoming a part of their world as they went through their transition periods.

The case study approach was chosen from amongst the techniques generally used in qualitative work rather than ethnography, life histories, participant observation or other approaches. Platt describes the case study as an approach beginning with "a logic of design... a strategy to be followed when circumstances and research problems are appropriate rather than an ideological commitment to be followed whatever the circumstances." (Platt, 1992a in Yin, 1994, p12). This strategy is defined as "an all-encompassing method - with the logic of design incorporating specific technical approaches to data collection and data analysis" (ibid. p13). Platt defines the case study as an empirical enquiry which

- "investigates a contemporary phenomenon within its real-life context, especially when
- the boundaries between phenomenon and context are not clearly evident" (ibid.)

Other research methods strive to separate out phenomenon from context and to control the context of the experiment by focussing on only a few variables. A case study enquiry, however,

- "has a distinct advantage...when a "how" or "why" question is being asked about a contemporary set of events over which the investigator has little or no control" (ibid.)
- [it] "copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
- relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
- benefits from the prior development of theoretical propositions to guide data collection and analysis" (ibid. p13).

The case study approach therefore offers a means of uncovering the nature of the experiences taking place in family enterprise systems as they go through the process of generational transition. A case study can consist of "description and analysis of a single person, event, institution or community...[including] inferences, intuition, fact and synthesis. Further, it allows for generation of hypotheses to be tested in later research and of new ideas [and] is designed for use in areas where there is little pre-existing knowledge" (Hollander, 1983, p65). There has been a paucity of work in the field of family business in which the context of both emotional and

developmental influences is examined to assess their impact on progress being made by families-in-business during generational transitions. Hence the most suitable form of research design to address this gap in the knowledge was a multiple case study approach.

4.2.1 Design Tests for Multiple Case Studies: Validity, Reliability and Generalisability

Generalisability:

Yin (1994, p9) described the traditional prejudices against a case study research strategy, listing these as: a potential for lack of rigour and bias to creep into the investigator's work, affecting the direction of the findings and conclusions; a lack of a basis for generalisation ("how can you generalise from a single case?"); and the fact that case studies can take so long and tend to create masses of data unsuited to statistical analysis. In this research, the eventual sampling and selection of five case study firms for multiple case study research addressed the traditional bias against single case study research to do with there being little basis for generalisation. Multiple cases offer the scope for literal replication (when the cases produce similar results) or theoretical replication (when the cases produce contrasting results but for predictable reasons) as long as the cases are handled as multiple experiments by following the same replication logic (ibid. p 46). A benefit of multiple case studies is that the evidence presented can be considered more compelling and the overall research enquiry is regarded as more robust, but the main problem associated with this design is its requirement for extensive resources and time. Indeed, the number of cases in this study was reduced from eleven to seven and then to five for this reason.

Validity and Reliability:

Yin is regarded as the leading proponent of the case study research method. He stipulates the following tests for exploratory case studies:

- "construct validity" to establish the correct operational measures for the concepts being used;
- "external validity" to establish the domain to which a study's findings can be generalised;

- “reliability”: to demonstrate that the operations of a study – such as the data collection procedures can be repeated, with the same results.

He described three specific principles of data collection to assure reliability and validity of the data collected (ibid. p90):

1. *using multiple sources of evidence* so that the case study's findings can be based on the convergence of information from different lines of enquiry and different sources to corroborate the same fact or phenomenon, rather than quantitative or qualitative data alone. This allows triangulation of the data in a number of ways: in terms of its data sources, of different evaluators, of perspectives on the same data set and triangulation of methods;
2. *creating a case study database*: so that data is organised and documented in a formal, presentable way so that other investigators can review the evidence directly, increasing the reliability of the study.
3. *maintaining chains of evidence*: so that the evidence can be followed from the initial research questions through to the final conclusions. Readers can therefore move from one portion of the case to another with cross referencing to methodological procedures and to the resulting evidence. This establishes the validity of the evidence.

Applying Yin's Design Tests

In this research, primary data were collected from interviews with people who occupied different constituent roles in the family enterprise system, and secondary data came from any reports or literature available on the family or the business. These data providing converging evidence (i.e. the evidence triangulated) to increase the reliability of information gathered. Chains of evidence in each case study were established by building up evidence about a phenomenon or concept over the long time frame of the research project. These satisfied the tests for validity within the study (internal validity). For external validity (generalisability), the logic of design was repeated across the five cases so that they were regarded as replicated experiments. At the completion stage, Yin also advocates having key informants review draft case study reports as

a final validity test. This was not used in this project because the informants had been guaranteed confidentiality and anonymity when the data was collected and reported. Also, it was felt that giving informants the opportunity to review the case study would give them access to the interpretation of the analysis, and may lead to their insisting on specific pieces of data or of the interpretation being taken out. It was for this reason that the grounded approach to generating categories and theory generation was also used, as an additional test for ensuring reliability of the data collected.

4.2.2 The Grounded Theory Approach

The proponents of Grounded Theory, Glaser and Strauss (1967), provide a method to ensure that theoretical propositions that emerge from qualitative research are reliably "grounded" in the data collected. Grounded theory as a valid research method was put forward by Glaser and Strauss as an alternative to the traditional bias in sociology for positivistic work based on quantitative hypothesis testing. The alternative approach lets researchers develop their own theories relating to their area of study, and encourages their own creative intelligence in the process (Turner, 1981, p225). Turner lists the advantages of grounded theory as:

- promoting the development of theoretical accounts and explanations which conform closely to the situations being observed; theory is therefore likely to be intelligible to, and usable by those in the situations studied;
- developing theories that are likely to be complex rather than oversimplified ways of accounting for a complex world;
- directing the researcher immediately to the creative core of the research process, applying the intellect and imagination to the process of interpreting the data.

The method is most effective when used to deal with qualitative data from participant observation, unstructured and semi-structured interviews, case study material and certain kinds of documentary sources. However, it is not an easy method to put into practice; it generates volumes of data that are notoriously difficult to handle and to process, and requires different levels of abstraction of the data to get to the stage where theory emerges for testing. Care has

to be taken to avoid developing indefensible arguments from the data and from being tempted to force the data to fit existing or emerging theory without rigorous testing for the grounding of the data (ibid.).

The method starts with phenomena being identified in the literature or sequentially in the data collected. These are labelled as "categories" which fit the data closely. The categories contain properties and dimensions that must be fully explored for similarity and variation. The exploration continues until the categories are "saturated", meaning that there are enough examples of different categories such that it would be clear where any future instances would be located. The categories are then each given an abstracted definition, in order to state the criteria by which further instances would be put into a given category. Data are also collected on the process being observed over time, by noting action and interaction taking place and the structure and context which can lead to different outcomes or different process. How definitions and process (the conditions for action / inaction) become linked or how they relate leads to theory building. This can take place by means of systematic comparison with the literature or one's own experience, and / or by the continued integration and refining of categories and sub categories (Turner, 1981, p.231; and Strauss and Corbin, 1998. P.137).

Grounding the theory in the data requires constant comparison and testing to take place back and forth between the data, the categories created, and the emerging theory being tested. It ensures the interaction between the researcher and the portion of the world being studied. It is both deductive and inductive in that data have been conceptualised and interpreted by the formulation of hypotheses or propositions. Deductions are based on a combination of the data, our understanding of literature and the human element arising from the assumptions we make about the nature of life, discourses on the topic and the literature we have absorbed. Interpretations are not placed on the data in grounded theory; rather, the act of constantly comparing one piece of data with another means that interpretations (and therefore deductions) are validated (Strauss & Corbin, 1998, p137).

Turner (1981) describes one of the difficulties for researchers using a grounded theory approach as knowing how to be sure that the “right” aspects and the “right” facts are being chosen from the data. For some researchers, the degree of pre-understanding may affect which of all the available facts are pursued, and all researchers handling large volumes of data have to face up to the human and technological limitations of data analysis. Turner states that the “competent development of grounded theory rests, in part, upon a sensitivity to those often tacit processes of perceiving and understanding, and upon a willingness and an ability to bring them out into the open for discussion (ibid.p228).

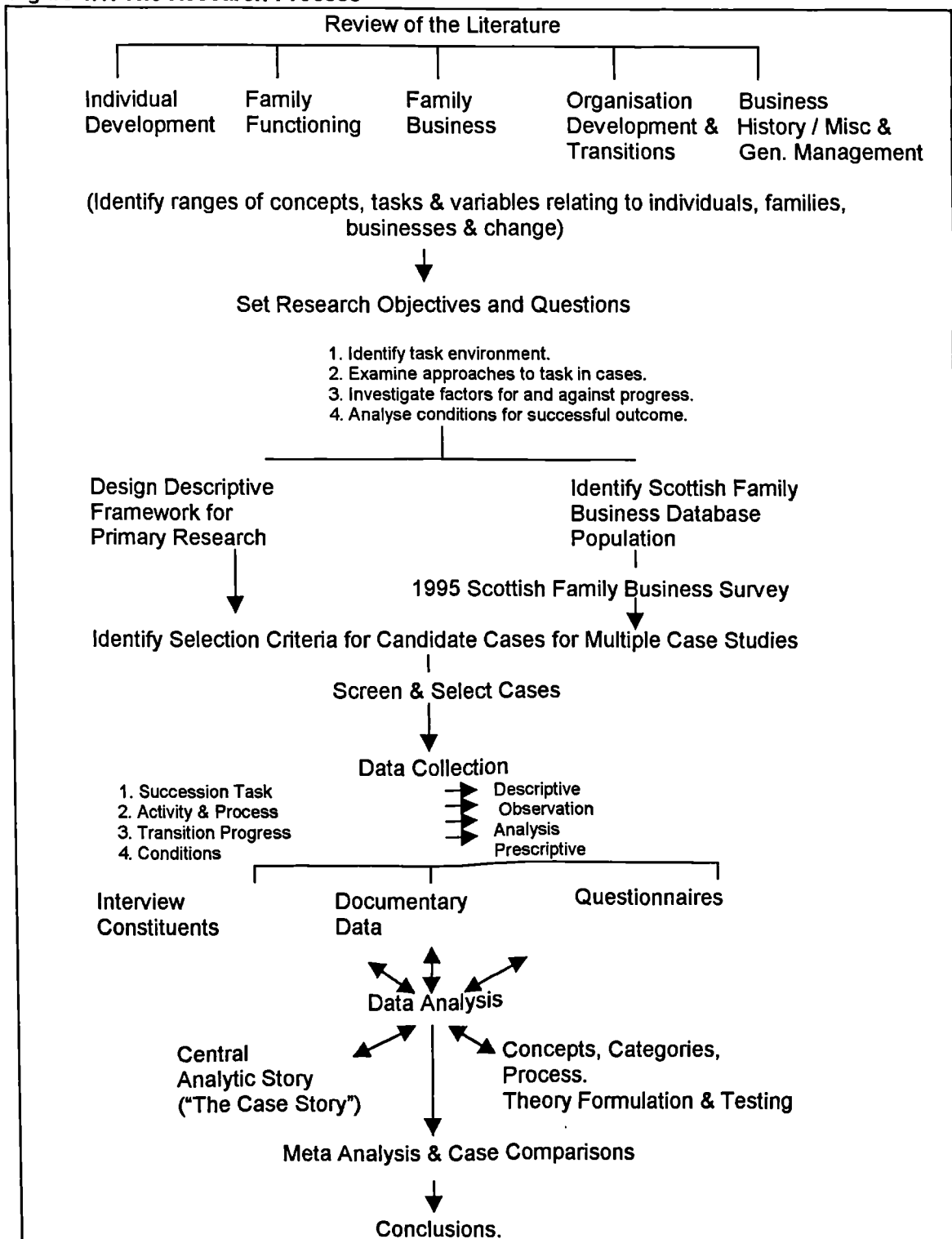
Grounded theory therefore represents a rigorous approach with clearly defined analytical tools and processes for data analysis, and adds depth to the design tactics advocated by Yin . Research findings effectively constitute a theoretical formulation of the reality under investigation, rather than consisting of a set of numbers, or a group of loosely related themes.. Since there were five case studies taking place, each generating a lot of data (from interviews taking place across the family-business system over three to four years), a complete and detailed grounded theory method was not within the scope of this project. However a grounded *approach* was taken during the literature review and the data collection processes as well as to the identification and testing of emerging theory and its grounding in the data collected. Multiple cases, careful sampling and design tests were applied to ensure the validity, reliability and generalisability of the findings.

4.3 The Research Process

Yin’s model-building approach for case study research was used to design the research process and is shown in Figure 4.1 below (Yin, 1994,p49). There were two stages to the overall process used in this project. The first stage was one of exploration, in which the relevant literatures were reviewed, concepts and categories were generated and a conceptualisation of the “transition task environment” was written. This led to the research objectives being

identified, and the research design constructed. The second stage was one of implementation: case study firms were selected and the data collected and analysed with conclusions drawn.

Figure 4.1: The Research Process

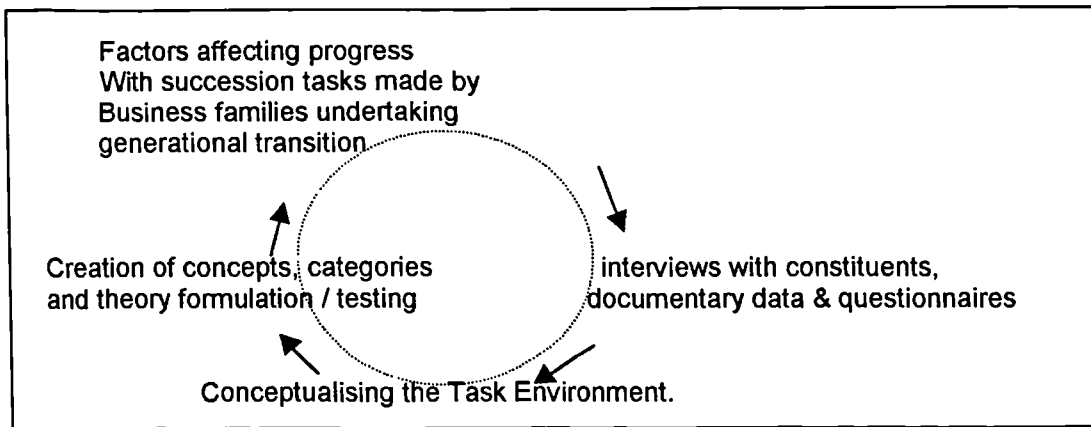


During the first, exploratory stage of the project, the work was descriptive and involved a review of the literatures that would inform on the study of family-business systems. This included published material on individual and family psychology and therapy, systems theory and natural systems theory; adult development theory; the family business literature and related issues such as change, transition theory relating to individuals, groups and organisations, organisation theory and the field of business history. This generated an abundance of concepts or phenomena pertaining to succession and tasks associated with transitional changes in families, businesses and other forms of organisation. The research objectives were then set and the sample of case study firms selected (described below).

The second stage (data collection) began within a month or so after the first exploratory stage commenced. This was to ensure that the grounded approach happened: there was a constant shift taking place between categories emerging from the literature, the data collected and the theory generation, rather than an initial literature review leading to hypotheses being generated and tested. The qualitative approach used for data collection involved using in-depth interviews with individuals who were constituents in these systems, and of dyads and family groups. Documentary data were also collected wherever possible, and specific questionnaires were used at timely junctures in the data collection process to assess family emotional functioning and family members' awareness of the tasks to be addressed during the succession process.

In the data analysis stage, the grounded theory approach required the analytical techniques described above being applied simultaneously rather than in sequence. Since there was a wealth of data collected, and since there was constant referral back and forth between data, literature, concepts and emerging theory, it became critically important to keep in mind throughout the project which stage of the research design was underway, and what the overall goal was (Figure 4.2).

Figure 4.2 The Research Goal



4.4 Research Sample: Criteria for Selecting Firms for Multiple Case Studies

When this project began in 1994, there was no family business database in existence to aid the identification of candidate firms, and it was a case of starting from a zero base (Dunn, 1994). Whilst the initial literature search was taking place and the research questions and objectives were being constructed in 1994 and 1995, a research project exploring the challenges facing family enterprises in Scotland and Northern Ireland, (which was not part of this investigation) took place. This involved quantitative research using a survey instrument administered to over 6000 firms in Scotland and 1500 firms in Northern Ireland (response rate 15% and 9% respectively).

The timing of this separate project was opportune because it especially alleviated two serious concerns about the case study approach. The first concern was to do with qualification of potential case study firms: that it may be very difficult to identify a suitable pool of candidates who fulfilled all the variables required by this research design, especially in relation to developmental and life-stage criteria. The second concern was one of gaining access to the required quality of data. It was anticipated that most families, and that some individuals within the candidate families, may not be willing to share, in real time and with an outsider, their experience of going through changes in ownership and leadership in the business, and of going through significant periods of change in their families.

The timeliness of the survey meant it created an opportunity to ask firms indirectly for information that would help to identify candidates for in-depth research. Information was asked about the state of their forthcoming succession plans, their anticipated timescale, what percentage sales growth the firm had achieved on average over the last three years, and whether they were interested in voluntarily participating in further research. It was therefore a legitimate point of entry for research, and served to warm-up the pool of possible candidates.

When the survey data were analysed, a short list was compiled of firms who met the following criteria: they had given permission to be contacted for future research, they were growing firms and had achieved sales growth of at least 10% per year for the last three years and the respondent expected their succession to be complete within five years (i.e. by 1999). Over 50% of firms responding to the survey agreed to be contacted for further research purposes (550 firms); this figure was regarded as extremely high given the assumptions about the wish for privacy in family enterprises. Perhaps these firms are not so secretive after all, or perhaps the questions asked in the survey struck a chord for some respondents who thought that self-selecting for involvement in further research may bring them closer to some answers or resolutions to their own transition problems. Having access to the survey sample provided the added benefit for this project that there was at some degree of randomness in the way the potential case firms were finally identified and taken forward for testing to meet the other case study criteria.

The 1995 survey created a baseline of knowledge about family firms (Dunn, 1995). There was scant evidence preparations being made by families for their forthcoming, imminent or ongoing succession transitions. This clearly pointed to the need for further research urgently into imminent and ongoing succession, since 50% of respondents in Scotland expected to have their successions completed in 10 years, and half of these expected succession to be complete in five years. Only 14% of the respondents had taken professional advice, and fewer had any documented plans for leadership transition. Only 50% had wills, but again, less than 20% had

communicated the contents, so that the way in which power and wealth were to be transferred to the incoming generation was unknown to the recipients and others who would be affected by the consequences.

The statistic of 25% respondents in Scotland expecting their transitions to be completed in five years, coupled with the lack of preparation and communication going on in these firms, was regarded as a significant threat to the well being of Scotland's economy. Clearly, these statistics indicated that the firms were not being proactive about preparing effectively for continuity, and that this low level of activity was in fact likely to perpetuate the very poor survival rate of the nation's family business population - whereby only 30% succeed as second generation family enterprises and fewer than half of these go on to become third generation (Stoy Hayward, 1991). Although there is a political drive to generate new business ventures in Scotland to fill the gaps left by the demise of heavy engineering industries and coal mining, and to offset the potential dependency on fickle inward investment projects, there is also a desire to protect and stimulate growth in indigenous firms, most of which are firms under family ownership and control. Not only was there a gap in the current knowledge base generally about what family-related factors affect the ability of business owning families to make progress with succession tasks, it was evident from the 1995 survey that there was an economic imperative for this research.

From the survey, a subset of 25 firms who were potential research candidates (i.e. they had agreed to be contacted) was identified by applying the following conditions to the survey data:

- firstly that a future contact name was voluntarily entered on the survey form indicating a willingness by owners to consider assisting with future research; and
- secondly, firms had undergone a minimum of 10% average sales growth per year for the last three years; and
- thirdly, firms stated at the time of completing the survey that the next successor will be in place in the next 1-5 years.

Refining the Sample

In this project, a sample population of case study firms was selected based on the following independent variables being consistent across the sample:

- *The Ownership constituency* was in transition in its ownership lifecycle. This was one of two types of transition: the first was a transition from the senior generation controlling owner (CO) to the next controlling owner who was a member of the owning family's offspring (a CO-CO recycle transition); the second transition was from CO to sibling partnership (CO-SP) in which ownership and control is being passed from parents to their offspring (siblings in the next generation); *and*
- *The Business constituency* was at the expansion / formalisation stage of its life-cycle with all the firms in the sample oriented for growth rather than lifestyle; *and*
- *The Family Constituency* contained a senior generation at the "entering late adulthood" stage of their adult development life cycle. These people had come to the end of their middle adulthood and were faced with finding the right life structure for late adulthood. This took place between 58 and 65. It also contained a junior generation at the "entering middle adulthood" stage of their adult development life cycle. These people had built a life structure for early adulthood and were questioning whether this life-structure was suitable for middle adulthood. This took place between 28-32 and 38 to 45. In terms of Gersick et. al.'s (1997) developmental model, the senior generation was faced with "Passing The Baton" whilst the junior generation was working towards being both a recipient of The Baton, and at the same time, facing the challenges of being a Young Business Family.

The sampling process in this project also took account of models in the literature in which a macro or holistic conceptual approach was taken to the task environment of family businesses during times of transition. The family business literature review in Chapter 3 highlights the conclusions by Hershon (1978), Davis, (1982). Ward (1987,1995) and Gersick et.al., (1997) that the challenges and tasks that a family and its business will face as they move to the next stage in their evolution *are predictable* because each of the three main stages in family

business ownership are known to trigger family dynamics characteristic of each stage. Taking a proactive stance toward the impending transition means the business-owning family putting in place - well in advance of the succession "event" - the necessary structures, policies and operations to optimise family business functioning.

Creating the conditions to give both generations the best chance of a successful outcome is the primary task faced by business families entering periods of generational transition. This requires a mentality of "building your shelter before the storm breaks" and the commitment to ensure that the building process gets underway and progress is being made despite all the factors that nevertheless conspire against progress being made (Lansberg, 1988). A sampling frame was therefore constructed to ensure that reliable comparisons could be made across the cases when assessing the progress (or lack of progress) made in the transitions. To this end, the sample contained case study firms being observed who were simultaneously experiencing a passage through identical phases of the succession transition journey, and who were also going through similar personal, family and business life-cycle stages.

Since each developmental stage, and the transition period between each stage has its own complement of tasks and processes, the purpose of creating a sample of firms sharing the same individual, family, business and ownership life cycle stage was to ensure that despite all the potential variation in these cases, they all shared the same task environment and its related issues and forthcoming experiences as they journeyed through the transition process. All the firms selected agreed at the outset in 1994, that they expected the transition to be complete within five years, so they also shared the same *time* horizon as well as the same *developmental* horizon. A year had elapsed since their completion of the survey and contact being made for this research, so it was anticipated that these families would be very much pre-occupied and actively dealing with succession tasks and processes.

The respondents in the initial sub-set of 25 were contacted by telephone to assess their interest in participating in the case studies. The conversation began by thanking them for their participation in the survey, and asking if they might be interested in assisting with future research work. The in-depth nature of the work was described, the estimated time commitment, confidentiality assured and a request made that the respondent discuss the matter with other family members and managers. These firms then received a letter confirming the points discussed, which they were asked to distribute to other family members and managers. They also received a copy of the report to which they had contributed by taking part in the survey research described above (Dunn, 1995). Respondents were called again a week later; those available and agreeing to take part in principle then agreed to a company visit. By this time, the sample had narrowed to 11 firms who had been successfully contacted and had indicated an interest. The remaining owner-managers were either unavailable, were based in locations which would have been difficult to reach, or were not interested in taking the research further.

The sample of 11 firms represented a good mix of family and business developments and relationships. These firms were all visited and a personal introduction was made and the research intent reiterated. Four firms declined at this stage: one was keen to contribute, but was very obviously too busy to talk and could not foresee business quieting down enough to commit the time. Another owner-manager was unwilling to make contact with his father about the research citing their very conflicted relationship as the reason. A further two were not geographically convenient. This left seven firms going into the data collection stage: three could be described as "Stage 1 Recycles" (CO – CO) two were "Stage 1 to Stage 2 transitions" (CO-SP), one was a "sibling partnership re-cycle" (SP–SP) and one firm had its ownership split equally between two unrelated families which could be described as "A Parallel Stage 1 to Stage 2" ([CO &CO] – [SP & SP]) where two fathers and their sons' from unrelated families were working in the same firm.

Narrowing the Breadth of Study

Given the sizes of the families concerned and the time required to interview the members, the decision was taken after about two years for logistical reasons to narrow the sample down from seven to five cases because seven cases were generating too much data for analysis and taking the study beyond its scope. The rationale was to focus the enquiry on variations of CO and SP related transitions in order to collect data from and about the business-owning nuclear family as the unit of analysis. Narrowing down the breadth of the study allowed a focus to develop on the variation to be found in cases along the first two stages in the ownership development dimension (CO-CO and CO-SP). The individuals of each generation within the firms taking part were roughly the same age and were therefore engaged in parallel life-stage transitions.

A further consideration was the changing pattern of ownership and overall governance archetype for the family enterprise system. In family businesses, ownership and management are not usually separate functions or groups as in other firms. When ownership and management are in the hands of one or more related families, wealth, power, control and responsibility for the family and the business are inextricably linked together. This means that changing the ownership form in the business is effectively changing the overall governance archetype of the whole family enterprise system. If, rather than recycle its ownership, a firm changes its ownership structure to a more complex form, it can also expect the transition process to be increasingly more complicated. This is the case when it is shifting from a relatively simple founding stage (where the business is led by a Controlling Owner at the Start-Up stage, and the owner is in a Young Business Family) to a relatively more complex one (such as a Sibling Partnership or Cousins' Consortium where the business is undergoing Expansion and Formalisation, and the family is now either at the stage of Working Together or Passing The Baton).

In reality, there are more variations than the developmental model suggests at first glance. The least complex of all transition options is in the case of CO-CO when the successor is definitely intended to be a family member and when there is only one adult child in the nuclear family. In this case, ownership and leadership simply change hands and no discussion or negotiation is needed about the division of power or wealth. A related, but alternative scenario in CO-CO cases is when the firm's leadership is being transferred to one working offspring in the business from the next generation (i.e. the rest are not working in the firm), but when the wealth that is tied up in the equity of the business is to be divided in some way amongst all the offspring. This represents a CO to CO-SP hybrid. The research sample was made up of three CO-CO transitions and two CO-SP transitions. In the three CO-CO cases studied, none of the successors was an only child; and although the firms were to continue in the next generation as CO-led firms, the successors were destined either to share ownership (equally or otherwise) with their non-working siblings, or to face the issues of their sibling(s) having been kept out of family business ownership and their inheritances being unequal.

The CO – CO transitions studied were in fact a variation on CO-SP transitions. They presented a relatively less complex environment in which the tasks of ownership transition were being addressed than the two CO-SP cases. This was because in the CO-CO cases there were no siblings around to jockey for position in the leadership domain, because these all had careers elsewhere. The two CO-SP cases were by definition more complex and, as it turned out, the families involved were willing to allow access to more detailed information so that they could be studied in much more depth. The final complement of cases studied was representative of the spectrum of complexity to be expected of CO-CO and CO-SP ownership transitions.

Typical and illustrative of the complexity involved in the whole issue of family business transitions, it was not possible to directly label four out of the five cases as undertaking a definitive transition type. These were therefore labelled according to which transition the families themselves said they were undertaking. Families undertaking Stage 1 Recycles (CO-

CO) were labelled A1 A2 & A3; those undertaking Stage 1 to Stage 2 transitions (CO-SP) were labelled B1 and B2 (Table 4.1 below).

Table 4.1: Ownership and Leadership Configurations in CO-CO and CO-SP Transitions: Variation in Case Study Sample.

	Stage I Recycles			Stage I-II	
	CO-CO Type 1	CO-CO Type 2	CO-CO Type 3	CO-SP Type 1	CO-SP Type 2
Leadership	Only child No other contender	1 sibling qualifies only for leadership.	1 sibling qualifies only for leadership. Others not in the business.	1 of the active siblings qualifies for leadership as 1 st among equals	Leadership team approach rather than 1 st among equals
Ownership	Only child gets all. No other contender	"Lead sibling" gets all ownership; Others left out.	Ownership divided amongst all sibs in some way.	Ownership divided amongst all Sibs in some way.	Ownership divided among Sibs in some way
Case Study Firm:	---	A2	A1, A3	B1	B2

A detailed summary of the research sample at the outset in 1995 is presented in Table 4.2 below. The table illustrates the wide variation in the cases selected. The firms all operate in different sectors, they are of different size, age and generation, and were found to have very different origins and values affecting their organisational cultures.

4.5 The Research Objectives

The narrowing down of the research focus significantly limited the scope of the investigation of what could realistically be achieved in the required timescale. Nevertheless, clustering the cases around the life-cycle stages of constituents inhabiting the systems enabled comparison and exploration into *how* different families, who share the same position and stage of life-cycle constellation, approach the same issues and *why* they achieve different degree of success. With the boundaries thus set, the research was steered into a clear framework of investigation to address the research objectives.

Identifying the Research Objectives

Consistent with Yin (1994, p.21), theoretical questions arose from the literature review about

Table 4.2: Summary of Research Sample (@1994).

<u>Individuals</u>		<u>Businesses</u>	
Age:		Years in Existence	
17-28 (5)		11-20	(1)
29-39 (4)		21-30	(1)
40-49 ()		31-40	(1)
50-59 (3)		41-50	(1)
60-64 (4)		51-60	()
65-70 (1)		60+	(1)
Gender:		Generation in Ownership	
Male (12)		1	(2)
Female (5)		1&2	()
		2	(3)
		2&3	()
Nuclear Family Stage¹			
Senior Generation:			
Launching Children & Moving On:	(1)		
Families in later life:	(5)		
Junior Generation:			
Families with Adolescents Leaving home:	()		
Single young adults	(4)	Sector:	
New couples	(2)	Electronic Manufacturing	(1)
Families with young children	(5)	Packaging	(1)
Launching children & moving on	()	Retailing: Wholesale	(1)
		Engineering / Manufacture	(1)
		Service	(1)
Firms' Developmental Stage²		Growth	
Ownership	()	Ave Sales over last 3 years:	
CO	(5)	<5%	
SP	()	5-10%	(1)
CC	()	>10%	(4)
Business			
SU	()		
E/F	(5)		
M	()		
Family			
YBF	(5)	Stage in Life Cycle⁴	
WT	(5)	Growth through creativity	
PTB	(5)	Crisis of Leadership	
Role Transition Stage³		Growth through direction	(1)
Seniors:		Crisis of Autonomy	(4)
Monarch	(3)	Growth through delegation	
Monarch -> Overseer	(1)	Crisis of Control	
Overseer	(1)	Growth through co-ordination	
Overseer-> Consultant ()		Crisis of Red Tape	
Juniors:		Growth through collaboration	
Helper->Manager	(2)		
Manager	(3)		
Manager->Leader	(0)	Employees as at 1994	
		<10	()
		11-20	(2)A1,A3
		21-30	()
		31-40	()
		41-50	(1)B1
		51-100	(2)A2,B2

¹ Carter & McGoldrick, 1989

² Gersick et.al., 1997

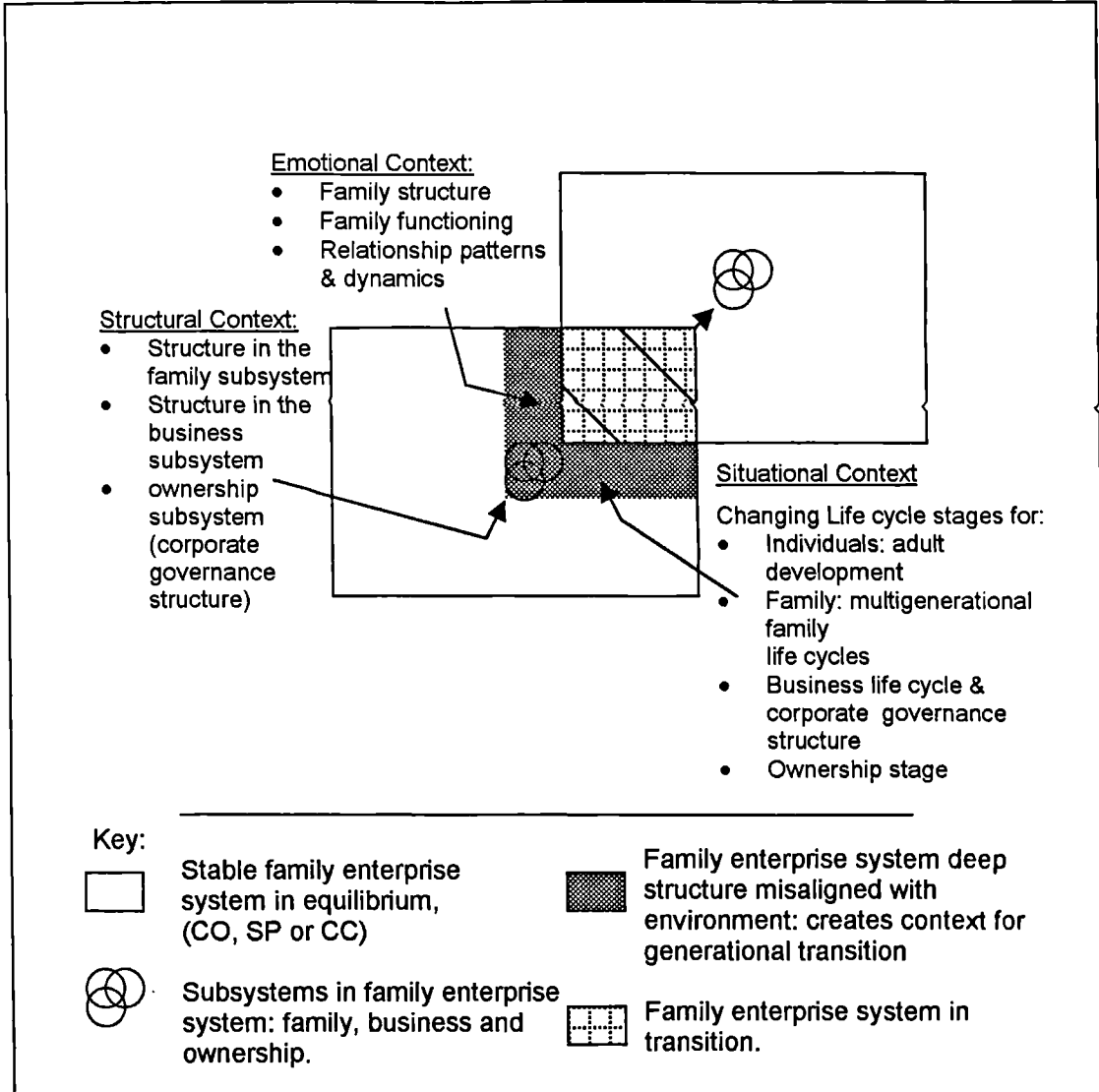
³ Handler, 1989, ⁴ Greiner, 1972

the conditions under which generational transitions take place and what factors may improve or set back a family's ability to deal with the complexity of a generational transition. The review of the literature on generational transitions in Chapters Two and Three described three important dimensions (emotional, structural and situational) that made up the context in which generational transitions take place. When the whole family enterprise system goes through a generational transition, it is effectively dealing with changes in its governance archetype: how it structures itself, at the highest level, to control and direct its means of exchanging resources with the environment. Simultaneously, individuals, subsystems (the family, ownership and business subsystems) and various groupings within the family enterprise system are also dealing with their own life-cycle transitions. Revolutionary transition theory (Gersick, 1991) proposed that during transitions, the equilibrium of the system breaks down under the pressure for change; chaos and uncertainty exist until a new deep structure (the network of interdependent relationships) emerges and becomes established, re-setting the equilibrium at a different point. It was widely accepted in the literature that the primary task for those in control of the family enterprise as it embarks on a generational transition is to create the right conditions under which the tasks involved can be carried out (Ward, 1987; Gersick et.al, 1997; Lansberg, 1999). These ideas contributed to the descriptive framework for the research shown in Figure 2.1 above and reproduced in Figure 4.3 below for convenience. There was a wish to explore these ideas in the research in greater depth by generating empirical data which would build on the work of earlier researchers in this area of family business research. These researchers had established the importance of emotional factors (Hollander, 1983; Crampton, 1994), relational factors (Lansberg and Astrachan, 1994; Seymour, 1992) and developmental factors (Davis, 1982) on the family's management of change and work relationships during the life-cycle of a family enterprise.

To build on these theoretical aspects, the following research objectives were defined:

1. To identify the tasks and issues to be addressed by family enterprise systems in order to complete their generational transitions.

Figure 4.3 Descriptive Framework for The Context of Generational Transition in Family Enterprises



2. To examine the approaches taken by different families to carrying out the tasks associated with the completion of transitions in the ownership and leadership of their business enterprise as they change from either one controlling owner to the next controlling owner ("CO-CO re-cycle"), or from controlling owner to sibling partnership ("Stage 1 to Stage 2" or CO-SP).
3. To investigate what factors can lead families and the individuals within them to make progress or to prevent progress with the tasks required in these types of generational transitions.

To operationalise the research objectives, the literatures were explored for guidance on the types of tasks and variables to be expected in such a study. Objective one required a descriptive approach which was informed by the general family business literature, especially seminal works by Ward (1987), Gersick et. al., (1997), and Beckhard (1987). For objective one, a broad screening of the family and business literatures took place to generate lists of "tasks" and "issues" which were to be considered. Descriptive variables were identified which were associated with the types of tasks to be attempted and resolved. These were positioned appropriately in one of the seven segments of the 3 circle model (Tagiuri and Davis, 1982) to show that activity could be expected to take place by these key constituent groups throughout the research timeframe. Since the 3 circle model represents a static snapshot of family business structure at any time, and since this longitudinal research must take the passage of time into account, it was also necessary to place the tasks identified into the Gersick et.al.'s dynamic developmental model to illustrate the tasks and work to be expected over time as the transition between life-cycle stages elapsed.

These descriptive variables informed the sampling process and provided benchmarking criteria with which to assess and monitor progress (or the lack of progress) being made by case study

firms in between the visits made and over the duration of the entire research investigation.

Addressing objectives two and three above required a more analytical approach, and this drew on existing theories on family psychology, family and natural systems theory, adult development theory, and business, organisational and group life-cycle theory. These offered a lens through which to bring into focus how “functional” (i.e. “able-to-carry-out-the-work-required”) the case families were. Conversely, it brought into focus what factors contributed to families being unable to do the work, where they got stuck with certain tasks and remained entrenched with issues or problems. The literature offered lists of concepts guiding the observation of *underlying process* as well as actual task activity.

The individuals within the family systems observed were each associated with (i.e. they were either working on or denying the need to work on) their own adult development life-stage tasks. These coincided with the family, ownership and business transitions underway depending on where in the life cycle other constituent sub-groups were and where each constituent subsystem was moving to in the next stage of their life cycle. Sensitivity was therefore required to distinguish and monitor what was going on in which system or subsystem, and which tasks (i.e. which subsystem tasks) were being attempted or being avoided by the subjects. The literature provided guidance in the form of frameworks and concepts to illustrate actions to be expected at each stage or in transitions between stages. The literature on general systems, natural systems and transitions also informed on observation and analysis at a meta-level, emphasising overall process and what leads to stasis and change in complex, dynamic systems.

4.6 Data Collection

Data were collected by means of interviews, documentary data from the firms, and by using questionnaires to follow up various avenues of related importance (further sampling).

Of these data collection techniques, the interview method, which involved individuals, dyads and families, was the most potent and rich source of data. The other sources were useful for triangulating findings and adding depth to the analysis.

Once access had been gained and confirmed by letter, a routine was established with the firms about how visits were to be arranged. This involved a telephone call to check when would be convenient and to ensure that interviews could take place with as many constituents as possible. This meant trying to ensure that active and inactive family members, and any non family senior managers and advisers where possible, would all be aware of the project and be able to participate. In some firms, this meant contacting constituents directly whereas in other firms, a key contact person would make the arrangements in advance. Despite these efforts, occasionally someone would be unavailable on the day of the visit, often for logistical reasons though in one case, it was evident that a family member had sabotaged the arrangements for his own reasons. Firms A1, A2 and A3 were generally smaller firms and it soon became clear that visiting two to three times per year was sufficient. Firms B1 and B2 were bigger and more complex and required more visits to keep abreast of activity. Despite this, B1 was unable to have more than 2-3 visits per year due to the firm being busy with ongoing acquisition activity and because the key constituents were unavailable when visits were requested. More visits took place to B2 than any other firm because visits were generally welcomed even though they were frenetic with business activity. For this reason, Case B2 is presented as the most in-depth case.

Table 4.3 contains a log of the data collection process over the duration of the research. A total of 103 interviews took place throughout thirty-three visits to the case study firms between 1994 and 1998. As far as possible, face to face interviews were held in the firms (82), although

Table 4.3 Data Collection: Summary of Interviews and Visits to Case Study Firms

Case # visits to firm	# interviews with Sr. Gen Husb Wife Both	# interviews with Jr. Gen S1 S2 S3 S4	# Father & Son Interviews	Family Meeting Interviews	# interviews Non-Family Directors or advisers	Total # Interviews (telephone)	Documentary Data Sources
CO-CO Cases A1 6	5 2 0 0 3 - -	0 3 - -	-	1	1	10 (2)	Company literature
A2 5	4 0 0 4 0 - -	4 0 - -	2	0	1	9 (2)	Consultant's 1993 report Consultant's 1994 report Company literature Father's essay on family firm Father's letter re FACES
A3 5	7 0 0 4 0 - -	4 0 - -	0	1	1	10 (3)	Consultant's 1997 report
CO-SP Cases B1 7	7 0 0 4 2 2 -	4 2 2 -	0	1	3	17 (2)	1993 Succession Audit Company Literature
B2 10	7 4 2 10 2 0 3	10 2 0 3	1	2	9	Face-to-face 36 Ad hoc sib. 1 Mgmt 2 Social 2 (Telephone 4) video-conf: 3 B2 total 48 TOTALS Face to face 82 Telephone 13 Other 8	Company literature Accounts '79-95 Terms & Conditions 96 Consolidated P&L 96-98 '90 Sales & Marketing Strategy MBA Dissertation Production & Ops report Financial Control & Objectives Market Research Report Minutes from Strategy Review Product Development Plan
Totals 33	30	2	3	5	15	103	

occasionally the key individuals were only available by telephone (13); occasionally, data was collected through social events the researcher was invited to or other informal gatherings (8). The table shows the emphasis placed on keeping up to date with developments taking place between successors and succeeesees. There were thirty private interviews with fathers and thirty four interviews with adult children. To ensure that a perspective external to the family was gained fifteen interviews took place with non-family managers or directors and non-executive directors and consultants.

Since the family constituency contains its own subsystems, interviews also took place where possible with the spouse system in control of the business (two interviews) and the sibling subsystem (three interviews). Five family group interviews were held overall; for these, the father in every case was asked to invite his wife and offspring (including in-laws) to a group interview. Although the inclusion of family group interviews was explained during the introductory meeting with each case study firm, in fact only one took place in the way requested, and even then, the daughter and her partner were deliberately excluded from the process. The other family interviews were either put off by the fathers, or took place on an ad-hoc basis when a visit was taking place to the firm anyway and the opportunity arose to get everyone together who was there. This suggests that there was some anxiety around for fathers about this process. The researcher took this as evidence that the fathers wanted to be in control of the information flow in their family systems and were unwilling to risk the consequences of sharing information. For example, the meeting may show that the father did not have the answers yet to the next generation's or spouse's questions about the succession at that stage. Or, it may lead to the father being asked to communicate the reasons or thinking behind decisions currently being made or those that have been decided; equally, it may mean having to acknowledge that disagreement or disillusionment existed within their family about the approach being taken to the succession.

Data collection and analysis took place in parallel, encompassing data from many sources, not just from the interviews. One of the implications of studying systems holistically is that it is impossible not to become part of the system temporarily and to affect the process in some way. This also created an opportunity to capture data from a different source and a written record was kept of the transferential and projected thoughts and feelings during interviews and a record of personal views being formed about each family's approach to their transition tasks.

The interviews themselves were semi-structured for the first two visits, and thereafter relied on the subjects giving an account of what had taken place since the last visit, and being prompted with questions arising and needing clarification from earlier visits. The first interview was an introductory meeting in which credentials were checked, the research objectives re-stated and any assumptions made about availability and frequency of contact clarified. A conversation was then directed in a structured way around the report which they had received as a follow up to their participation in the 1994/95 survey. The report contained the results relating to the data sections in the original survey form: general information on the firm, current and expected future ownership, current and expected future management, strategy in the family business, management development and training, succession planning, alternative investment options and educational provision for family businesses. These were highlighted in the initial interview to stimulate discussion about what tasks the respondents were aware of at the outset that they would have to address in the next two to three years.

Respondents were encouraged to talk freely about any dimension of family business life that may have been prompted by the topics in the report or by my introduction to them as a researcher who would be on the scene for the next few years. The aim of this was to demonstrate to the respondents that the researcher was not new to the field, and had a degree of understanding and experience that should give them comfort that their comments will be understood and treated sensitively and in confidence. The issue of the researcher's role being one of observer and not as consultant was stressed. This initial discussion helped to begin

creating rapport between respondent and researcher so that insights could be developed into how real life constituents envisaged their succession tasks as opposed to how the texts prescribe them.

The interviews that took place with individuals during the second visit began with clarification of any points raised at the first meeting, and then focussed on the existing structure in the family, business and ownership subsystems by having each of the respondents describe the family genogram and the current organisation chart and governance arrangements. The interviews were taped on every occasion (including the telephone interviews where possible) other than the first introductory meetings. These were typed up into transcripts and stored both as hard copy documents chronologically in the folders maintained for each firm, and also as Microsoft Word documents in directories and sub-directories maintained for each firm. The transcripts were coded according to firm reference, number of visit, who was being interviewed in the system, how many times this particular person had been interviewed. When quoted, this reference was used including the page number where the quotation could be found in the transcript. As an example: B2/V3/NF2/2/p3 denotes which firm (B denotes a CO-SP transition), /V3: denotes the data is collected from visit number 3; /NF2: is the interview subject i.e. the second non family manager who joined the firm; /2: the second interview with this subject; /p3 is the page number for the quotation. Two versions were kept of each interview transcript and piece of written or documentary data: one containing the raw transcribed data, and a second (annotated) transcript which had been subject to a grounded analytical approach. This involved going through every sentence to identify concepts and listing these. There were over 150 concepts identified from the first round of interviews, and relatively fewer thereafter as each of the concepts became linked and categories emerged.

Thereafter, the preparation for a visit to each firm and for the interviews due to take place there involved re-reading all the transcripts, the annotated transcripts, notes and category list and any other data pertaining to each system prior to the visit to retain a systems view of what was

going on. Notes were taken about issues to be clarified at the next meeting, and propositions or tentative theories to be tested. The participants were asked to keep a note of any events, conversations or processes they noticed which struck them as significant in the succession context, and these were discussed during the interview also. For example, the successor in Case A1 kept a copy of the memo which announced his appointment as MD and which was put in all employees' salary packets. This allowed us to discuss many associated dimensions of this significant event: what led to it being done this way? How did he feel about this? What reactions did it evoke in other constituents? What did it say about the culture of the firm? What has changed since he was given this title? What purpose(s) did the announcement serve from the family, business and ownership systems perspectives?

Other than these topics, the interviews held over the first eighteen months were deliberately not structured in order to minimise the potential effect of the researcher's questions on stimulating task activity by respondents between visits. That is, if the early interviews contained a checklist of tasks, and progress was benchmarked explicitly against this list during each visit, the subjects may have been guided by this list. Since the purpose of the investigation was to observe how, and to what extent these systems manage their approach to completing a generational transition using their own resources, it was important not to prompt or guide the respondents' activities at this early stage wherever possible.

However, after 18 months of data collection, (i.e. by mid 1997) it became clear that despite their near-identical stages in terms of adult development, ownership and business transition, the firms were all at very different stages of progress in terms of their actual level of awareness of tasks to be addressed. This ranged from having virtually no awareness to there being some awareness of the tasks of succession; none of the subjects could be regarded as knowledgeable (i.e. none had taken it upon themselves to find out in a proactive way) about succession transitions. The cases were also at very different stages in terms of their ability, readiness or willingness to address the tasks discussed at the interviews: some were making a

great deal of progress on the tasks that they were aware of, and others seemed stuck. This should have been quite surprising considering the firms had regarded themselves as “in transition” at the time of filling in the survey form and that they anticipated being through the transition by 1999. However, the key finding in the 1994-95 survey was the overall lack of preparation being made for imminent and ongoing generational transitions across the whole sample of firms in Scotland and N. Ireland.

Although it appeared as if the firms were choosing to let succession matters take their own course at this stage, in fact a lot of frustration was developing within each generation and in each constituent group about the absence of progress. This point in the data collection process was regarded as an opportunity for further sampling, from which more data could be gathered about the degree of preparation taking place in absolute terms and about the work still to be done. The “What Next? Checklist” (Frishkoff and Brown, 1993) was administered to the key constituents in the systems according to their roles: successor, spouse, owner-manager and “other” (non family senior staff). This questionnaire was compiled by asking professional service providers (accountant, lawyer, banker, insurance) what they regarded as the key questions clients should be asked, and the key tasks they should carry out, in order to have an effective succession plan. It takes the form of closed questions on various aspects of the succession planning process as a self-help or triggering device to encourage task activity. Having the respondents fill in the appropriate form provided the opportunity to explore many more dimensions of tasks than was possible previously and to compare the relative stages of progress of the cases.

The questionnaire was not reliable for objectively measuring the current state of progress within each generation on their succession agenda, because the questions were perceived too generally by the respondents and allowed them to receive higher scores on their state of preparation for succession than was actually the case according to the interview and documentary data. For example, one of the questions asked of successors was

Q11: If you are regularly employed by the family business, do you have a clearly defined position and the authority to carry out the responsibilities of that position?

to which 80% responded "yes". Yet one of the consistent issues emerging for all the successors at that time was how they could reach the position where they could take on more real responsibility and accountability for the key performance aspects of the business that their fathers were currently holding on to. The Checklist was not designed to be a definitive objective measure of the outstanding succession tasks at a given time. It was created to highlight, in broad terms, the critical areas of succession planning requiring attention throughout the system to improve its prospects for a successful outcome, and to indicate to respondents where they should go for help. For this reason, the results are not reported in this study.

However the questionnaire was of considerable value for two reasons: it created a fresh review process after eighteen months or so of interviews, and it also highlighted to the researcher that respondents were learning from the exercise that the whole generational transition process was far more complicated and multi-dimensional than they had previously thought to be the case. It provided the opportunity to discuss issues and tasks at a timely point in the data collection process. It also raised the researcher's sensitivity to ways in which denial could be observed in family systems, and it alerted the researcher to how profound the tendency was to deal with the whole issue of succession "in-house". Most wanted to use the checklist as a way of proving how well they were doing, whilst in reality, probing questions revealed a lack of understanding of the issues raised in the questions, or a lack of awareness that some issues (the making of a will for example) were important at all.

Interviews

Most of the interviews were held with individuals who occupied roles as constituents in the family-business-ownership system. These interviews involved raising the questions prepared beforehand from the prior reading of the data collected on the system so far, followed by a series of probing questions. Often, information collected from an interview with one constituent

informed some of the content of the interview with the next constituent during the same visit. This iterative process gave the researcher a sense of what issues were pertinent at that time or what had taken place since the last visit, what the system was reacting to and generating anxiety about, and how that anxiety (of whatever intensity) was being managed in the system. It also provided a means whereby data could be triangulated.

The father and son dyad interviews took place when the transition had reached the stage where the way forward with some dimension of the transition and its associated conditions was clearly expressed by either father or son, denoting that a decision on some aspect of the transition had been made or was close to being made. They were brought together to check if there was consistency as to how each saw their plan working out. However, sometimes a different version than one given in private was given by one of the participants when they were interviewed together. These interviews offered a different approach to data collection in particular about the behaviour of each person when questioned with the other, the level of anxiety they seemed to experience in this setting, the quality of the relationship between the two, and any inconsistencies in the narratives given earlier, or misplaced assumptions held by one party or another.

Interviewing Skills

Interviews by their nature generate anxiety for all parties concerned. In the first interviews with all the case study firms a lot of anxiety was created by the presence of the tape recording machine and the researcher's ongoing problems trying to position the tape recorder where it could pick up a decent signal, yet not seem intrusive. After the first round of interviews, the tape recorder did not appear to be an issue and over the years of data collection, it was turned off on two occasions and only for a short time. Both cases were interviews with non-family respondents who occasionally felt uncomfortable about some of what they had to say going on tape.

Preparation for interviewing took place on two levels: one was to do with the use of the tools available for the interview process: how to structure interview sheets, how to frame questions and to probe for depth and how to use circular questioning to explore patterns (cycles) of behaviour. The other was to do with understanding the researcher's own potential for affecting, or being affected by the processes underway in these family systems. This was monitored in a number of ways. Firstly, anyone working with family systems can become unwittingly assimilated into the dynamics of the family system being observed. Training is required to be able to recognise the potential for this happening. When interviewing the senior generation in most of the cases, feelings of powerlessness and anger were sometimes aroused when the expectations and assumptions of the next generation appeared to be either ignored or treated with ambivalence by the senior generation holding the power. The generation of these feelings was noted at each interview; this was how the notion came about, and could be put to the next generation in subsequent interviews that they may experience being in an emotional and managerial bind. Having taken on (introjected) the feelings of the offspring during an interview with the senior generation, the researcher had two tasks: the first is to go back to the data to see what other categories support or expand on the theory emerging. The second is to manage the feelings to avoid becoming defensive or critical of the senior generation during the interview. The feelings were very real, but the task was to stay calm and neutral in these situations. Achieving this is helped when one is familiar with one's own multigenerational family system and one's own family dynamics under conditions of differing intensities of anxiety. Studying one's own family system also illuminates the onset of an anxious response when interacting with others, so that this can be monitored. The researcher underwent training in Bowen Family Systems Theory and Human Relations and Counselling to learn about family and other systems and behaviour under different levels of anxiety.

In order to allay anxieties about the family interview process, a letter was circulated in advance advising what to expect. As mentioned above, only one family agreed to this type of meeting (A3). In preparation for the family interview, all the earlier transcripts and data collected were reviewed prior to the meeting and hypotheses generated about how the system appeared to

function. These were to be tested during the interview. Measures were taken to pre-empt the potential for family interviews to lead to situations of conflict *as a result of the research process*. Conflicting points of view or differing world-views are inevitable in all families let alone those undertaking changes of such magnitude. However, as far as could be managed, conflicts were not to be exacerbated by the research process. Before the tape was switched on, therefore, some groundrules were listed to assert the purpose of the research interview. This was described as being to collect data for research purposes, as opposed to consultancy or problem solving. How the interview would be conducted was described; who would be addressed, (for example questions were directed at couples first, then to individuals, and then to the different generational groups) and finally, when an open question and answer session would take place.

Family interviews (whether formally arranged or ad hoc) provided an excellent opportunity to observe, in real time, the quality and characteristics of interactions between important subsystem constituents (spouse, parent–child, boss–subordinate-owner). Observations were made about how the generations related with each other, how they expressed their views on issues and how they saw the future. These interactions were indicative of the quality of functioning of the system and showed what aspects of their functioning created conditions under which issues could be discussed or resolved leading to the ability to make progress, or what aspects led to inaction and lack of progress or frustrations about key tasks. For the researcher, it was again important to stay neutral when feelings and reactions were aroused when working with family system.

Assessing Family Functioning

One of the main categories to emerge from the data collection and analysis process was family emotional functioning. This took place in the form of behaviours and relationship patterns within each of the nuclear families in the cases studied. It was important to explore whether there was a relationship between family functioning and progress (or the lack of progress) being made

with transition tasks, and the nature of this relationship. Were there emotional predictors of activity, progress or inactivity? It became clear, even from the point of initial contact, that each of the families involved had its own way (in terms of its sense of purpose, its values, patterns of behaviour and style of action) of going about their transition, and that it was markedly different in each case. The family psychology literature provided useful labels for phenomena observed. Further information was gathered from the case study families on family functioning using two approaches to assessment; the first relied on observations being made and behaviour rated against family evaluation criteria (Kerr and Bowen, 1978). The other using a psychometric assessment device (FACES II) as a research instrument.

As explained in Chapter Two, the family psychology literature and the family business literature emphasising family psychology is very heavily influenced by the work of Murray Bowen and systems thinking in general. Although Bowenian family systems practitioners do not advocate the use of objective (normative) assessment devices, they do advocate the use of objective assessment processes where objectivity is in the domain of practitioners' understanding and experience of the key tenets of Bowen theory and practice. The family evaluation process relies on subjective assessment of observed behaviour and noted patterns in family histories to uncover "functional facts". The key tenets described in Chapter Two have a hypothetical rating scale attached which the practitioner uses along with a history of the nuclear and extended family, a multi-generational genogram, an understanding of the pattern of symptomatology in the system, and sibling position, to build a general profile of family functioning. Questions are asked to uncover and rate the nuclear family emotional process and to identify the events or stressors which disturbed the emotional equilibrium in the family so that a view can be taken about the overall level of stress on the family and how it manages the anxiety being generated (i.e. emotional reactivity and nuclear family adaptiveness). Emotional cut-off is measured to assess the degree of unresolved emotional attachment in the system. The stability (average level of functioning) and intactness (who is alive and available) of spouses' extended family systems are explored to build a picture of the overall level of basic differentiation in the family /

extended family system. Although designed to assess people or families presenting for therapy, the approach can be used to assess functioning in any family system; this is because it is based on the assumption that the functioning in a natural (organic) system reflects the system's ability to manage the anxiety generated in response to the various types of stressors experienced in life.

Figure 4.4 below describes aspects of the family evaluation process with some modifications made by the researcher for assessing non-clinical business-owning families. Information is gathered about these components in order to build a general picture of family functioning, and to identify the opportunity for differentiation in the system and within family members to improve their functioning, and to improve the functioning of the system overall.

The assessment process, with modifications made to take account of the subjects being non-presenting families, was made by gathering information in each case from multiple sources. These included the family genogram, creating a timeline and chronology of events in the family over the years, a family history, documentary data and interview transcript data. Notes were made during and after the taped / videotaped interviews about stories or behaviour which was indicative of each family's emotional process. In June 1997, the researcher's Bowenian assessment of family functioning in each of these cases was presented for supervision and discussion to Dr. Daniel Papero, a member of the faculty at the at the Georgetown Family Center, Washington D.C. which was founded by Dr Murray Bowen. Dr. Papero validated the process of assessment which had been used for these non-clinical business families and also

**Figure 4.4 Bowenian Family Functioning Profile
(Based on Kerr and Bowen, 1988, Chapter 10)**

Key Questions:

1. Is there a symptomatic person?
2. What is the symptom and in which family member?
3. What is the immediate relationship system (nuclear family) of the symptomatic person?
4. What are the patterns of emotional functioning in the nuclear family?
5. What is the intensity of the emotional process in the nuclear family?
6. What influences that intensity? An overload of stressful events and / or a low level of adaptiveness?
7. What is the nature of the extended family systems, particularly in terms of their stability and availability?
8. What is the degree of emotional cut-off from each extended family? (Kerr and Bowen, 1988. p290).

Component	Method / Rating Scale		
History of family problems e.g. degree of dysfunction	note facts/ views of symptoms or problems <i>mild moderate severe</i>		
Relationship history / key events	note on facts / dates, changes in the family		
Sibling position	note birth order over generations.		
Nuclear family emotional process (patterns)	recorded diagrammatically in genogram		
Stressors (magnitude, number and timing of events)	<i>mild</i>	<i>moderate</i>	<i>severe</i>
Emotional Reactivity ("bound" anxiety)	(use experience to compare with other families)		
	0 <i>low</i>	5	10 <i>high</i>
Nuclear Family Adaptiveness (to stress experienced)	0 <i>Low</i>	5	10 <i>high</i>
Extended family Stability & Intactness	1 <i>Low</i>	3	5 <i>high</i>
Emotional Cut-off (attachment / distance)	1 <i>Low</i>	3	5 <i>high</i>

validated the interpretations made about family functioning and emotional process in each case. He commented on the importance of checking the timing and incidence of events in the

family and business domains with the onset of symptoms or periods of acute anxiety in the family, and advised on the use and value of family functioning assessment devices in general.

Using the Bowen approach to family evaluation clearly requires the practitioner to be experienced and / or qualified to carry out such an assessment. The researcher had completed a postgraduate programme in Bowen Family Systems theory and had considerable experience working with business-owning families, but was not a qualified or practising psychologist or counsellor. An additional means of assessing family functioning was therefore sought to support and build on the Bowenian analysis, one which was more accessible to a non-clinically trained researcher, for which the components or tenets of functioning (which generally corresponded to Bowenian concepts) had been clinically and non-clinically tested and empirically validated, and from which the results of assessments carried out would be relatively easy to achieve and compare. The FACES II (Family Adaptability and Cohesion Evaluation) and questionnaire, which assesses marital and family functioning was therefore selected for use in this study (Olsen, Portner & Bell, 1982).

The concepts underlying FACES II are contained in the Circumplex Model of Family Systems formulated by Olsen, Russell and Sprenkle (1989). These have been described in Chapter 2. The Circumplex model relies on the conceptual clustering of concepts from family theory and family therapy literature. This clustering has been rigorously tested over a number of years and led to refinements of the model and the way the concepts are operationalised in the questionnaire (Olsen, 1986). The theoretical description of the Circumplex model has been empirically supported using a Clinical Rating Scale. This instrument was selected from a number of potential family assessment devices because it encompassed and validated the concepts which were generally accepted in the theory and practice of family psychology and family therapy, including those in Bowen Family Systems Theory. However, there were difficulties encountered when using such instruments in the context of assessing the functioning of families in business. One of these difficulties was that assessment devices in general are

usually geared towards the assessment of families who present for therapy because there is a marital problem, or because there are emotional difficulties with the children. Families with young or adolescent children are at an earlier stage in the family life cycle than the families being studied in this research.

Two issues emerge from this. The first issue is to do with life-cycle dimension of families (Chapter 3) and individuals using the questionnaire. The case study families could be labelled using Carter and McGoldrick's convention as "families with launched children" and / or "families in later life" which is further along the life cycle than families usually presenting for therapy, who would be at the "families with young children" and "families with adolescents" stages (Carter and McGoldrick, 1989, p15). Families, and the people within them have different development tasks to attend to at each life cycle stage and between the different stages.

The second issue associated with using instruments for research which have been designed mostly to inform therapeutic interventions is one of validity: often in the family psychology field there is a heavy emphasis on identifying pathology and the pathologising process of assessment and evaluation; no one in the families in this study was known to be receiving therapy or counselling at the time of the research, and as Walsh (1993, p4.) and White (1995, p16.) have shown, many "normal" people have the ability to function well enough despite having the diagnosis of some dimension of pathology. It was important therefore to select an assessment device which was benchmarked and validated normatively against a non-clinical population, and which took account of there being different tasks and anxiety levels to be expected at different life stages for individuals within the families. In relation to this project, the FACES II assessment device was chosen for a number of additional reasons. It allows the integration of systems theory with family development, and hypothesises that the stage of the family life cycle and composition of the family will have a considerable impact on the type of family system. It predicts that the diversity of family systems types can exist at any stage of the family life cycle, and that in spite of this diversity, families will cluster together in some types

more frequently than others. Responses can be grouped to assess couple and / or family mean scores for cohesion or adaptability so that analysis can take place at subsystem level. It assumes that changes can occur in family system types over time, as required by changing stages in the family life cycle, by new situations and by socialisation of family members. This means that the case study families can be expected to be undertaking shifts in their functioning because they are going through business, family and individual developmental processes which can be conceptualised as a specific constellation of stressors (from which some families generate a higher degree of anxiety than others) on their systems, pushing them to cope, change and adapt in order to reduce the anxiety generated by these stressors.

As discussed in Chapter 3, change in systems can take the form of first or second order change. First order change refers to minor adjustments in functioning in response to a situation, change or an event, with no real change to the pattern of functioning. Second order change occurs in families in response to a crisis. It requires emotional resources in the family system to be mobilised towards changing their type of system to functionally adapt to the impact of the stressor. The Circumplex model hypothesises that families who are rated as "Balanced types " (when compared to those rated as "Extreme types" families) will do better because they can change their family system in order to cope more effectively with the impact of the stressor. Changing their system effectively means re-negotiating the way people relate to each other, and / or re-defining some of the norms on which the relationship is based.

One of the attractions of this model is that it accounts for developmental changes over time, and it anticipates that changes are to be expected in relationships over time. This made it appropriate for longitudinal research because these families-in-business were expected to face major change during the transitions in their family and business structures and relationships. Olsen (1993, p.120-121) presented "a few generalisations that can be made about how relationships successfully change as time passes" from which some propositions can be about what a business family can expect in terms of relationship stressors when undertaking a

generational transition in their business (Table 4.4 below):

Table 4.4 Postulates for Relationship Changes in Business-Owning Families

Successful Change in Relationships	Propositions for Change in Relationships in Business Families in Transition
1. An intimate relationship is able to <i>balance</i> between too much change (chaos) and too little change (rigidity);	1. Planned change with few surprises will ensure a balance between too much and too little change and will allow time for relationships to adapt to the change.
2. Too much change leads to a lack of predictability and chaos, whereas too little change leads to too much predictability and rigidity;	2. Leaving succession tasks until there is insufficient time to experience and adapt to the change will lead to instability or chaos. Those involved will not be able to cope with the order in their lives changing from being predictable / rigid to being unpredictable / chaotic. Too little change will lead to frustration.
3. An intimate relationship is able to change its system type when appropriate (second order change);	3. Intimate relationships in business families allow those in the system to change the way they relate to each other as the situation requires.
4. Staying unbalanced (Extreme system type) too long can create problems in an intimate relationship.	4. Relationships in business families will suffer if conditions persist where there is high levels of anxiety generated by too much change or not enough change during times of transition. Pressure will be exerted to ensure the process gets started, continues to make progress and achieves completion.

Finally, the Circumplex model was chosen because it involves (and relies on) assessment of the family as a whole system (i.e. completion of the questionnaire by as many members of the family system as possible), and because sufficient evidence existed to demonstrate that it was based on empirically proven concepts. The model's reliability and validity has been, and continues to be effectively tested, and the norms used to set rating scales are based on sufficient cases both normatively and with clinical and non-clinical populations. Since this research is not about family pathology, it was also important that the instrument was suitable for research purposes in non-presenting families. Over 1,200 studies that have used or are

using the Family Circumplex Model and FACES questionnaires (Olsen, et.al, (1982). These include studies into family relations and dynamics, stages in the family life cycle, marriage and divorce, sexuality and reproduction, types of families, the family and society, physical health, families with special problems, family counselling and education and theory and research. In terms of studies into work and the family, there are two studies completed and four underway into dual career families, one ongoing study into farm families and one study completed into military families (Olsen, personal communication. April 1994). Lansberg and Astrachan (1994) used a FACES questionnaire for their study into succession variables and mediators but other than this, it is clear that assessment of family functioning in business families is still to be more widely researched.

Despite the evident suitability of the model for this research, there were practical difficulties associated with operationalising it. The respondents needed considerable guidance to fill in the questionnaire so that they related their answers to the nuclear family who own and work in the business (that is, the generations who own and / or work together now). Anticipating that respondents would define which family was being referred to, a letter was written to guide respondents and attached to the questionnaire. Nevertheless, some respondents (those who were married adult children of the owners) assumed the questionnaire was asking about behaviour in their immediate, new nuclear families; and others (those who are the senior generation in the case study families) assumed it related to the families in which they had grown up rather than the nuclear family they created. This meant that in some cases, the questionnaire had to be re-sent and telephone calls made to clarify the requirements.

The FACES II questionnaire was used in December 1997, which was just over three years following the initial survey questionnaire in which all firms responded that they expected their succession to be completed within 5 years. Now that they were well beyond the half-way point in this timescale, it was obvious that their family systems were affected by the stressors arising from the succession process. The questionnaire was optional and of those families who did

respond, the response rate was high (66%-100%). Only one family (Case A2) refused to participate. The style and manner of refusal in A2 was consistent with the pattern of parenting emerging from the interviews of parental over-control, although it is to be expected that some people have a disdain for psychological assessment tools. The results from the FACES II questionnaires are reported in Chapter Seven.

4.7 Integrating the Data Collected for Case Study Analysis

To integrate the data collected for analysis, documentary evidence and questionnaire data were examined alongside transcript data to substantiate dates, timings and events in the family and business domain, since these are known to be important when exploring how families and individuals manage anxiety and stressors. A "timeline" or time series analysis illustrating events happening in the environment, ownership, business, family and key individuals' subsystems was constructed for each case study depicting key family and business events over the lifetime of the business and the nuclear family, based on all the factual information available throughout the period of data collection from any of the multiple sources used.

The documentary data, along with information from the transcripts, the family assessment devices (genograms and family histories), timelines and the succession task checklist were brought together for each family business to inform the writing of a case study (i.e. the central analytic story). Having observed these families over the years and learned about their backgrounds, personalities and histories, it became increasingly clear that an important result in this research was the story of each case. These are reported in Chapter Five (Case A1, A2 and A3, the controlling owner recycle firms) and Chapter Six (Case B1 and B2, the controlling owner to sibling partnership firms). The cases are written to tell their story, in their own words as far as possible, and to describe how they went about trying to make progress in their generational transition.

4.8 Conclusion

This chapter has described the research methods used to examine the influence of developmental and emotional factors on the management of generational transitions by business-owning families. The approach used was inductive and employed the multiple case study method in which the design logic was replicated in all the cases studied. Data collection involved in-depth interviews, documentary data and questionnaires. Each case represented a whole family enterprise system facing similar emotional, structural and situational dimensions inherent in the context of their generational transitions. The independent variables in the selected cases were the life-cycle stages of family, business and ownership and within the family, the stages of adult development were consistent for each generation. Using Yin's (1994) design tests for validity, reliability and generalisability in a grounded theory approach, the raw data were analysed and integrated into a central analytic story or written case study telling each family's story and their approach to making progress through their generational transition. Comparative case analysis was carried out to assess the ways in which these different families went about the same tasks, and to specifically assess the influence of emotional and developmental factors on their ability to make progress. The following chapters contain the written case studies, the results of this analytical process and the conclusions of the study.

CHAPTER FIVE
FIRMS RECYCLING CONTROLLING OWNERSHIP
CASES A1, A2 AND A3

5.1 Introduction

This chapter contains the written case studies of the three firms undertaking the change in controlling ownership from one generation to the next. All the cases involved the transfer of leadership from father to son. However, the transfer of ownership in each case was a much more complex affair. In case A1, the senior generation was unable to settle the matter of whether to transfer ownership in the form of equal ownership to the two siblings, whether to give a majority to the designated leader who was the only sibling working in the firm, or whether to transfer all the ownership to him. Case A2 was a "pure" controlling ownership recycle in that the only offspring working in the business was the designated leader and would become the sole owner after the second parent's death. Case A3 was a hybrid of the circumstances in A1 and A2 because the father wanted his son (who expected to be the successor) to get total ownership of the firm, but the mother wanted the ownership to be split equally between the son and his sister, who did not work in the firm.

CASE A1

CONTROLLING OWNER RECYCLE

THE POWER OF THE PAST: ITS INFLUENCE ON THE PRESENT AND THE FUTURE

Contents

5.1	Introduction
5.2	Case A1: Controlling Ownership Recycle
5.2.1	General description
5.2.2	The first transition: controlling owner recycle (CO-CO)
5.2.2.1	1945- 1971: The early years as Start-Up / Young Business Family / G1 Controlling Owner
5.2.2.2	1960: G2 Entering the Business
5.2.2.3	1971 - 1981 G1 & G2 Working Together
5.2.2.4	1981 - 1984 G1 – G2 Passing The Baton
5.2.3	The second transition: controlling owner recycle (CO-CO)
5.2.3.1	1984: G3 Entering The Business / Expansion / G2 Controlling Owner
5.2.3.2	1984-1994 G2 & G3 Working Together
5.2.3.3	1994-1998 G2 – G3 Passing the Baton
5.2.4	Succession tasks:
5.2.4.1	Management & leadership development for the successor
5.2.4.2	Transfer of Important Managerial Tasks & Key Accounts
5.2.4.3	G3 successor Attempts to Become His Own Man
5.2.4.4	G2 successee Attempts to Build a Life Structure for Late Adulthood
5.2.4.5	Progress and Lack of Progress on the Transfer of Ownership
5.2.4.6	Establishing Roles and Boundaries in Ownership, Leadership, Family and Advisory Roles.
5.2.5	Conclusion: Notable features of the case study

5.2 Case A1: Controlling Ownership Recycle

5.2.1 General Description

Key Players (see family genogram, Figure 5.2.1):

G1F:	The Founder; first generation (G1)
G1FSp:	Founder's spouse
G2S1:	1 st son & eldest sibling of founder. 2 nd generation (G2) successor.
G2S2:	2 nd son & youngest sibling of founder. Killed in accident in 1967.
G2S1Sp:	Spouse of G2 successor. Daughter of firm's accountant in G1 Sister to firm's current (G2) accountant.
G3S1:	Eldest sibling (son) of G2 successor. Works outside the business.
G3S2:	Youngest sibling (son) of G2 successor. G3 successor.
G3S2Sp:	G3 successor's spouse.

1994/5 Family Business Survey Responses (ref. # 223):

- 100% family owned.
- Significant proportion of family in senior management
- 2nd generation in control
- No non-family or advisers on the board
- Has non-family in senior management
- No documented succession plan
- Last 3 years average annual sales growth 10-25%pa
- Sales £2m+ per annum
- Would put "business first" in event of conflict
- 20 employees

Business Activity

This is a wholesale business based in Central Scotland selling parts to the transportation industry. It employs 20 people and operates from very clean and tidy custom-built premises on an industrial estate in Central Scotland. The premises are not modern, but functional. A1 carries out sales and service business all over Scotland and in parts of England and Northern Ireland.

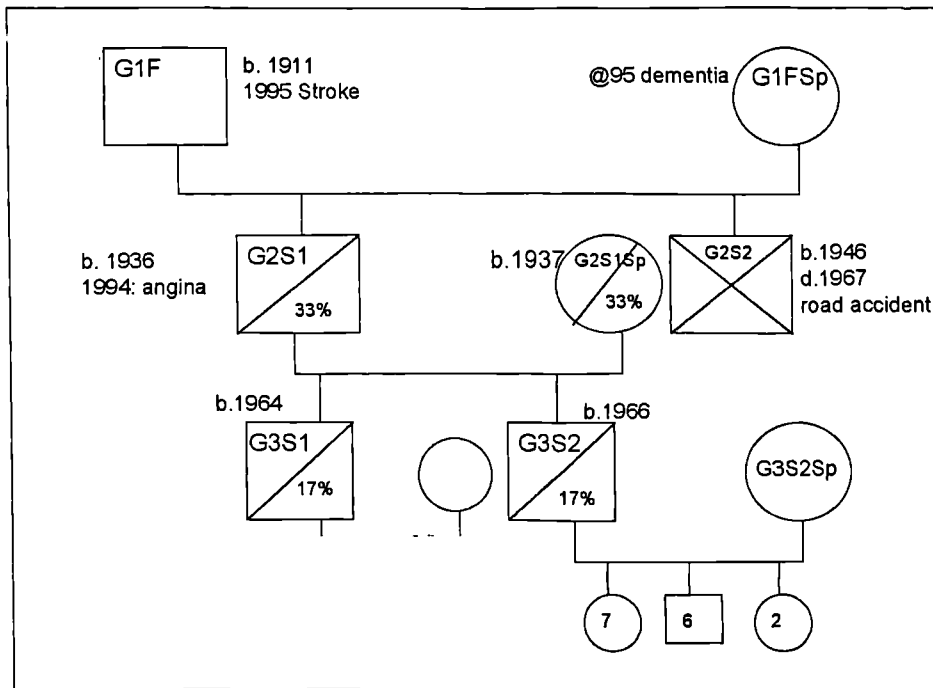


Figure 5.2.1a Case A1 Family Genogram @ 1995

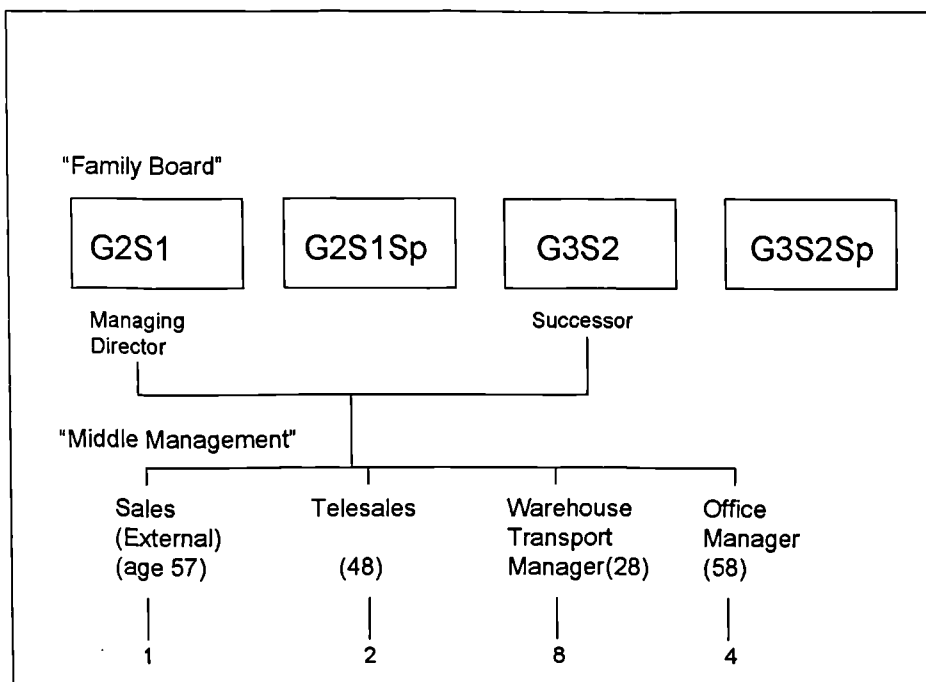


Figure 5.2.1b Case A1 Company Structure @ 1995

5.2.2 The First Transition: Controlling Owner Recycle (CO-CO)

5.2.2.1 1945- 1971: The Early Years as Start-Up / Young Business Family / G1 Controlling Owner

This wholesale business was established in 1946 when the founding couple's eldest son was 10 years of age, and in the same year that the youngest sibling was born. The founder (G1F) decided to set up in competition with his previous employer. Stories characterising the founder's rugged individualism were told by family members describing the difficulties he faced in trying to get the business going at all, and how his children saw little of him as they were growing up because the business occupied him fully. He had to deal with trade suppliers who had refused to supply, his ex-firm was making it as difficult for him as possible, and he was forced to seek alternatives and devote his time to getting the business established at the expense of family time. His eldest son, (G2S1), did not see much of the founder at that time:

It all started that way. I was 10 at the time, and the sort of things I remember: the beginning, no premises, all he had was a van and he was out on the van all day, selling. And he sat at night doing paperwork because he was having to give people credit. [A1/V1/G2S1/1/p7].

5.2.2.2 1960: G2 Entering the Business

The firm struggled to grow in the early years. G2S1 qualified as a draughtsman but with the future looking bleak in a declining industry, he decided to join the family business when he was 25. There may have been other, more family oriented reasons for joining the firm too: he had been going out for four years with the daughter of the firm's accountant, and his marriage coincided generally with the decision to join the firm.

At that time, the firm was not doing very well:

...I was actually quite late getting into all this because when I came into the business (inaudible) if we survived and got into the black that was a good year...it was only when my father was about 60 [1971] that the company was making the kind of money that enabled him to pump some into a pension. And he was 60 before he got started on it...I was about 25.[A1/V3/G2S1/3/p10].

A lot happened in this family and business between the early 1960s and 1971, before things started to improve.

1967: Tragedy in the Family

In 1967, when the founder was 56 and working with his two sons in the business, the youngest was involved in an accident. The eldest, G2S1, described this:

My mother and father had a - and myself too - had a big tragedy in their life, because I had a younger brother in the business and there was 10 years between my brother and I...he was out as a rep and he got killed in a car accident while he was working... That was a tremendous blow to mother and father. To be honest, they never fully got over it. [ibid. p11].

At this time, the business became the axis around which the family focused its energies. It needed their attention to survive and grow, and they needed the resources it could provide to survive. G2S1 had two children under 5 and a wife at home. The founder, at 56, also had a wife not working and had no pension arrangements in place. Their retirement, whatever that would be, was clearly going to be dependent on what their sons could make of the business. Now, this tragedy devastated everyone involved:

Shortly after that, maybe a year or so, my mother came to work in the office, mainly for therapeutic reasons because she never had any notions to do that, but badly needed something to take her mind off other things. But once she got in she actually enjoyed it. She was in the office for about 15 years, until eventually she was getting a bit past it. [ibid.].

It seems that the successor (G1S1) took the burden of handling this crisis fully on his shoulders. By 1971 the firm was doing well. At this time, he was 31, and having to think ahead and look for ways to secure an income for his parents' pension and retirement, and also look for ways to gain some autonomy for himself in the business. Decisions were made about channelling funds into his father's and his own pension funds. His mother appeared to be finding some therapy from working in the business: it allowed her to be close to her family, yet with sufficient occupation or distraction to give her own space. His own family were growing up and the business was holding everyone together financially and emotionally. All was not ideal, though because the founder was renowned for his fiery temper and his son was also known as the one who would usually bear the brunt of it.

5.2.2.3 1971 - 1981 G1 & G2 Working Together

The years between 1971 - 1981 were not easy ones for the successor-in-waiting (G2S1). A

non-family manager [NF] recalled:

[the founder] got upset so much easier and probably forgot it much quicker, whereas [G2S1] would take quite a bit longer to get upset about something. But [the founder] was quite a volatile person... [A1/V4/NF/1p2].

In addition to this, he recalled that there was a difficult period for G2S1 when, having decided to do something about the unsatisfactory work performance from his nephew (on his wife's side), he called an ex-employee [NF] to invite him back to the firm:

...they actually had a family member doing the job at that time, who had been here for about seven years, but out of that seven years they reckoned that perhaps he had given six years' work...he doesn't work here anymore; I'm sure it must have been quite difficult because his father was the warehouse manager. [A1/V4/NF/1/p3].

However, the successor did what had to be done and the non-family appointment was made. During these years, he was working on putting the people in place he knew he would need to support him in the struggle for power with his father.

5.2.2.4 1981 - 1984 G1 – G2 Passing The Baton

By 1981, pressure was mounting for change in the leadership: the founder was 70, his wife was still working in the business but finding it a bit much, and the successor was by now 45 and had worked in the business for nearly 20 years enduring his father's temper and the occasions when he was humiliated in front of the staff. The third generation were also growing up: the eldest (G3S1) was at university and hoping to work in computing, and the youngest (G3S2) had left school and was working in an insurance company, not having shown an interest in the family business. The founder was aware that the business was his pension, because with only 10 years' worth of contribution built up, his choice was either to sell the firm and live on the proceeds, thus endangering his son's opportunity for employment and wealth; or, the parents would have to remain reliant upon the business (and therefore the leadership of their son) for their income. Theirs had been a "business marriage", and the business had been the focus of their lives initially because it was their livelihood, but then after the death of their son, the business became the place that connected the family in grief, and gave them a process and routine of work to distract them from their grief. Now in their 70s, they were faced with the

emotional challenge of being a couple again but without the business being there as a buffer their relationship. Since they were also financially dependent on the business, the founder therefore had emotional and economic reasons for staying involved.

This clearly caused a great strain on the whole family. The successor's spouse recalled how her husband avowed not to put his own son through what his father had put him through:

The one problem I think [G2S1] will try to avoid is that his own father came in far too much for far too long and didn't quite know when to step back - in as much it got to the stage that [G2S1] couldn't get on with what he was doing with his dad sort of sitting there; and he always says I'll never make that mistake with [G3S2]. [A1/V4/G2S1Spp5].

The non family manager recalled how it took from 1981 to 1984 for the founder's exit to finally happen: At 70 (i.e. 1981), the founder had intended to retire, but in fact:

the father hung around until he was in his 70s; although things had been passed over...he had received his parting gift. I think at that point he was 73 and [G2S1] had said "I will not hang around like my father did. There will come a day when I will just not be there." If he has got the money, why not?...Although [the founder] sort of retired at 73 he still came in every day and at times it was a bit of a nuisance because he was always looking for someone to talk to and that just went on and on. He would come in and hang around for a couple of hours then would go away with the banking and that was it really. It just got him out from under his wife's feet. [A1/V4/NF/1p5-6].

By 1984, although the shares had been transferred to the successor, the founder was still unable to create a life structure away from the business. His wife had ceased working in the business and her roles (functioning as the emotional buffer between father and son, and functioning in the business role of payroll / administrator) had been taken over by the successor's wife. To manage the anxiety that was being generated by the unstable father and son relationship, the G2 successor needed to have the support of people of his own generation in order to cope with family and managerial relationships. By 1984 he had positioned a senior non-family manager (one of his peers) into a key sales role, and he had his wife dealing with the aspects of business deemed to be "private" such as payroll and banking. For outside advice, he was using the same accounting firm his father had used, but by now he was dealing personally with the son of the founder's adviser (his wife's brother), so the "outsider" on whom the firm relied for external advice was also in some senses an "insider".

However there were other pressures mounting in addition to the founder's ageing which were to cause the first transition to go beyond the point of no return, from the second and now also the third generation. G3S2, the successor's youngest son joined the business in 1984. These structural changes, as well as the onset of physical deterioration is may have contributed to a sense of isolation for the founder in his firm. For the successor however, he now had his hands full trying to change his role from junior to equal to successor with his father, and at the same time, begin the process over again with his own son. It is not surprising that he brought his wife (who was reluctant to get involved) in to this triangle to support his efforts. The second generation successor recalled:

My son [G3S2] didn't really see my father in operation because by the time he came in my father was technically still an employee of the - you know - a working director. But by that time he had really - his role was really wandering about, watching what was happening. [A1/V1/G2S1/1/p6].

When asked about the whole process of taking over from his father, he reflected:

It [i.e. the founder's temper] did affect our relationship, my father and I. Though basically we worked for many years and got on fine and...when the kind of gradual changeover of responsibility took place, it all happened extremely painlessly. My father was very happy to pass over his shares, and do all the things that were necessary for the ongoing of the business - never any hassle. The only hassle we had was when he lost his cool, which was fairly frequently. [ibid. p8].

In 1984, circumstances had changed a lot for the founder: he was now 74 years old and was being observed by all as doing only menial jobs in the business. He was still a director but not a shareholder anymore. His successor, now 48 years old, was making excellent progress with the business upon which the founder relied to supplement his and his wife's retirement income. The successor had also engaged his own wife in the business and her role was becoming quite clearly defined. Finally, his grandson (now 18) had joined the business and was observing the struggles between his father and grandfather:

...my memories of my grandfather are very good because he was a very kind and a very good man. But I have heard a lot of stories and I have seen once or twice, instances of him on a very short fuse and often he would apparently give my dad a right good dressing-down in public which - you know - when its the future boss - for making a mistake. My grandfather didn't always treat that mistake well. He didn't always handle it well. [A1/V2/G3S2/1/p8].

All these pieces, but especially the timing of the third generation joining the firm, shifted the balance or equilibrium beyond the point of no return: time and change were working against the founder. The successor had been working to change the culture in the business from one that was characterised by conflict and flare-ups to one of quietude and consensus. For the founder, it was now perhaps time to let the next generations go their own way, and he ceased coming into the business after 1984. Between 1984 and 1997, the founder and his wife got their retirement, However both now live in a church-run nursing home, each requiring constant nursing support: the founder had a debilitating stroke and his wife has dementia. Since there was no health insurance, their estate (from the sale of their home) is being used up to pay for the cost of constant healthcare.

5.2.3. The Second Transition: Controlling Owner Recycle (CO-CO)

5.2.3.1 1984: G3 Entering The Business Expansion / Entering the Business / G2 Controlling Owner

When the third generation (i.e. the successor's youngest son, G3S2) joined the business, his parents and particularly his father had already given a great deal of thought as to how to implement the three significant lessons of family business learnt from the first period of ownership under the founder as controlling owner and from the recycling of ownership to the current controlling owner: G2S1. These were to do with

1. the circumstances under which their sons should, if they wish, join the firm;
2. the type of company culture which should be created and preserved in order to allow good working relationships; and
3. the way in which the next successor would take on and be given responsibility.

Although he was able to articulate these lessons very well, and was emphatic that he did not want to repeat the pattern that had gone before, the successor soon realised that some aspects of implementation were more difficult than he had envisaged because there were other *family* considerations to be taken into account when taking decisions about the *business*.

Between 1964 and 1984, the second generation was a Young Business Family struggling typically with the challenges of parenting their own children, and dealing at the same time with the consequences of their own parents' ageing. This was made all the more intense by 1984 because all three generations relied on the family business for their livelihoods and economic well being. One of the bittersweet aspects of this is the prospect of the family business being both a tremendous opportunity and a tremendous burden: in this family, the evidence is consistent with there being a strongly held belief by G2S1 that the family business would be a burden to his offspring unless he ensured that certain things were done differently to the way they has been done in his father's day. Under different circumstances, the family business could offer opportunities for personal wealth creation, employment and job satisfaction.

He and his wife were clearly aware of the strain which being a family in business can create and did not want to impose working in the business on their own children. Asked if the eldest had ever been tempted to consider joining the business, the successor's wife [G2S1Sp]replied:

Never. The one thing [G2S1] and I both had made out minds up about when we had the boys was that never at any time would we even try to influence them to come in, because [G2S1] felt so much that it had to be their decision. And he said that if they come to me one day and say "Dad I would like to get involved in the business" he said that's fine, but he says no way will they ever come into the business and a few years down the line say "well, if you hadn't talked me into it..." [A1/V4/G2S1Sp/p4].

However this has not been an easy lesson to adhere to for these parents. It turned out that her husband had in fact been encouraging their eldest to consider the family business as a career opportunity. She went onto say:

[G2S1] has spoken to him [G3S1] a few times and said "any time, even at this late stage, if you ever want to be involved in the business all you have to do is ask and we'll get something done"...but he has never asked. [ibid. p4].

Perhaps parents do not want to admit that their feelings, thoughts and actions are inconsistent: here they felt the wish to have both sons on board and although their thinking was that it should be their own choice, they acted in accordance with their emotional needs rather than their thinking minds. Nevertheless, the next generation is finely attuned to the signals

transmitted about this even if it only exists at the subconscious level in their parents' minds. As G3S2, who was to become the controlling owner of the third generation, recalled:

I am told that when I was four, I was brought into work, which was not these premises here, and I told my grandfather that ["Founder's name Limited"] was one day going to be ["G3 successor's name Limited"]...I don't recall that, but that obviously made an impression and for several years after I was told that this was a competent statement I had made. [A1/V2/G3S2/1/p1].

The second generation successor's eventual decision to join the founder in the family business, he said, was to do with poor career opportunities in the industry for which he had qualified rather than coercion. However the coincidental timing of G2's marriage implies that joining the family business offered a fast track to a life structure for middle adulthood. His spouse recalled

...things weren't just going to be going along the way he wanted and I think he thought it would be a very good idea to get involved in the business; but I think originally it was his idea but quite often, looking back, he'll sort of say "why did I do it? Why did I ever do it?" you know - when he's stressed out - and "I would never put this on any of my own boys" [ibid. p4].

It seems that as parents they had struggled with separating out the opportunity which the family business can offer from the difficulty of managing the process of working together. This may be one of the reasons why the successor, as a father, could not help keeping the door open for his eldest son despite the continued lack of interest in the firm.

The inconsistency around terms of entry to the business, ironically, became one of the few issues to cause tension between G2S1 and his own successor: G3S2. Knowing that his eldest son's needs would change over the years as he married and settled down, and that working in the computer industry would render him vulnerable to the bigger forces of the world economy and rapidly changing technology, the successor ensured that he left the door for entry to the business open for the eldest son. He mentioned in one interview that he wished they both worked in the business because it would "make everything easier", and qualified this as meaning he could then leave his estate divided equally between the two sons. At present, he is in a quandary about how to complete his will because although he wanted to leave it equally, he knew that this would create friction between himself and his successor, and between the

two sons. As the youngest son, who was also to be the G3 successor emphatically pointed out in the last interview of the research period:

I think he's fairly keen on the shares remaining equal. He [his father] and I have talked about this several times and I highlighted some of the inherent dangers of the shares being equal; at the moment my brother and I get on fine, and we don't really talk much about the business. But who knows if in 10 years time and perhaps he has got his wife thinking they may take more interest in these things and try to influence matters... Just one thing, its more a problem for my father because he's got to be fair in the matter that my brother's the eldest son and traditionally the eldest son might be expected to inherit more or whatever. But my dad wants to divide it equally. I want to make sure that if I'm in here, grafting, then I'm working knowing my destiny's in my own hands and that I'm not working for other people who, you know, I love and all the rest of it but at the end of the day I want the control to be in my own hands, 'cause I'm the one that's grafting for it...

So I think, well, I know that my dad has now said that what we need to do is organise his will in such a way that the majority of shares come to my side of the family, not all of them, but just so I have a majority shareholding. So, I don't think he has organised it yet but he's said that was what he was going to organise. [A1/V4/G3S2/2/p12].

It is clear from this that his parents are unable to separate out the various issues at work in their dilemma over their estate planning. They are trying to implement better practices than the G2 successor had observed about how family members enter the business by avoiding coercion and other forms of luring their offspring into the family business. However, it is the offer, and uptake of employment which would solve their equity / equality estate plan dilemma, and they are foregoing good practice as employers to try to salve their consciences as parents.

Although this is technically a CO to CO transition, in reality it is a hybrid form of CO to SP transition. Leadership will still be concentrated in the hands of one controlling owner, but the ownership may well end up being diluted. The second generation successor [G2S1] is using, as far as possible, the way the first CO - CO transition was managed / mismanaged to guide his choices but since his parents did not have to consider sharing the ownership because of his brother's death, there is no precedent to guide which choice to make. Under these circumstances, the default decision seems to be to find the solution to the estate planning dilemma in the linking of family employment to conditions for equal ownership, despite the problems which this route is already creating in its turn. Implementing family business lesson number 1 has turned out to be more complicated than was envisaged. Parenting, managing

and owning are all interwoven and attempts to separate them out call for conversations which could potentially engender heated exchanges between family members.

How conflict was to be managed was the second key area which the successor vowed would be very different in his regime. Having had a working lifetime of overt, often public conflict, he was not willing to get into conflict with his family if it could be avoided, or put off for as long as possible. This approach to conflict by definition meant that the opportunity to learn from working through conflicting viewpoints was being denied.

5.2.3.2 1984-1994 G2 & G3 Working Together

When the founder retired and his only surviving son [G2S1] took over as the next controlling owner, it was already apparent to the family and to employees that his style of leadership and decision making would be very different to his predecessor's style. Also, the nature and style of the new father and son team working relationship would be different. The period of 1981-1984 was a period characterised as both Passing the Baton for G1 and G2, and at the same time, Entering the Business for G2 and G3. In 1984, with the final departure of the founder, these phases abruptly ended and a new phase of Working Together ensued for G2 and G3 which lasted until 1994.

Typically in the founder's day, decisions had been made on the hoof and unilaterally. If the founder disagreed with what, or how things were to be carried out, his son said he would

...have this blow out. Then a quarter of an hour later he couldn't be nicer to everybody, like as if he were trying to make up for it. And I thought "well, I think its better in life if you can manage to avoid that.". [A1/V1/G2S1/1/p8].

It is not hard to imagine how the successor would prefer, and aspire towards a culture of conflict avoidance rather than the culture of unpredictable flare-ups of temper. That he achieved some shift in culture was evident from this comment from his youngest son, the third generation successor, who knew that his father had had a rough time:

Now I have made a lot of mistakes in my years as well but fortunately my dad has maybe taken me to one side and said "you shouldn't have done this, here's how you should have handled it". [A1/V2/G3S2/1/p8].

His father's description of their working relationship emphasised the benefits they enjoyed from there being a much more peaceful atmosphere in the company:

...Also I think both of us - I don't want to presume anything - but we never do any shouting. There is never anything - [G3S2] will deal with anything in a very quiet manner, the same as I would do. I think that helps too...no disagreements between [G3S2] and I. [A1/V1/G2S1/1/p6].

However, this peace seems to rely on the junior generation's respect for the senior generation's rank, authority and family hierarchy, just as was the case between the founder and G2. This serves to repeat the issue of the father & son being unable to find a way of resolving their differences, by driving them under the surface. It also sustains the family tendency to avoid learning from issues that may cause pain or upset, as G2 claims there has "never been any disagreements at all..." (ibid.).

This "culture of avoidance" in Case A1 is evidence of how powerfully the past (with the weight of its cultural values and patterns) is always in the present, and how heavily it weighs on people, influencing the way they go about their tasks and interactions with others. In this family business, their current predispositions, styles the firm's culture can only be understood against the backdrop of the past.

Although this process of communication relied on a respect for parental and occupational rank, it was not enough to satisfy either party at this time on the matter of how the transfer of ownership of the business was to be decided. From the dialogue on p.151 above it is clear that the G3 successor, whilst acknowledging respectfully that the contents of the will are his father's business, fears that their usual approach to decision making will compromise his Dream. This means his controlling ownership would be diluted and under threat of interference by inactive owners. At this point in the research, they had reached a stage where G2S1 knew he had the power to decide, but was not able to exercise his right because he feared the consequences. Consequently he was stuck on the matter and made no progress on it throughout the research

other than to have heard his successor become more vocal and emphatic about his opposing views on the matter. The “no shouting” culture did not prevent feelings running high, and naturally each party took their anxiety about this into other relationships, creating emotional triangles to alleviate their anxiety.

A second feature of the different culture of the firm under the second generation's leadership was the issue to do with respect and how respect was generated and earned rather than commanded. Although he did not respect the founder's communication and leadership style, the successor certainly respected his father for what he had achieved as a businessman and the opportunity it created for their family's creation of wealth and self-direction:

My father started the business, so naturally he had a fair amount of ambition and drive to ever dream of believing in what he was doing and get involved in this business fifty years ago to the year... I was 10 when my father started the business and of course we have often reminisced about it as a family. [He managed the depot in Central Scotland for a national company] for about 5 years and it was doing so well that he thought that, well “why don't I do that for myself?” ... So you know that took a bit of courage and a wee bit of ambition to get out of what he was doing and start from absolutely nothing. He had not, I mean, literally I think he had about £100 to get the business going and he spent £80 of that buying the van and the van was the business...selling to customers [of his ex-employer] when he suddenly arrived standing on their doorstep, explains what had happened and they were saying “that's nice, that took a wee bit of courage. What have you got on your van?” and it all started that way. [A1/V1/G2S1/1/p6-7].

He [G2S1] also reflected on how this important feature was passed on to his son, the next successor:

I think [G3S2] has just, I mean he has shown a lot of aptitude in the business and I think people have seen that, that he's a very hard worker, puts in a long working week and I think that too earns respect. He's in, in the morning at 7.00; he's not relaxing under his father's coat-tails, he's very much in there driving the business now. That earns respect. [ibid.p8]

The earning of respect has been linked to success from courageous endeavour and has been transmitted through the generations of entrepreneurs in this family. A year before the announcement was to be made in which G3S2 would be given the title of Managing Director and become the G3 successor, he described his aspirations in the following way:

It is something that I have wrestled with for 3, 4 years now. My grandfather started a business and made it from nothing into something, so he made his mark. My dad took it from where it was, greatly increased the turnover and made it a very profitable company. So he had made his mark. When it comes to the third generation, what am I

going to do with it? I've talked about this to close friends, and my dad. The temptation is to sit back and say "well, we've got a good business - there's not an awful lot can go wrong" [A1/V2/G3S2/1/p10].

It is clear from this that he is perplexed, though not fearful, about what to do next. He wants to be courageous without engendering too much risk, and to make his own mark and become his own man. Then he would have earned the respect of his colleagues and would have carried on the family lore of respect being duly earned through courageous deed. This was achieved between 1994 and 1997 (described below) as father and son began in earnest the process of passing, and taking, the baton.

1994: G2's Illness

Throughout the period from 1984-1994, all those in the family and business had learned that it was possible to carry out business in a non-confrontational, respectful way. However, one wonders if there was an emotional price to be paid for the culture in the firm taking such a swing in the opposite direction so swiftly. The suppression of conflict means that the anxiety generated by tricky situations has to be managed somewhere in the system. Typically in family systems, chronic anxiety can be tolerated using coping mechanisms (for example, how the successor brought his reluctant wife into the business for support when his working relationship with his father was difficult). However, when stressors lead to anxiety generation becoming intense, or for sustained periods, then emotional, physical or social symptoms can appear, and in 1994, the *second generation successor, now 58 years old*, was hospitalised with angina.

This, according to a senior non-family manager was the trigger for earnest activity in making succession arrangements, apparently because he truly thought he was going to die in the near future. According to G2's spouse, G2 regarded the heart problem as a "warning":

I think it's just been a combination of things. Maybe a lot more stress in as much as a lot more competition in business life and they were having to work harder to get the contracts and to just stay the same. And it was pressure, pressure, pressure all the time. Plus, I must say - I mean I keep talking about our church life - [G2S1] was an elder at that time and he had a lot of, there was a lot of problems in the church with one thing and another - they had a lot of elders' meetings which went on 'til midnight sometimes one o'clock in the morning. And I think it was just too much of everything all at the one time....he really took stock of things then because up until then I doubt if

he'd been at the doctor for 10, 12, 15 years sort of thing, you know. And suddenly he was faced with this problem with his health, and I don't think then, he thought, right, I've got to get things in order...[A1/V4/G2S2Sp/1/p9]

It led G2 into a state of panic which was carried over into their lives in the following years.

This illness triggered a shift in the life cycle for the family and the business: the Working

Together phase had come to an end and there was a sense of urgency to commence and make progress with the next stage: Passing the Baton.

5.2.4 Succession Tasks:

1994-1998 G2 – G3 Passing the Baton

The third lesson which the second generation successor had learned painfully from his own father, and was keen to try to get right this time as he went through the same process with his son was how to prepare his own successor for taking over the control of the business. The illness created a sense of urgency for tasks to be attended to. The one given most attention was how to match increasing his successor's responsibility and autonomy with the phasing out of his own power and authority. As with the other two lessons described above, there were elements of implementing the learning and doing it differently that led to much success, but there were also complications, mainly originating in the family system, that compromised the success of the task.

G2 knew that succession of his leadership required the successor to shift in role from being a novice employee, to becoming a capable manager, then to become a leader able to inspire and take full responsibility. At the same time, G2 as the successee has to shift his role from being the one in full responsibility, to overseeing the next generation taking on responsibility, and to being willing to let them take over control. Meanwhile, in his own personal life, the successor has to balance family and business, and become his own person by separating emotionally from his family of origin to achieve independence. G2 had to accept decline and build a satisfactory structure for later life to allow meaningful occupation outside and inside the business.

In this case, the work that was done on developing the successor was meticulously planned and executed, and the successee's willingness to step back and oversee his son's taking over of authority and control unfettered. The seamlessness with which this all took place was a function of how developmentally ready all the players were in the system, and therefore of how ready the whole family enterprise system itself was for the transition. The successor had been trained as a manager and leader, and from the family perspective, was ready to "make his mark" and was looking for opportunities to demonstrate courage and achieve success. The successee, having had a fright with his health, needed to be assured the successor could perform in order to bring calm where possible into his life. Father's and son's life stages were in alignment and this led to much progress being made quickly on the leadership transition. However, building a life structure for late adulthood is not something that can be achieved quickly and the father struggled with being apart from the business and back in the home, as indeed his own father had done. Once again, although a lesson from the first succession transition had been taken on board (in this example the lesson was about transferring power with minimal interference), it was proving much harder than G2 had expected to behave differently to the pattern set by the previous generation, and therefore to avoid the same traps that his father had fallen into. Although G2 was not "interfering" in the sense that he was undermining his son's decisions, clearly he still had a very strong need to be involved in the overall direction of the business. To the extent that this suited the successor, it was not yet a problem between father and son.

However, the will, and how the business ownership should be transferred to G3 was certainly an issue for the parents, and became a cause for increasing concern for the successor. This remained a problem throughout the research period and was not resolved in this time (94-98). How these succession tasks were attempted is described below.

5.2.4.1 Management and Leadership Development of the Successor

The third generation successor [G3S2] was 28 years old, married with a young family and had been working in the firm for ten years. He had earned the respect of the workforce during this time, mentioned above, by working long hours and working hard. However, he did this whilst following a development plan laid out by his father:

My father is still into this principle of the fact that I would have to earn any respect that I was to get. I couldn't walk in as a fresh faced 18 year old knowing nothing and expect to walk into a responsible position...I understood it then but I understand it better now. First two years that I was in the company I was just like the boys who start here washing the cars, making the tea...just menial everyday things, but all the time learning about the product through handling it and that kind of thing. After that I had about another two years where I did a pricing job where - we now have a computerised system...so I did two years on that sort of pricing side of things...I was then put on the road and for roughly two years I was out seeing customers and knocking on doors trying to get business, further increasing my understanding of the product in terms of how it applies to the customer. So that was the third stage - the fourth stage was I came back in for an inside job and did the warehouse manager's job...running the warehouse, being in charge of the good-in goods-out procedure, the warehouse boys...for maybe two or three years. The last two or three years have been spent on a more sort of general manager's position...most of my day is spent handling the major accounts, both purchasing and selling to them, making sales calls, I'm responsible for the quality assurance system of the company as well. I am just at the stage...of gradually taking more and more from my father as he takes less and less... It used to be that if an awkward decision had to be made, a price which was too close for comfort, do we do it or not...it would always be that the answer had to come from my father, now people come to me as much or even more than my dad...[A1/V2/G3S2/1/p3-5].

One of the important elements in the transfer of seniority to the next generation, and a true measure of the senior generation's trust and belief in the leadership of the successor is the transfer of important managerial tasks and key accounts. In this case, G2 worked assiduously on this task and had the details of the timing and method worked out well in advance. There was also evidence that he had truly delegated many other tasks. In 1996, a non family manager was asked to think about specific aspects of the work which was being handed over to the successor:

I was amazed recently, I was looking for a particular order that had gone missing, discovered that it was in [the father's] order set. I thought it must have just happened a few days previous, because it was only seven orders down from his top copy and it was in fact from three and a half weeks. At first, I could hardly believe it because as far as I was concerned he and I wrote most of the orders in the place. I would have expected him to have written several hundred in that time. I am only next door, I didn't realise just how far back he was...I was amazed. [A1/V4/NF/1/p6-7].

The final piece in the handing over of internal control of the business was the major accounts in N. Ireland. In May 1996, handing over this was a major concern of the father:

...a third of our business is in Northern Ireland and I visit the customers over there. Next time I go I'll be taking [G3S2] with me because its time he knew the geography round there and knew the people. He knows a lot of them and has talked to a lot of them on the phone, but, well, when you get to my age you never know the minute your health might become a bit more indifferent and its difficult maybe to feel up to going, so I need him integrated into that...and I don't have to feel committed to doing that...we need to make sure that if anything happens and I am not able to go there is no lack of continuity there, that [G3S2] is well integrated into it and can pick up the threads. [A1/V3/G2S1/3/p9].

5.2.4.2 G3 Successor Attempts to Become His Own Man

As the third generation successor amassed more experience of the business during the Working Together years, he became conscious that a major part of his own growth as a young adult and as the successor in the business was to find his own way to "make his mark" in the business. Now aged 30, he had established his first life structure and was gaining credibility as a mature adult. He was in the process of Becoming One's Own Man and he was seeking a way to achieve this through making a difference in the business, as was the pattern set by his father and grandfather who were described as "courageous" in their business endeavours.

This developmental work was taking place against a backdrop of an increasingly competitive business environment: a new competitor had emerged in 1995 and had set up about 15 miles away. It was set up as a subsidiary company of a major competitor and was regarded by father and son as if it were a significant irritation. They expected a repetition of the past when this had happened before, namely that the parent firm would subsidise a low cost entry to the market and some customers would switch to enjoy lower prices for a while. However, no firms in the past had sustained their low prices for long enough in order to match or better the experience and service offered by G2's family business. Its economic stamina allowed it to remain viable during the battle for customer loyalty and this usually meant that the newcomer gave up after 6-18 months. Nevertheless, the competitive threat was still to be handled delicately with clients, and gave the successor food for thought as to how to make his mark:

I think in terms of our company's competitive growth we have reached a point where in our present market place in Scotland and N. Ireland we have really taken it as far as we could. We were just resting on our laurels and hoping that everything stays the same but it never does. [A1/V4/G3S2/2/p5].

Recalling his comments seven months earlier about his search for a way to "make his mark" in the business as had his predecessors, it is clear that he felt the timing was right in terms of his own readiness and in terms of the competitive environment, to take control of the strategic direction of the company. As mentioned earlier, the past weighed heavily on the present in this case; on this occasion it took on a positive form as the successor seemed to relish the prospect of making his mark and becoming a worthy custodian of the business during his tenure. Resting on the laurels earned by previous generations was not acceptable.

Towards the end of 1995, the opportunity presented itself to the firm when a competitor in the north of England let it be known he was looking to sell out, and was interested in selling to this family business. Father [G2S1] and son [G3S2] were both ready to seize the opportunity for their personal developmental reasons as well as the for the common good of the business. It was a good move for the business as it would allow the firm to increase its critical mass and competitive presence throughout the UK. For the successor, it was an opportunity overtly to make his mark, and developmentally it was the opening he was looking for (over and above taking over the firm as his father left it) to build the structure within which he could Become His Own Man.

His father clearly saw this as a timely opportunity for his son to learn about being personally responsible for raising the risk profile of the business, and ensured that his son got experience of dealing personally with the professionals and others who became involved in the valuations and transactions. Although the deal did not actually take place at this time, it was clearly an exercise for the next successor in strategic management and strategic leadership, and it was not a waste of time because it led him to think more laterally about ways of achieving the strategic objective other than by acquisition:

...what we did do is we said "well, the acquisition's dead so what's the next stage? And we've decided what we'll do is make a presence south of the border and ...we've decided that the sort of area we should be looking at is maybe Manchester, south to Birmingham and over to Leeds, that kind of central - that's quite a large area but that's the sort of area we were thinking of a core of business in. So we have since agreed terms with an agent there...what we're doing is trying to build a picture and once we feel there is sufficient business for us, then we will come up with a depot or something in that area.[A1/V4/G3S2/2/p3].

Asked whether he consulted others during this period to help his thinking, he replied:

I don't think so, not outwith the company. Obviously my father and I worked hand in hand in it, and our warehouse manager...I get along very well with him. I usually discuss these sorts of things with him, and of course [his wife].[ibid.]

This strategic exercise had provided experience for the successor in many ways, and had tested the capability of the newly emerging senior management of the firm. Also, the successee could gain assurance (and therefore reduce some of his anxiety) from his son's handling of the exercise that he was not going to jump at the first chance to come along to make his mark, but was able to assess the risk involved and seek alternatives or wait.

By the end of 1996, the acquisition was back on the table again. This time, the successor and successee worked hard to find a way to secure a deal. Finally, they agreed on owning 51% of the firm even though their accountant and bank advised against it. G2S1 described the effect on him of this as "energising" and that his health was improving generally. He said his successor was feeling "bullish" and that responsibility for the business now rested on his shoulders [A1/V5/G2S1/5/p3].

Between 1994 and 1996, the successor completed the final stages of becoming the firm's general manager by taking over major customer accounts. The successor's closest colleague was promoted to a more senior role. The father's intention was to hand over the title when he was 60, and remain involved in the business, but easing off, until he was 65 unlike his own father who had remained until he was 73. He would not leave until he was assured of being financially independent of the business and again, unlike his father, he had pension and other investments lined up to ensure he would not be a burden to the company. In August 1996, this succession timetable was on target as the successor explained:

There's a significant stage taking place in a fortnight's time where there's a letter going to go out in the payroll and its going to inform everybody that of a change in roles within the company, where as of the end of this month, I'll be referred to as the Managing Director and my father will pass that title on. Also, [the non family manager] I have a good working relationship with, he will be classed as the, I haven't thought of the exact title yet, but it will be something like Works Manager, or General Manager...now that will probably be the clearest signal to everybody of the change in the relationships...it will be recognised from that point on that he is no longer the boss, but after that I don't see that being the final cut off point. The day that letter goes out, the next day nothing will have changed in terms of his working hours and his responsibilities, it will just maybe give him a wee bit more freedom that knows that he's no longer recognised as carrying the final decision. But when a decision is being made we will still be up there talking to him about it. All that happens is then over the proceeding 3, 4, 5, 6, 10 years he'll just gradually become less and less but with no final cut off. [A1/V4/G3S2/2/p9].

This was not to be a surprise for anyone in the firm, and the seamless way it was done was characteristic of the quiet, unobtrusive culture engendered by the second generation:

Over the past 3 or 4 years we've discussed it openly...it was "right lads, just do it anyway on my 60th birthday" and I can't remember whose suggestion it was but we decided that obviously the people have to be told about this. We're not going to advertise the fact, we're not going to phone up all the customers, its just going to be an in-house thing and gradually people will talk about it and it will become known. There will be no general letter going out to suppliers and customers, they'll just be for the staff here. [ibid].

A non-family manager in interviewed 1995 anticipated a seamless transfer ("I don't see any great rational changes - there may be a bit of fine tuning" [A1/V4/NF/1/p4]) and it seems this is how it was to be.

5.2.4.3 G2 Successor Attempts to Build a Life Structure for Late Adulthood.

When he was hospitalised in 1994, G2S1 drew up his schedule for the transfer of leadership in the business and as shown above, this was implemented like clockwork. He also planned for his own exit from the business physically (i.e. he anticipated the hand over period and the reduction of his influence and presence in the business) and financially (i.e. he ensured that he would not be a burden on the business after the age of 60 or thereabouts). These were both working out as expected. However, what was not working out as he had hoped was his emotional separation from the business. The "warning" of the angina attack had led to attempts being made to explore and reactivate outside interests and hobbies as a non family manager observed in 1995:

I see him slowly drifting out. [After the health "warning"] ...that's when it became noticeable to me. He would start to take the afternoon off to go and play golf, just spend it in his garden, or whatever else he does. Its one of the reasons, I think, he won't be back as much as his Dad was. [A1/V4/NF/1/p7]

Although this process of stepping back may have looked straightforward to outsiders, those closer to him and in the family were very aware of the struggle taking place. The struggle took place on two fronts, one was the breaking of an attachment to the business and the other was the strengthening of his attachment in his marital relationship. To become emotionally separate from the business required him to wean himself from the enjoyment and satisfaction to be gained from the routine and success of the business. Although G2S1, his spouse and son all attested to the closeness and strength of the marriage, the challenge remained to make the marriage the axis around which the senior generation's lives would revolve, rather than the business. Clearly, he was making a huge effort in both directions but was also discovering the real extent of the challenge:

Well, I have thought about it because I have seen people struggle with it (inaudible) and I think it must be very difficult adjusting to that [the retired spouse being around the marital home more], especially in the winter. I am not planning for that to happen to me - certainly not up until 65. And my wife is threatening to walk out if I walk in!! The last thing she wants is for me sitting around the house all day. She's a very social creature...what she doesn't need is an old man kicking around the house making her feel old. So I don't think that's an option. I'll have to do something with myself....[lists interests: golf, garden, church]... So between all these sorts of things I would think that I will have no problem in the early years. But later on, if I still feel - well, I think I am going to struggle a bit in the winter. I think the winter is the biggest problem for me and for others taking early retirement. I think winters are a bit of a struggle for them and its easy to sit in the house all day in the winter feeling sorry for yourself. [A1/V3/G2S1/3/p13-14].

His wife was vividly aware of his struggle. She had noticed between 1994 and 1996:

G2S1Sp: He definitely has sort of brought me into it all. I can't see him too easily handing over. I think he'll find it a lot more difficult than he thinks its going to be...I think he's doing it the right way, doing it gradually, because there is no way that he could suddenly say "I'm retiring now and that's it". For the past 2 or 3 years he's been trying to do things, it hasn't quite worked out as well as I think he has thought it has.

Interviewer: What do you think he finds difficult?

G2S1Sp: Well, its just that he's been involved in the business for so long, that, its not that he feels if I'm not there things won't happen, but I think he's just, I think its just been so much part of his life that I think that, you know. [A1/V4/G2S1Sp/1/p5-6].

After a recent holiday, G2's wife had noticed her husband's urgent need to distance himself from her, and to be physically back in the business premises:

Even now, when was it? We came back from holiday and we came back about lunch time, and I mean, G3S2 knew quite happily that everything was working away and they weren't expecting him in until the Thursday. We came back on the Wednesday and we came home and I was unpacking the suitcases and I saw him sort of getting - and I said "where are you off to?" and "Oh, I'm just away into the office to see how things are going", "But" I said "G3S2 isn't going in until tomorrow". "That's fine", he said, "but I'm just going in"... he's just been so involved with it for so long - it's just so much a part of his life that I think he is trying to step back but I think that maybe he is going to find it more difficult than he thinks. [ibid].

It is a two-way struggle for the spouses: for the successor his dilemma is that he knows he needs to be making a different life structure centred around his connection with his wife and other elements, but it is as if he is just not ready yet, that this is just not enough. For his wife, the dilemma is that she already has a life structure which is satisfying and suitable for her vision of late adulthood, and she is working on making the adjustments required to allow her spouse more space in her structure. This is not a quick fix, though, and it is not easy to sustain the effort required when her husband literally runs back to the business at the first opportunity he can, as if rejecting her efforts or denying that the old life structure has to change.

These are the early years in a long process of adjustment and it is clear that the successor is making big efforts in a short timescale, possibly because he fears a relapse of his health. Perhaps he truly fears that his time is limited to the short term (less than two years) and therefore he wants to ration his time between his wife and the business, helping his son to become an effective leader. Or perhaps he does envisage along retirement and decline, like his father, and is determined not to be unprepared for having a lot of time on his hands. His son is not rushing him in any way, possibly because his own Dream is on track, and no deadlines have been ignored or surprises encountered along the way. The next markers in the disengagement process involve the successor being taken off the payroll and switching to pension (this was a moving target: it was continually monitored and judged to be ready within the next year) and the official "retirement" on his 65th birthday. Looked at with this perspective

and timescale, the disengagement process appears to be under control, although it may not work out as smoothly from an emotional perspective as the transfer of leadership.

5.2.4.4 Progress and Lack of Progress on the Transfer of Ownership

In this case study, a lot of progress was observed with the tasks of transferring leadership to the third generation successor (and his preparation for handling power and control) and the initial moves associated with creating a life structure for late adulthood. One of the areas in which progress was to be more elusive for the family was on the matter of transferring ownership. As a result of the accident that killed the successee's younger brother in 1967, which meant that the first transition was a CO-CO transition rather than a CO-SP transition, there was no precedent to guide G2 on how to work out the ownership transfer. During the first CO to CO transition, ownership had been passed 100% to the only surviving offspring of the founder, and he [G2S1] now had to work out how to transfer ownership of the business, which was the most valuable part of he and his wife's estate, to their two offspring. In search of peace of mind about leaving the ownership equally, G2 had made overtures to invite his eldest son into the business as an equal owner and also as an employee. However, he had established a career in the computing industry and was not willing to get involved at all: he had refused to attend AGMs and other meetings. In fact, some of the shares had already been transferred to the sons who each owned 17% with the parents controlling the business, so this has left the door open *(and may have set in place some expectations) for equal inheritance*. Dividends were paid each year to the owners.

The successor, however, was seriously opposed to this:

But my dad wants to divide it equally. I want to make sure that if I'm in here, grafting, then I'm working knowing my destiny's in my own hands and that I'm not working for other people who, you know, I love and all the rest of it but at the end of the day I want the control to be in my own hands, 'cause I'm the one that's grafting for it...[A1/V4/G3S2/2/p12].

The family as a system struggled consistently with this issue throughout the research period.

G2S1Sp, as the successee's wife and as the successor's mother was worried:

It makes life, family life, just a wee bit difficult, you know, when one son is involved in the business and the other son isn't. Obviously because, you know, G3S2 gets a lot of the benefits of the business and obviously if [G2] hands it over, as he always says, providing the business does well then G3S2 is set up for life more or less. If the business doesn't do well then G3S2 could be the loser but I think its very difficult to try and keep your sons alike when this is the case...and I would never like it to get to the situation where there was any jealousy with either of the boys...[the eldest has an established career elsewhere]...

These concerns are in tune with the worries voiced by G2 throughout the research period, so this is an issue for both as a couple, even though the wife speaks as if it is her husband's responsibility to sort it out. It also signifies their thinking that this is a *family* problem first (how to divide their estate equitably) rather than a *business* problem (how to ensure the ownership structure can provide the capital for future growth, and that the leader is motivated by the structures under which the business is governed). It seems that as parents, they feel that "putting their affairs in order" extends to finding a way of guaranteeing equality for the siblings whatever the future may bring:

Whether things will change now that he's [G3S1] getting married when he has a wife and maybe a family, but up until now, G3S1's attitude has been "I'm happy in my job, I'm happy with the people I'm working with, I've got enough, my salary's enough to keep me the way I need so what more am I wanting?". So, that's just the difference but it will be very difficult, especially when [the successee] hands over - just to work out how its all going to...you want to make sure that once we're no longer here, that - but I must say that the boys get on well, they do, so there doesn't - we have spoken to [G3S1] about it frequently and he said "look Mum, Dad, there's no problem, you know [G3S2's running the business and as far as I'm concerned that's it" [ibid.p7]

From this, it seems that she understands her husband's dilemma, but like her husband, she is apparently not able to incorporate the implications arising from the strength of feelings held by the successor into her thinking. Their culture of conflict avoidance means they view getting further into this matter as risky. Although to do so may pose the risk that voices become raised, and may cause feelings of unease and upset to be stirred from the previous generation, *not to do so* also poses a risk. This is the risk that the family misses the opportunity to learn from living through conflict and finding a resolution to it other than their family pattern of backing off or putting it off.

The eldest, stuck in the middle of the problem between his parents and his brother may not recognise the complexity of the issue or may not want to face up to the mortality of his parents and having to deal with what they leave behind. By the end of the research period it was clear that the family were stuck on the matter in some rigid emotional triangles. The parents were discussing the matter with each son in isolation, but the sons were not discussing the business together and had formed their own views. For the eldest, it was a “non-issue” [A1/V1/G2S1/1/p3] but his father was sure his needs would change as he progressed through life and wanted to accommodate this or make provisions for it preferably by leaving it equally, or at least by leaving a minority of shares to the eldest son and his new family. The youngest’s (i.e. the successor’s) emphatically expressed view was that he did not want to be working for inactive shareholders in the future, and did not want others to be able to have any influence in or on the business. The mother described her view that what unites them spiritually and as a family will guide them through the problem to a satisfactory conclusion, but she sounded more hopeful than convincing:

...I think a lot of it is your background. We’re both very involved in church work and they’ve both got a very strong faith as [G2S1] and I have too... Obviously the business plays a big part in our life but it has never been our priority and I don’t think it will ever be even with, you know, G3S2, because they have never let it take first place in their lives. Our family, our church lives, our commitments there I would say are much more important. Obviously you need to make a living and its nice that we do have the family business, but you just have to get your priorities right. [ibid. p.8].

After hearing about this issue over 2-3 years, it seems they had been through the process of assessing the scope of the problem *and looking far ways of sating it out that did not mean* rocking the family boat. They had become stuck because they were unable to see that the issue needed expertise to untangle the ownership, leadership and family elements to it, then it needed a process that everyone could engage in, so long as it felt safe and contained. In the absence of these, and the unwillingness to seek advice outwith the usual sources on something so private, when it came to negotiating the issue of the parents’ wills, the conflict avoidance pattern of dynamics set in once everyone’s views were known.

5.2.4.5 Establishing Roles and Boundaries in Ownership, Leadership, Family and Advisory Roles

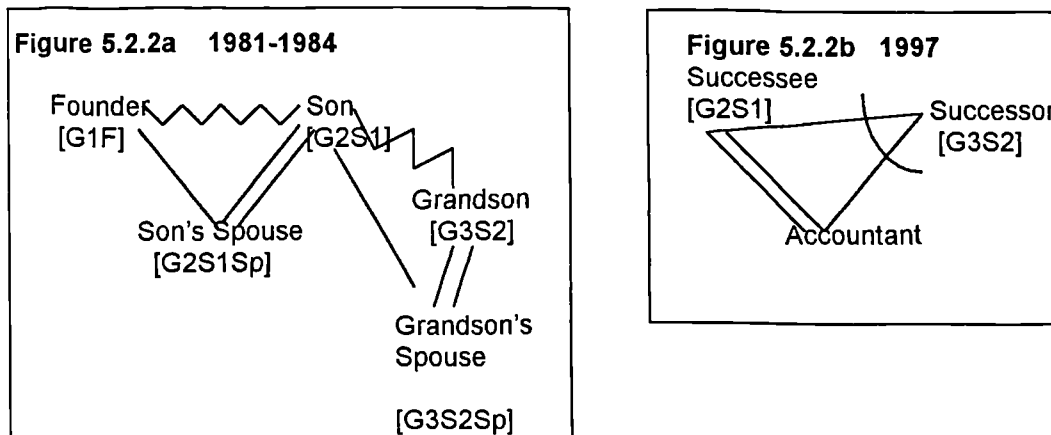
By March 1997, G2's wife's retirement from the business as an employee (although she would remain a director) was underway and both pensions for the senior generation were due to start. The successor badly wanted to see progress on the transfer of ownership. Recognising that this vital piece of his succession plan was going nowhere, the father looked for advice on the matter from his accountant (who was also his wife's brother). It may be symptomatic of the anxiety that G2 felt about the ownership issue that led him to leave the successor out of the meeting at which he enquired about options for transfer of ownership. The accountant's view was that he should keep control "in case the son messed it up" [A1/V5/G2S1/5/p5]. This caused the father a lot of worry indeed. Asked by the researcher if he felt his son might mess it up, he said definitely not, and that he just wanted to get this ownership issue sorted out. He was also asked to clarify the situation: he was financially independent of the business and did not need an income from the business in retirement, so was he avoiding transfer of control - in whatever proportion - out of fear that the successor might erode the inheritance for the two sons if given control of the firm? He said he knew it was not fair on the successor, who was ready and waiting to finally receive full control of the business. He also said he felt he was being manipulated by the accountant and that it was difficult because of the family connection.

For this family, the management of relationships under conditions of heightened anxiety (such as ownership transfer decisions) appears to lead to conflict avoidance behaviour characterised by the activation of emotional triangles (Figure 5.2.2).

Figure 5.2.2a illustrates the G3 successor's reliance on his spouse as a buffer between himself and his father, just as the first successor brought in his wife to be a buffer and source of support in the relationship with his father. The second successor's wife now entered the scene at a time when the first serious issue on which the father and son did not agree was being clarified. Although both wives had real functional roles, they were also there to provide emotional support for their spouses and the way in which they were brought in, somewhat

reluctantly, to supposedly help with business matters illustrates the tendency to rely on family relationships to buffer tricky issues in the business. Figure 5.2.2b describes the rigid triangle in place keeping the ownership transfer dilemma stuck. On the ownership issue,

Figure 5.2.2: Triangling Patterns in Case A1



the parents were holding individual meetings with each of their sons and had not held a family meeting or tried another tack to explore the issue in a different way. In this triangle, the father was having private discussions with his brother-in-law / accountant who then influenced his view on the matter. This polarised the situation and left the successor in an isolated position at a time when he needed to be closer to his father to work out the consequences of the ownership options. In the senior couple's relationship, G2 knew that he and his wife had not yet reconciled the matter, and so the process became stuck because confronting the issue was avoided. These triangling patterns were the more likely determinant for progress (or absence of progress) than what was presented to the outside as the father's rational desire to carry out proper business planning. Indeed, there was no written business or strategic plan despite the apparent thoroughness of the succession planning timetable.

It is not difficult to see why the successor [G3S2] held such strong feelings about the ownership issue, if he feels that his father's key adviser (to whom access is denied) is

advocating no change, and that his skill or credibility are in question. One of the succession tasks in the transfer of leadership is to familiarise the next generation with the firm's advisers and get them involved in the handling of information and the decision making process, yet this seemed to be notable for its absence in this case. It is possible the father saw the accountant not in his role as *business* adviser, but as his *personal* adviser, but this was not communicated to his son. The way in which the adviser has handled his multiple roles (accountant to the firm, to the father, mother and son, company strategic adviser and brother / brother-in-law / uncle) raises issues about who he perceived his client was. The private meetings between G2 and the adviser suggest he regards his client to be G2 as an individual, rather than the legal entity of the family business. This would be consistent with his functional position as an insider in the father-mother-adviser triangle, and also in the father-son(s)-adviser triangles, as well as his enjoyment of a peer relationship with the father. The adviser may fear the loss of his own close relationship with the successee and be trying extend the working relationship with him as far as possible. For the father, until some consensus is reached within the family as to the way forward, the ownership question remains a stressor whose intensity increases over time.

5.2.5 Conclusion

The most notable feature of this case are:

- a) *the impact of the past on the present.* Although G2 endeavoured not to make the mistakes he thought his father had made concerning the transfer of ownership and leadership of the business, he learnt that this was harder to do than he had anticipated. Firstly, he had not wanted to influence the entry of his sons into the business, yet his youngest son joined the firm, along with his wife, at the height of his period of frustration when taking over from his own father as if to provide emotional reinforcement. Also, he actively encouraged his eldest son, who had a career elsewhere, to keep his options open about joining the firm at some time. Much to the dismay of the youngest, who expected to be the next controlling owner, G2 tried to find a way of solving his puzzle about how to justify an equal inheritance for the sons, by encouraging the eldest to consider working there. Secondly, he did not

want to perpetuate the culture of conflict that was around when the founder and G2 worked together. The consequences of this culture meant that issues that should have been addressed went unresolved and the opportunity to learn how to resolve them was lost because G2 capitulated out of respect for his father and to avoid venting feelings of anger and hurt. However, despite his best intentions, G2 inadvertently repeated the outcome: issues went unresolved because G3 and G2 had an understanding that shouting was not allowed, and G3 restrained venting his feelings out of respect for his father's wishes. Thirdly, although G2 had every intention of avoiding interfering in his son's executive decisions, and that so far the successor actively welcomed his father's involvement in the expansion of the business, it was becoming apparent to G2, to his wife and to his successor that implementing an arm's length policy of keeping out of the cut and thrust of the business was not as easy as G2 had hoped it would be. He was energised by the growth and acquisition taking place, and found himself still using the business as a means of regulating his contact with his wife, as his father had done during the time he too struggled to let go. Although it was early days and no one was expecting nor wanted G2 to simply cut himself off from the firm, it is clear that he was having difficulty disengaging himself emotionally from the business, and working out how to re-invest emotionally in the marriage, in order not to be seen to repeat his father's behaviour.

b) *unconscious influence of the accidental death of the founder's youngest son.*

The accidental death of the founder's youngest son in 1967 is another issue from the past that has a place in the present for this family. G2S2 was ten years younger than G2S1 and had not been in the business very long when he died in a road accident during a sales trip at the age of 21. The emotional shockwave of this tragedy were still being felt by the family: the business became a place where the family could be connected without having to face up to the loss and guilt associated with his death, and was used as a form of therapy for family members in the aftermath of the accident. Behavioural patterns that continue in the present reflect coping strategies that have been in place all along to avoid the acknowledgement of feelings of hurt and anger. Also, G2's pressing need to divide his

estate equally and guarantee an equal inheritance for both sons (even though he already has sufficient evidence to show that this would have adverse consequences for the brothers) may have its origin in the guilt still being felt for being the surviving offspring, and for being his parents' sole inheritor when there could have been two to share it.

c) *repeating patterns of emotional functioning*

The way in which patterns repeat in this case was notable throughout the data collection period. On further analysis, it seemed this had its origin in patterns of emotional functioning. For example: both G1 and G2 used the same accounting firm for their audit, and G2 married the auditor's sister (son of the original auditor). This led to the firm's only access to (what should have been) neutral outside advice being affected by the history and emotional investment being made on both sides to keep this less than objective relationship in place. Also, three generations have brought in their spouses. The wives have carried out three distinct roles. They carried out business functions as directors (on paper) and as payroll administrators; they provided emotional buffers between their husband and the business or their husband and another family member; and having them involved has legitimised their marriages having the business in it and allowing some distancing between the spouses. G1 and G2 have both experienced the difficulty of rebuilding a relationship with their spouse when the business was not there to offer a means of controlling contact with the spouse. It is early days so far for G3, but he was already concluding that his wife understood why he had to be away so much on business because she was around the firm and saw how much it was growing.

d) *the speed of progress juxtaposed with being "stuck"*

The case illustrated how "stuck" G1 and G2 became when developmentally their generations were out of alignment leaving little room for making progress on the succession tasks that were long overdue. After the illness in 1994, spurring G2 into action to plan late adulthood, G2 and G3 found themselves well aligned developmentally and within three years they were able to carry out the effective transfer of leadership and control of the business. However, even when there was a good alignment, this did not

guarantee progress with the ownership transfer because G2 had emotional issues to be addressed before anything could be settled.

Putting these factors together, it seems that this family was on a trajectory that meant they may inevitably repeat the conflicts of the past despite all their wishes and endeavours not to do so. At the emotional level, this may be a consequence of anxiety persisting in parent-child triangles originating in the unresolved guilt and grief from the sudden death of G2's brother in 1967, and possibly other factors. At the practical level in the task environment, the family seems to have become stuck around an issue of family equity, which has exposed their unwillingness to risk disturbing or changing the equilibrium in their family system that has worked in the service of keeping conflict at bay since the founder retired in 1984.

G2's efforts to find a solution without anyone being upset (first order change) were counterproductive because they contributed to generating more anxiety within the system, at a time when the other dimensions of the context in which their generational transition is taking place are suited to a good outcome. The successor had almost all the strands he needs (social, love and career relationships) in place to settle down happily and build on the life structure he had chosen so far. G2 had almost all the strands he needs to complete the partial reconstruction of his life structure which was taking place during his age 60 transition. Until the family can overcome its fear of finding an alternative way to solve problems (second order change), which would require at least one person to differentiate themselves within their family system, these patterns are likely to remain entrenched.

CASE A2
CONTROLLING OWNER RECYCLE
WHEN DREAMS COMPETE: A FAILED SUCCESSION

Contents

5.1	Case A2: Controlling Ownership Recycle <i>A failed succession</i>
5.3.1	General description
5.3.2	1970-88 Leadership Under G2
5.3.2.1	1990 G3 Entering The Business
5.3.3	Succession tasks
5.3.3.1	1990 - 1995 G2 & G3 Working Together
5.3.3.2	1995 - 1997 Passing The Baton
5.3.3.3	1997 - 1998 Dropping The Baton
5.3.4	Conclusion

5.3 Case A2: Controlling Ownership Recycle

5.2.1 General Description

Key Players (see family genogram: Figure 5.3.1):

G2S2	Present Managing Director 85% shareholder
G2S2Sp	Present MD's spouse
G3S1	Eldest sibling, female, not active in business
G3S2	Youngest sibling, male, to be successor to MD 1% shareholder
NF1	Non Family Director, 10% shareholder
NF2 and NF3	Non family directors, minority shareholders (@2% each)

1994/5 Family Business Survey Responses (ref. # 365):

- 86% family owned.
- Significant proportion of family in senior management
- Control going from generation 2 – 3
- 3 non-family people on the board
- Non-family in senior management
- No documented succession plan
- Last 3 years average annual sales growth 10-25%
- Sales £1-5m per annum
- Would put “business first” in event of conflict
- 60 employees

General Description

This is a service business related to the construction industry with its head office in Central Scotland and a depot in the midlands. They employ around 60 staff and have two key areas of business activity, or strategic business areas (SBAs). The first, SBA1, operates in a declining local market only, but the firm has an excellent reputation and is struggling to retain industrial, commercial and domestic contracts where price is

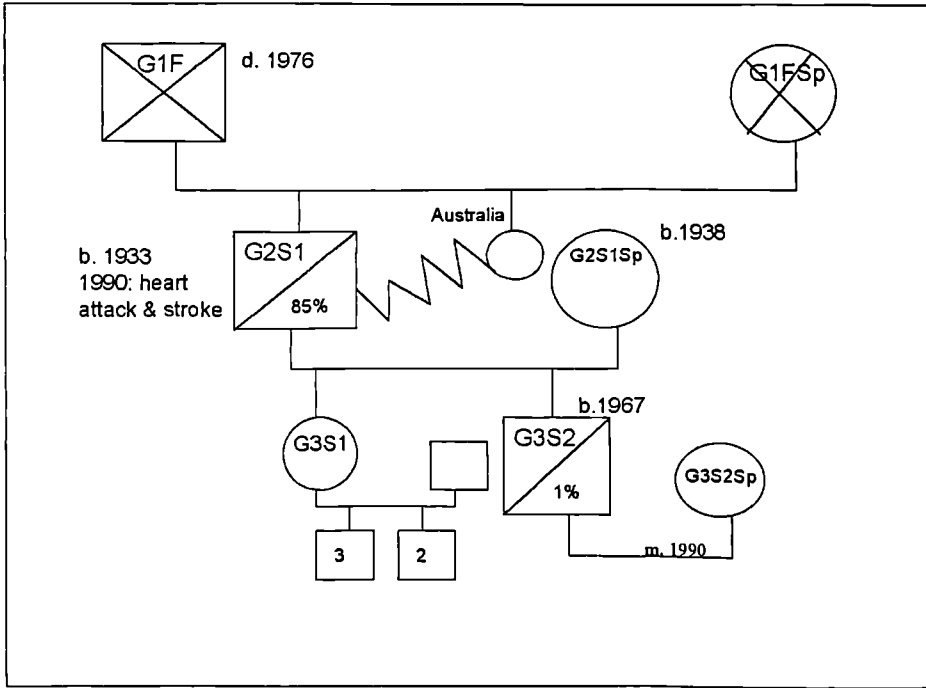


Figure 5.3.1a Case A2: family genogram @ 1995

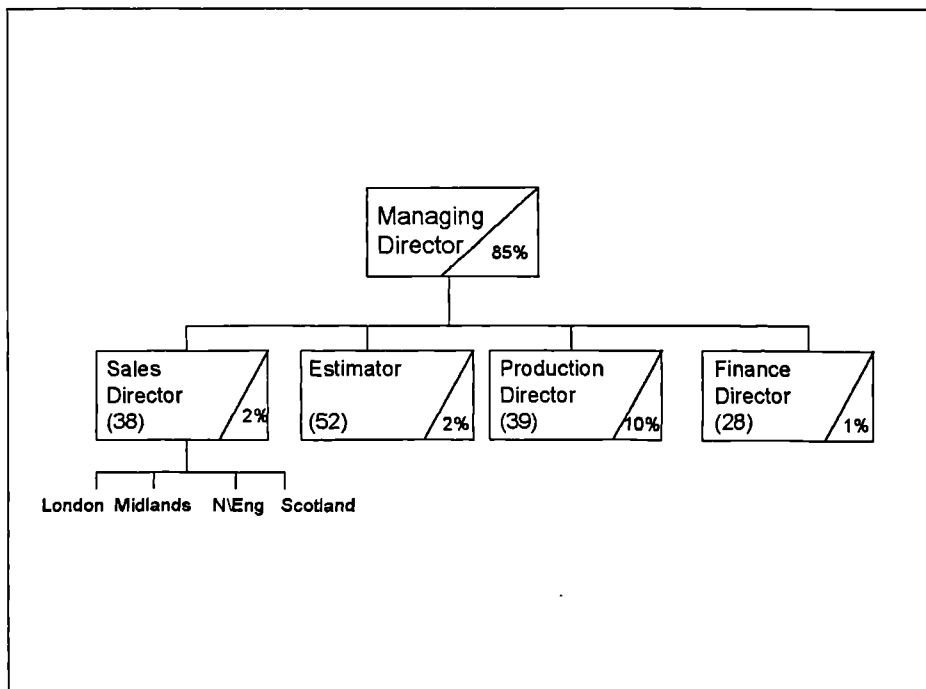


Figure 5.3.1b Case A2: organisation chart @ 1995

the key concern of purchasers, before quality and service. The second business activity, SBA2, is also a service industry and involves gangs of men working on projects across the UK. The company works collaboratively with manufacturers to create robust materials for application in industrial and commercial buildings.

The head office, based in Central Scotland, is the third set of premises in the firm's history, and is owned by the company. They were purpose built to cope with the expansion into SBA2 in the mid-70s. Half of the employees are based in the midlands and the other half work around Central Scotland.

5.3.2 1970-88 Leadership Under G2

The business was established in 1929 by the founder [G1F], and continued with slow growth in SBA1 (Strategic Business Area 1: a labour intensive service industry) under his leadership until around 1970 when his son [G2S2] took over. The son had been in the business since the age of 16 in 1954 and in the early years of his leadership, when he was in his mid-30s, he was on the look out for other business opportunities which may or may not have been related to the business. In 1971, when he was 33 and around the time of his father's death, a non family manager joined the firm [NF1] as an estimator and together they looked for ways to grow the business and reap the benefits. In 1975, they came across *what was to be SBA2 and after some years of trial and error*, finally settled on investing in a related diversification that would offer some of their existing customer base an extra service and maintenance option, and should also bring new market development opportunities. They then set about geographical expansion and established a base in the midlands which is under the control of the sales director and managed in England by the contracts manager. This elated diversification gave the firm a new lease of life and created growth and wealth for the owners and directors.

Although he wanted the ownership of the business to remain in his family, G2S2 also recognised the need to incentivise his co-directors, and agreed to have them participate as co-owners and directors as long as he retained overall control and as long as the

shares could be bought back when they were redeemed. Insurance arrangements have been made to ensure this can be funded. The organisational chart and the shareholding structure of the firm are shown in Figure A1.1. Of the 15% of shares disbursed to directors, NF1 has 10% and the three others (including the managing director's son G3S2 with 1%) together own 5%. Over the years, the managing director invested in other businesses either incorporating them into the family business, or going into business interests with other shareholders. In 1978, a small firm which competed with the family business inSBA1 but at the smaller end of the market was acquired and owned 50-50 with NF1. G2S2 was also one of a group of owners in a small travel agency which ceased trading in the 1980s incurring a loss for the other owners of £1000 each.

The Financial Crisis of 1984 \ 1985

This phase of opportunism was brought to an abrupt halt in 1984-85 when the bank suddenly questioned their increasing need for overdraft facility. Prior to the first research visit, G2S2 wrote a paper which he gave to the researcher (Appendix 1) in which he benchmarked his business against the key headings used in the 1994 Survey Questionnaire. In his account, he referred only briefly to the crisis which had been the single biggest threat the business had faced in its lifetime:

In 1984/85 the company was faced with severe financial problems brought about by the professional negligence of our external accountants and auditors.[A2\D1\p2].

Asked to elaborate on this during an interview, he said

...I couldn't understand how it appeared to be in the red because we had £10,000 in the bank at the beginning of the year and you end up with an overdraft at the end of the year when you know its been a great success...there was something wrong...The decision that we had to make was how to keep going given that the auditors were negligent. We had to concentrate all our efforts on trying to rebuild the business. [A2\V3\G2S2\2\p14].

Why the firm did not take legal action is not clear, however it seems that at that time, G2S2 had authorised expenditure for expansion of the premises and for purchasing computers:

...So on the basis of that, I made the decision (inaudible) "Yes we'll do this" and "Yes we'll do that" and then discovered that the figures were all wrong.[ibid.]

The onus was then on the firm to prove that a loss was made as a direct result of those decisions. It seems that the firm's cash flow was at odds with the corporate accounts and that their internal control system did not balance the cash situation with the bank.

The non-family director commented

The auditors made a major error over a number of years. We assumed that we were running profitably and we couldn't understand why the bank was acting up and called in our company's auditors. And all of a sudden we said "wait a minute, what's going on here?" and had we known 4 years ago we would have taken decisive steps and we would never have lost what we did. However, in some ways it has been a good thing because we are now very conscious of what can happen very quickly and it was very much a case of going through everything and try to make sure no such situation could ever happen again. Now we have [G3S2] and accounts which are very accurate...[A2\2\NF1\1\p8].

The managing director was not keen to provide written financial information for this research, other than his own analysis of how the business had got over the crisis and moved on (Figure A2.2). Asked how this was achieved, he said he used his own pension fund to restructure the capital base of the firm: " I used my own personal pension so that we could pull ourselves through without having to go into hock to do it" {a2\3\G2S2\2\p15}.

According to NF1, the crisis focused the managing director's mind on succession. At that time, 1985, the MD was 48 years old and had worked in the business for 32 years. His son and daughter had both worked in the business during holidays and the son, now 18, intended to have a career in the firm after training to become a chartered accountant.

Figure A2: Financial Performance of the firm in 1985 and 1995

1985*	£	1995*	£
Sales in 1985	793,000	Sales in 1995	3,109,000
Capital Base	150,000	Capital Base	235,000
Bank Overdraft	242,000	Bank Deposit	3,000
Net Current Liabilities	176,000	Net Current Assets	131,000
1995/1996 Year to date (6 months)* Sales \ Business Activities 1994***			
£			
Sales	1,737,000	Est Total Sales	£2,500,000
Capital Base	405,000	Strategic Business Activity A	£ 400,000
Bank Deposits	190,000	Strategic Business Activity B	£2,100,000
Net Current Assets	301,000		
**Retained profit for year ending 30 April 1995 £5,578			
Sources:			
* G2S2 (Managing Director), 12 Dec 1995			
** Company Accounts, 1994-95			
*** Consultant's report, 1994.			

Before the cash flow crisis of 1984-85, the firm was controlled by G2S2 who held 85% shares, with a style of strategic opportunism. The co-directors each received bonuses based on company performance and little thought was given to succession. After the crisis, the firm was still owned 85% by the managing director, but his retirement income was now dependent on the *long term performance of the business. Now approaching 50, ensuring continuity became a priority not just for his own income, but also for the co-directors who were expecting a good pay-out (i.e. value for their shares) when they retired.*

5.3.2.1 1990: G3 Entering The Business

The decision by G3S2 to join the firm appears to have been made in his teen years when he used to help out during holiday periods, getting to know the business. His elder sister also worked there but was apparently never interested in a career in the firm. He carried out his plan to go to university and then go on to join the accountancy profession. Whether the financial crisis in 1984 and the issue with the auditors in some

way affected his career choice is not known - however it is clear that he saw his future in the family business and had been aware during his late teens and early 20s that poor accounting and control had nearly brought the business down.

The timing of the successor's entry into the business in 1990 coincided with three key events all having their origins in the family domain and their consequences in the business domain. The first event was G2's health crisis in 1990. In the period between the cash flow crisis of 1984 \ 85 and the health crisis of 1990, the business had enjoyed a settled period of growth and stability. However, this was built on fragile foundations because it was entirely dependent on the health and leadership of G2. In 1990, G2's health cracked under the strain when he had a heart attack and two strokes. He was hospitalised and out of the business for three months. This event highlighted the vulnerability of the business, as well as the physical absence of a successor and a contingency plan for such eventualities. Serious consideration was given during and after this time to how to attract the successor to the business, and G2 arranged his will shortly after the illness to ensure that the entire controlling ownership would go, tax free, to his wife to guarantee her an income, then to G3S2. This signifies the agreement between father and son to recycle the controlling ownership of the firm as in the previous transition, and to ensure his sister's inheritance did not include any business assets or ownership, also as in the previous transition.

The second event coinciding with the successor's entry into the business was his marriage at the age of 23, in the run up to the wedding he was also negotiating his salary and perks package for his role of Finance Director in the business. He joined the firm straight after the honeymoon. Thirdly, there was the son's disillusioned with his professional career choice which he saw as too administrative and not directly providing the type of management experience he had expected. Joining the family business offered him the chance to put two important components of his early life structure in place simultaneously, which at the age of 23 amounts to a fast track to adult development tasks. Asked to recall all these dimensions and to state his feelings about

joining the firm, he recalled being made aware of the opportunity joining the firm presented, but felt less than enthusiastic about it and reluctant to make the move:

I got married...it just happened at once. With hindsight it is difficult to understand why I was so reluctant to come and work for my - and at the time, the job with [CA firm] became quite difficult...to be honest I was quite glad to get out of the door because they were a nightmare and you weren't really getting the support from [CA firm's] managers that really you would want. So from that angle. I wasn't really disappointed in leaving. Also, you didn't really learn a vast amount about running a business with them. You audited, you checked debtors, you checked creditors you checked fixed assets, you got very little in terms of management experience out of that. Now I could have stayed with them and maybe got some more experience about managing people, or trying to move department and things like that, but at the end of the day I didn't feel that it was worth the effort in terms of learning to run this business.

Interviewer: This was always your long term plan?

G3S2: Yes, it was. As I say, with hindsight I don't know why but its - the move was just because I didn't feel there were any benefits in staying where I was. [A2\V2\G3S2\1p2].

One of the adult development tasks of the 20s is to work on separating from the family of origin and putting in place an life structure to use as a foundation for becoming a young adult. Here, the son had experimented with being away from the family at university and living away from home since the age of 18, and had achieved financial independence and professional qualifications at a relatively young age. Joining the family business was a double edged sword: it provided the fast track to a senior position and its material benefits, and so it expedited the career dimension of his first life structure for the adult world. But it also sent some development tasks off course. By joining the firm, which he says he did reluctantly, the successor moved "back" in terms of his emotional separation from his family or origin:

To be honest around the time I joined I was working until 8 or 10 o'clock at night. I was trying to organise the wedding. The last thing on my mind was the physical moving from there to here, but as I say, its difficult to - there wasn't really that much in the way of discussion, really, just [terms and conditions] I wanted a car, I wanted a rough salary level discussed.[ibid.p5-6].

Interestingly, the successor never made a link between the timing when he joined the firm with his father's illness during this round of interviews in 1996. The consequences of his joining the firm were that he became physically closer to his father, who was recovering from his illness earlier that year, and so was in place to relieve the stress of

the business from his father. This would also calm his mother (who also worked in the firm until 1995), because she could see her family around her at an important time after the illness and could gain confidence that her husband should not have to face the same stress again in the future because their son was there to take up the mantle. The father's illness came at a time in the family life cycle when generally, seniors expect to face the launching of their children and to have to work on being a couple again, and when juniors work on becoming separate - yet attached - to their family. It seems that in this case, the illness was a significant moment in this family because it froze, or suspended, any launching or separation which had been achieved so far.

Despite all the concerns in the business about succession since 1984, the succession dilemma was in fact resolved almost instantaneously in the midst of the heightened anxiety of G2's illness when G3 agreed to join and the will was made guaranteeing him controlling ownership after his mother's death. However, no feelings were recalled about solution for the business dilemma being found from within the family, so that the seniors' anxieties about a future with G2 gone or unable to generate wealth as he had before could be quelled. Indeed, the succession solution was described by G2 as a tax-efficient technical decision and by G3 as a somewhat reluctant career move that can be rationalised or justified if necessary. The absence of any mention of feelings around such momentous events implies a lack of awareness of them, or a successful defence against them in the family.

5.3.3 Succession Tasks

5.3.3.1 1990 – 1995: G2 & G3 Working Together

During this period, the successor's tasks in the business domain were to get to know the business and develop leadership potential. As a young adult going from 23 - 28 who had already got the career and love \ social relationships established for young adulthood, he was relatively ahead with these tasks, but would soon need to test this initial life structure and determine how satisfactory it would be for the forthcoming prime years in middle adulthood.

The successee's tasks in the business domain were to coach and teach his son about the critical factors required for business success and continuity in this particular business. Career development and the nurturing of leadership were required. He already had his estate planning and will in order so the emphasis in the business domain was clearly on the development of his successor especially since the wealth and livelihoods for himself and the others on the board was contingent upon continued business success and profitability. As an adult going from the age of 53 to 58, and with a recent history of heart disease and a stressful occupation, he had already begun the transition from middle adulthood with the awakening that late adulthood was around the corner and needed to be planned for. This would involve re-considering his marital relationship and finding the basis on which to build a life which didn't depend entirely on the business. Since his retirement income depended on the business continuing to provide a salary and bonuses, it was clear that financial separation from the business was not possible without external replacement capital and that emotional separation was not going to be straightforward.

5.3.3.1.1 Successor Development

During the first four years of the successor's career in the business he set about formalising and modernising the information systems in the business. He also took on the firm's legal requirements for Health and Safety at Work, and wrote the safety manuals. He began implementation of the quality standard BS5750 and his title was changed to reflect this: Finance and Quality Assurance Director. He was also given responsibility for implementing the marketing strategy for SBA1. It was clear by 1994 that all was not well, and that the successor was looking around for support to help him implement the stated objective of professionalising the business. At that time, firms could receive a subsidy from the government for having an external, objective analysis of their operations carried out if they were interested in growing their business and creating jobs. In 1993, the successor was involved in having such an analysis carried out in the firm:

A lot of the issues raised - see this is an area that is a learning process for me - I didn't learn it from [CA firm] but when you get consultants in - we got these guys in - we got a guy in to do the marketing...I have learned from them a lot and to identify some of the issues more clearly. In a way it is difficult with family businesses. It is hard to stand back and take an objective view of things and put things into a clear cut perspective. When you get somebody else in and he is looking at it objectively, and he is coming up with his views which more often than not correspond with mine - but it is helpful to get somebody to put it down on paper [A2\V2\G3S2\1\p15].

The consultants presented their written report to the firm in February 1994. Their analysis provides a good overview of the situation from an organisational development perspective at that time, highlighting the key strategic and managerial issues faced by the firm (Appendix 2). Their brief was to "carry out an independent study of the existing organisation, controls and costs and make recommendations on improvement opportunities" [A2\D2 p4] but it quickly became clear that

the immediate issues and consequent improvements required by the business were not totally related to cost control or business systems. It was clear that Business Planning and Control, Company Structure and Human Resource Development issues required to be tackled before considering other improvement initiatives". [ibid. p5]

Although the report mentioned "succession" and the absence of forward planning of the company's structure and skills required for the future, it did not look at the effect of family ownership and management on the politics of the succession process. For example, the consultants appeared to go along with the gender assumptions that women did not have a say in the business, and did not interview the managing director's wife [G2S2Sp] who was a director at that time, and had worked in the business for nine years. They seemed to be unaware of the delicacy of the succession situation and saw only the presenting issue of a firm needing professionalisation. In spite of this, it provides a good opportunity to see the firm through outsiders' eyes and gain insights into the shape and form of resistance to the developmental work required in the business. In the three years after the successor had joined, during which time he had implemented the systems mentioned above, there were other problems of a long term nature which had not been tackled by the board or the MD, even though the successor had tried to implement them. These were prioritised by the consultants as a requirement for the board to:

- schedule regular directors' meetings;
- define and document a 2-3 year business and marketing plan;
- develop an organisation structure to meet the business plan; and
- review the existing director and staff roles and responsibilities.

This analysis is in line with the successor's own views of the firm: that the board was not functional, that the business was drifting and not being driven in both its strategic business areas, and that even though the long standing human resource issue with the contract manager in England was now undermining the profitability of SBA2, there was no commitment at board level to sort it out. Although it may have been reassuring for the successor to see an independent analysis coming up with the same conclusions, he still has the problem of how to get his father to see this as objective (his son brought in the consultants), and how to get him to listen and to take on board the messages being conveyed.

In addition to this, working in the family business was not proving to be very satisfactory on another important dimension from an adult development perspective. Although the family business might be expected to be a social place, for this successor it seemed to be a lonely experience:

...its had a fairly big impact on the social side. There is no social side. Whereas there [with the CA firm] on a Friday night there were 15 of us in the pub. [A2\2[G3S2\1\p4].

The closest person in age to him on the board was 38 but he was someone that the successor struggled with in terms of business objectives. The next oldest was his father's closest colleague at 52.

By 1994 then, the Working Together years had been unsatisfactory for the successor for some time in both the personal and the career dimension. It is not clear in this case when (or whether) a shift was ever really made from the Working Together stage to the Passing The Baton stage in terms of the leadership succession agenda. However, the successee completed the Family Business Survey in December 1994 agreeing that the

succession would be completed within 5 years, so on that basis what happened next is explored from the perspective of a father and son working to complete the leadership transition.

5.3.3.2 1995 – 1997: Passing The Baton

This phase has been divided into two parts: 1995-96 and 1996-98.

1995-1996:

The commentary written by the G2 in 1995 in preparation for the first research interview (Appendix 1) was his view of the business when benchmarked against the key headings used in the 1994 Survey Questionnaire and the 1995 report published afterwards on the Challenges Facing Scotland's family businesses. He painted a picture of a company with no problems and doing extraordinarily well as the following quotes suggest:

- The company holds management meetings and Board meetings and non-family directors have a meaningful input to the company.
- As a Board of Directors we are keen to further diversify the activities of the company but have not yet finally decided where our investment will be made.
- The financial position of the company has changed dramatically in ten years (see figure above) - The above indicates an average compound growth rate of 15% per annum.
- Succession is already planned in the most tax efficient way that exists in consultation with our legal and financial advisors.
- Despite our company being in its third generation it must be stressed that had a very high 'lifestyle' been sought it could have destroyed the company.

"I have never made personal commitments on a long term basis that would put a burden on the company and it seems likely that this will be the position with the third generation."

"What I do personally on a year to year basis is dictated by what I can personally afford from my personal income. I have always discounted the actual or potential worth of the company in personal commitments." [A2\D2].

Despite this account of affairs in the family business, it became apparent that father and son saw the many dimensions of the situation very differently and their opposing views created tension between them and others on the board. The son was frustrated that: no meetings were taking place; the policy of expansion was thwarted by the board

at every opportunity; the tax efficient succession has not taken account of the struggle for the transfer of power and authority; his father did not regard his standard of living as a "very high lifestyle" even though it cost a lot to sustain it; and finally, that the father denied that a burden was being placed on his son to ensure continuity of income for his parents for the rest of their lives. The consequence of this was that no power (the right to influence the course of the business and internal arrangements) was transferred and the leadership by the successor was inhibited. Over the years, the son pushed continually for formalisation and professionalisation of the business, drawing again on the resources of independent outsiders, and the father resisted where he could in cases where agreement would allow the son clear authority in most areas other than the management accounts. For example, the son had realised many years ago that the avoidance of directors' meetings prevented routine analysis and discussion of issues facing the business, and so he pressed to get meetings arranged:

...in 1994 [the consultants report] said there was no meetings. This was in 1994 and they just didn't have management meetings at all. There is still a lack of meetings. ...more and more I am forcing...I am not recognised as managing director and I don't classify myself as managing director but I am pushing and making things change. There are limits to what I can do within - not being in control or having the control, there are limits to what I can and can not do... the managers meetings we have and then we don't have, then we have. Its spits and spats and it gets so complicated because we are so far flung...it gets very difficult to get everybody to the table at the same time. [A2\V2\G3S2\1\p12].

The fact that these differences and issues have remained in place for years, with no progress or resolution is evidence that the successor is in a bind in the business: he has the title and status that would go with being a credible finance director and the verbal support and commendation of his father, but he has no power lacks credibility because the board continues to support his father even when to do so means they fail in their fiduciary duties as directors.

Four months after this, the father was asked about how they were doing with holding meetings:

...we have now, for some considerable time, been running monthly management meetings. Apart from quarterly management accounts meetings...Well, we were supposed to hold one last Friday, and it can't happen...we will postpone it and that's fine. We will get it done, we will get it in. So that's the kind of, the kind of information that we'd get on a regular basis for

our management meetings. Most of the directors are involved in the meeting...so you know, we've got that formal aspect that we once didn't have. It keeps everybody up to date.[A2\V3\G2S2\2\p4].

The son's view on this was that the prevention of meeting had caused the business to lose direction:

..there isn't really...but left alone he handles the other directors which is why the business drifts along and won't change...A lot of things I am having to do and make sure happens, because there is no other leader here to make sure it can happen. [A2\V2\G3S2\1\p11].

One of the particular frustrations the son held was about being blocked when trying find solutions to the long held problem with the contracts manager in England, and about the overlapping roles and responsibilities of directors:

It just doesn't happen - unless I have the responsibility to do something, I can't do anything...it was my responsibility to say to the contracts manager that "things are not working out, you are going to have to go back on the tools and get another guy in. But the production director is the man in charge of the contracts manager and the man to be brought in to take his place. And for up to 10 years the problem has been recognised and nothing has been done about it...

...the contracts manager does not have the personality to fit the job... I am having to get involved with things like making sure the time sheets are reasonable - I mean we work all over the UK and you can't be on every site every day. You have to trust the men to a certain extent but he takes what they are saying as gospel...we have caught people and disciplined people for putting in false time sheets but I don't think this is my job...he went through a phase of saying "I'm not paid enough, I am not doing the job to the best of my ability...we have said we will give you an extra £300 a quarter if you will lift your performance and to a certain degree that has changed his attitude.... if he does well enough, I can start targeting the problem area, which I can do...then the cost of fraudulent time sheets will pale into insignificance of the problem of getting another experienced person to deal with the material and other things. [A2\V2\G3S2\1\p13].

His father, however, did not want to be drawn into this issue:

That [issue] has changed quite a bit. Not totally, but its changed to acceptable levels now...we've now got the kinds of systems in place.[ibid.p21].

This did not correlate with the view G3 gave on this a year later, when he said the problem had finally been resolved when he, as finance director, slashed the overheads of the firm:

...we took him out of that position and bumped him further down the line...I am not saying he didn't act in the firm's best interests, but he also acted in the men's' best interests...also, his presence on sites was not welcome. There were different things wrong with him.[A2\V4\G3S2\2\p2].

On this issue, the son had to bide his time until the general business and his own personal situation had changed paving the way for a stronger approach to sort the problem out. Prior to this, although the problem was recognised, there was no commitment to address it elsewhere on the board.

There were also tensions about aspects of another project that the successor took on. One of the recommendations made in the 1994 consultant's report was that they should develop a "defined business and marketing strategy with clear goals, objectives and plans" [A2\D2]. This recommendation was taken up in 1995 and a marketing consultant assigned to the task of carrying out a communications strategy and plan for SBA1.

Although this was a declining market, the firm had an excellent reputation and wanted to be better positioned to pick up what work there was. The report found that they were losing business through not being visible enough locally, and the firm's name lacked a market presence for when the buyers were in a position to offer work to potential suppliers. The key elements of the Communications and Promotion Action Plan are shown in Figure 5.3.2 below:

Figure 5.3.2 Communications Strategy for SBA1: Promotion Action Plan [Ref. A2\D2]

<u>Communications</u>	<u>Sales Action Plan</u>
Advertising: Yellow Pages & National Newspaper & Chamber of Commerce magazine.	Past\Present Customer Call Cycle Identify Local Authority buyers
Corporate Brochure: A4, 4 page full colour	New Business Development: identify 7 key segments & their decision makers
Newsletter	them mailshot & follow up to get an appointment
Press Releases on projects completed and won	Follow up quotes
Signage at sites of work	Direct networking
Van livery and overalls	Sales lead sourcing
Corporate stationery	New Business Enquiry form
Sales Promotional items	Quarterly review at Board level.

In January 1996, the successor had implemented almost all these points and

was about to start a marketing graduate on a placement scheme. He was of the view that no one else in the firm was particularly concerned about this other than to bicker about various smaller issues on details:

You know again, to make this happen, its me that's making this happen. As you can see this is my file on it. Its me that's sorted out [all the details of implementation]...it bothers me that most of the other - don't get me wrong - they're all busy, and to be fair the accountancy side of the business is not a full time - but I mean when I got involved in [SBA1] I was the one who did BS5750 which we have abandoned. It seems that any project I find, that everyone is eager to proceed but not everyone is eager to make it proceed...there are things I want to get done and other things to do, I find things that were meant to be done by others and it annoys me that I want them done. I don't have time, personally..[A2\V2\G3S2\1\p16].

Although his father had agreed to this initiative, he was at odds with the successor about the details, such as which form of advertising to use in the national newspaper. The successor regarded this discussion as a waste of his time - if no one was sufficiently interested in the project, why interfere with it? The exercise reinforced the successor's view that he lacked the support of his father and the board, and was therefore not seen as a credible leader and successor.

Although these issues, which relate to the everyday running of the business, were causing tension in the relationship between father and son, there were other, bigger problems to contend with. Disillusionment had set in on a number of fronts: about the nature of the business on which his career depended; the lack of strategic direction making the future of the business look too uncertain; about becoming increasingly more aware of his inability to leave the firm out of fear of what would happen to his parents if his father had a relapse; and he was getting worried about his own career prospects even if he did leave.

The successor knew that his father also had tasks to attend to in the succession which were to do with stepping back and spending more time out of the business so that a life could be built which was satisfactory and did not revolve around the business. On this, the successee felt he was progressing well: he had been on two holidays this year and

had a third one planned. When asked what it might be like to be spending more time with his wife, it seemed as though this did not factor into his plans:

No, she's going to be stuck at the level we are at the moment. She's, I don't know what she is at the moment, but - she used to be involved in the business ... [A2\V3\G2S2\2\p10].

Their son was not able to comment on the dimension of the succession involving his mother's role. In January 1996 he said:

Really my view is my dad has no intention of fully retiring from the business until he drops dead. He is not making any provisions for his retirement - his pension - what money he has outwith the business, his salary and so on, he doesn't seem to be looking towards retiring. [A2\V2\G3S2\1\p9].

In an introductory meeting, which was not taped, the father mentioned that it would not be unusual for him to take a salary of £100,000 out of the business if it had done well.

In 1995, which was considered a good year, the company accounts recorded a retained profit of £5,578, and bonuses were being paid to directors who were seeking to take retirement as soon as they can. Despite this, the father insisted that he lived a modest lifestyle and would not draw unnecessarily on the business [A2\D1]. The son took a different view in 1996:

G3S2: ...my dad seems to think that the business will provide him with an income for ever more. I mean, I'm not wanting it all for myself. With a six week order book it could easily take a downturn..

Interviewer: what prevents you from having a chat with him about that?

G3S2: Because I don't see that its going to make any difference. It is his view that the business is his pension. He takes the view he's never been able to afford to put money into the pension and I think its a definition of "what is a reasonable income?"...he is putting something by, but when it comes to the end of the year and last year the company needed money, and the directors said well...

Interviewer: Does he have some under the mattress do you think?

G3S2: No. I don't understand - his whole attitude to life seems to be living life for today and not tomorrow...yes he has had his heart attack and I think the question is, is it worth putting money back for his retirement? Will he be here to enjoy it? Again, I think that is selfish because it would be transferred to my mum. That's not my view at all to live for today and stuff tomorrow. Nothing I can say will change that... The ownership won't change until my mum dies. [ibid. p10-11].

The father confirmed in the second interview that in his view, he had a right to expect a good return on his investment, since it was he who personally financed the business after the crisis of 1984. A year later, the successor confirmed that he still had a struggle on his hands with the board about their reinvestment policy:

Unfortunately one of the problems I have is that my father and [NF1] some years ago went through that difficult time and nearly lost the business. And the bottom line was that it was down to the accountants at that time. And because of that, there is an eagerness on their part not to leave money in the business. They are all heading to the stage that they are going to be retiring. I have to fight that. In that respect, [NF1] is certainly not an ally on the board. NF1 is looking out for NF1, but in other respects, he tends to...[A2\W4\G3S2\2p4].

The successor had tried to discuss how the situation looked to him with his father and said that neither he nor his father ever discussed the business with his mother.

The successor is also working against the structural issues inherent in family, business and ownership matters whereby investors see the world very differently to successors. The former want to see funds being available to take out of the firm, whilst the latter wants them kept in for re-investment. In addition, he is working against the board's implicit "conservation and harvest" policy by trying to implement the explicit "expand and diversify" strategy. These structural and strategic issues are misaligned: they keep the successor in a bind in the business and are crippling the firm.

It is also apparent that the successor is in an emotional and developmental bind. On the emotional side, he can not leave the firm because he fears the risk of being held responsible for a relapse and possibly for his father's death. On the developmental side, if he stays he will eventually achieve the part of his Dream which was to do with having his own successful business; but he is learning that to stay means he has to subordinate his Dream in order to play a leading role in his father's Dream. His own ambitions are being stifled and he is personally frustrated because his father could go on for many years in this way. Also, if this is simply the wrong kind of business to be in (i.e it is unattractive in commercial terms), then his Dream has become flawed and requires re-appraisal. Being in these binds has set back any progress to be made with the life structure he so rapidly put in place when he entered the business at the time he married when he was 23, which was 5 years ago. That he was so emphatic by 1996 about these problems and their consequences for him is indicative of how much time he is spending considering the choices he had made and his position for the future. In terms of adult

development, these show clearly that he had now entered the age 30 transition. However his father appears to be in denial about his transition to late adulthood. Their life stages are out of step; the coinciding of their very different individual needs is not synchronised to allow each other any slack, and therefore is not conducive to a satisfactory outcome. This has set them up in opposition and is acted out in the medium of the business.

5.3.3.2.1 Ambiguity About Strategic Direction of the Business:

The consultants had been told in 1993 that the firm's strategy was one of "expand and diversify" and this was stated again - with a cautious qualification - by the father in his paper of December 1995 when this research got underway. The successor clearly held expectations that the company would be looking for opportunities to expand and balance its risk profile; he was enthusiastic about this because he was socially isolated in the business, and saw the expansion route as an outward looking, generative approach to business ownership and his own personal growth. However by 1996 he seemed to think that if it was going to happen at all, he would have to find the opportunity himself:

What I want to do is to get into something completely different. I don't want - I want to get something outwith the construction industry. What, where, which marketplace I have no idea about at the moment. we've spoken to a guy at Coopers and Lybrand who mentioned that they have guys who specialise in ideas. OK . SO I am hoping that that will happen. ...the firm has some capital available...they are certainly not using their overdraft facility...what I would like to do is get involved with other people and have a business that they want to expand and doesn't have the money or financial capability or the management capability to obtain that, then that's a way in the door. As I say, I want to move and to diversify and I don't have any set ideas about what or where.
[A2\V2\G3S2\1\p9]

In May 1996, the father was asked to elaborate on his views about the mission of the firm being to expand and diversify. He would not respond to the question of what the criteria would be for evaluating a business opportunity and although evasive on the matter, he was clear that he was content to see no change:

G2S2: It has got to be totally diversified...what we would like is something that is dependent on a different market sector of the economy.

Interviewer: Something that's new or well established?

G2S2: I really don't know...its not something we have to do now. ...its our

opinion that if we went beyond a hundred thousand ,in fact it would start to cost us money...but its a cost that we need not have...I'm quite happy just to continue to build the business we have.[A2\V3\G2S2\2\p19].

Evidently, if an acquisition opportunity did come along, the successor would have an uphill struggle trying to get agreement from the board (i.e. his father, who controlled the board) even though his father has said:

Something will happen in the future because we've done everything and made people aware that we want to diversify. It will be up to [the successor] to decide what he wants to do providing I don't violently disagree with him. The one thing that happens with [the successor] is that other directors come and bounce things off me...with the experience I have...and its more experience than qualifications...[ibid. p16].

It was becoming clear that the successor does not have the support of the board nor any real power in the business, and that he was there as the board's insurance policy or a contingency so that if anything should happen to his father, in terms of a health relapse, everyone can rest assured that the firm will not flounder for accounting reasons.

Their complacency about the expansion issue was significant because the successor was seriously concerned about the state of both of their trading operations weakening the overall state of the firm: SBA1 was in a declining market and they could not guarantee enough work would be won, and SBA2 was suffering from remote management and ineffective on-site man-management. There were other features of their business which led to the disillusionment of the successor:

...When you come in here you have to have the turnover to cover your overheads. We work on a very short lead time...here we are talking 4 to 6 weeks. 12 weeks when its great but you never have more than 6 to 8 weeks normally...which makes for a rough ride if things are quiet for a while. You get very nervous. We don't generally have a problem funding work, the main problem is going out and getting work. Just getting the work. A couple of quiet weeks order-wise and you are staring at this big crevice, because we don't really have the capital base to last very long if we don't have the turnover. [A2\V2\G2S2\1\p8].

...What I would like to see is formalising the sales side. We find more than 25% of the firm's overhead is on sales. Between the sales people and cars for them and phones for them and mailshots and things, you certainly spend more than 25% of the overheads on it and I feel there should be more formalised systems in place. [ibid.p8].

If the other board members were aware of the successor's disillusionment, they were not supporting him in the areas of actively seeking diversification opportunities, formalising sales and dealing with the contract manager. They were also leaving the implementation of projects he identified up to him, and were complacent about the marketing and quality initiatives. The non family director mentioned in January 1996 twice in his narrative that people always had the choice to join or leave the firm. He may have suspected that the successor was unhappy but could not envisage that a succession would never happen:

We knew that [the successor] may or may not come. The choice was his... and it is still up to him whether he wants to stay. We were very conscious - we didn't want the company which we had spent a lot of time building up to fritter away and just disappearing, that's the worst thing that can happen to a family company...you must always look to the next generation for succession. Because I would hate to think that, all this work we've put in, is just going to disappear because there is nobody there. [A2\2\NF1\1\p9].

5.3.3.2.2 The Successor's Dilemma: Dealing with Guilt and Loyalty

What kept the successor in the firm around 1996 when it was clear that he did not like the characteristics of the business they were in, he felt stifled socially and from a career perspective, and when any ambitions he may have felt about running and growing his own business were being deflated? The comment above from the non-family manager implied that it would be unthinkable for there to be no family successor. The very real pressure to stay had its origins in the emotional, unspoken "understanding" between father and son:

It worries me - as I said - I would be fairly hopeful that if anything happened to the business I would be able to get a job. It might not be ideal, a high paid job, it might not be - I could live from week to week. You know I might not be able to go back to a big six firm but I would be able to get a job and support myself. But as I said, you sometimes wonder if the business went down, what would my mum and dad do? ...The problem is that I'm getting to the stage where I am not that marketable and there are advantages to having your own business...I think it's difficult in a way to work with the short lead time of this business that when you accept that is the case there is nothing you can do about it. The only other business - I could try going into audit - they have people coming back year after year to get their audits done... I - I feel very unsettled. I feel as if there was a turn for the worse in terms of turnover and margin then when that happens I am the first person who should go. So when things get bad, you wonder would it be better... [A2\2\G3S2\1\p17].

Clearly the successor at this stage is seriously questioning his career prospects and has become aware of the emotional bind he is in:

I mean, I nearly moved in the last year. I had an interview with a big six firm. But when I sat down and talked it over with the guy, about leaving this firm, he said "what would happen if something happened to your dad?" They said - they know me quite well and I asked myself: have I got it in my heart to say, well, "tough - I'm getting on with my life you know, its not my problem". And to be fair, it would be fairly difficult to sit by ...I could go and start a career somewhere else and he could drop dead and I think that would be very difficult to live with. And I know if I left the business, it would put a lot more strain on him. And given that, it would be very difficult to live with myself if something happened to him, you would always wonder if it was your fault. [ibid. p17-18].

The emotional bind was complex because the fear of "causing" or "contributing" to his father's death or illness led him into being responsible for his father's (i.e. his parents') income now and in the future. This is indicative of his inability to achieve emotional separation from his family of origin. Even though he has been out of the family home for twelve years, was married and also professionally qualified at an early age, he was struggling to break the ties held firmly in place by his parents so that he could feel able to control his own destiny.

There is evidence that the successor was becoming increasingly aware of the factual basis for his situation: in the initial interview, the father said that he used his pension fund to finance the business after the financial crisis of 1984-85. However, the successor said that *this was not the case*:

Well, before the problem there wasn't really a pension scheme in place, its only in the last - it started when I arrived. I can't see him anymore in 7 or 8 years having made any provision for pension. If the company makes a lot of money he has not said "well, I am not going to retire in 5 years' time. I had better stick some of that money in the pension" - he has taken it out as salary. I don't know all of his personal affairs but I would imagine he is spending most of that. [ibid.p9].

It seems that the father in fact drew on his personal savings to refinance the business, and that he did not have a pension in place at all, other than to regard the business as his pension even before the crisis. So the dilemma for the successor is to work out how to get his life in order: how to balance his sense of duty or loyalty to his parents with the

need to make adjustments to his career choice. The interdependency of family and business ties make this difficult for him:

In a way I feel trapped, I think probably I may be happier working elsewhere but that's just not going to happen. Even if I could find a good job, I am still faced with that situation that he could just keel over. [ibid. p18].

Of the information collected so far on the family dimension, it appears that this is not a family who communicate openly and discuss such matters. His mother, for example has never been involved in any discussions about the business and its affairs even though she worked there for 20 years. The successor said that he tried to discuss this with his father:

I have not ignored the problem. I have tried to raise it gently, but it got the kind of - not the response I was looking for. What his view was: he need a reasonable income and he was not going to get out of the firm.[ibid.p18].

Between 1995 and 1996, the work which took place on Passing The Baton from father to son did not move the transition along in any purposeful manner. The successor was very clearly aware of what was going on, and that he felt trapped. As this point in time it is clear that the successor is feeling isolated socially, emotionally, and politically in the business. He was operating under different structural and strategic objectives to those being held by his father and by the board. His father appears to be living in denial of the need to plan for late adulthood, which would be consistent with his fear of a relapse and death. Both are stuck, and whilst the successor is open to analysing the situation as part of his age 30 transition process, his father is by comparison in denial of his situation and therefore not open to assessing data that would shake his views and stance about the succession choices he has made.

5.3.3.3 1997 – 1998: Dropping The Baton

If there were tensions apparent in the Working Together stage and in the first year of Passing the Baton, they took a turn for the worse in 1997. By 1997, the successor appeared to have come to grips with his problem, and began the process of unravelling

the strands to break the interdependence linking his career with his emotional attachment to his parents. The strands he worked on were:

On the business side:

- a) his future given the risky nature of the core business and its precariousness
- b) the absence of a balanced risk profile and the reality that there would be no diversification, and only expansion through organic growth
- c) his position on the board: its allegiance to the successor and the age profile of other board members
- d) the prognosis for his future career.

On the family side:

- e) his father's hedonism and how to reconcile leaving his father to handle the future himself with his struggle to differentiate from his family of origin
- f) his & his wife's wish to start a family
- g) how to communicate his concerns given the family's inability to communicate openly about feelings and these ongoing issues.

The intensity of the situation became clear during the interviews in 1997. Although the successor reported at the end of February 1997

Nothing has really changed. I mean, in terms of responsibilities between my dad and have not changed...I don't do anything he used to and he doesn't do anything that I used to do. *Everything is still the same.* {A2\1V4\G3S2\2\p2}

he had in fact taken a hard look at the industry and its future and was convinced this was not a good business to be in:

I have to say that personally I would not be here if my dad was in better health. I would have just given up the ghost and gone for another job. That is not necessarily anything to do with the people. It had nothing to do with my dad in personality but it is just our business. It has rained for the past month. You get up in the morning and it is raining and you think "I've got 12 guys. What the hell am I going to do with them?" and you get to the stage you get so fed up of it...so it's a nightmare. It is such a short order book we have...it is very unsettling, but that is just me. I am not comfortable...
...its not about control. Its not about unhappiness about things. Its a pig of an industry. It is affected by the weather. It is project based. You have a very short order book. It is high risk in terms of health and safety. It is high risk in offering guarantees - if something goes wrong in ten years' time and it is under guarantee. There are too many aspects of the business which I personally am uncomfortable with. That is not to say that the business is not reasonably well

managed, that they are not doing the right things. It is just I do not like the business....[ibid. p11]

Given what is at stake for the successor, it is likely that he was looking at that time for a rational basis on which to build a case for his exit from the business and a way out of his many binds. His next statement shows his awareness that breaking the career link with the business means disrupting the emotional bond with his father:

G3S2: There is a limit to how long I am going to live my life for somebody else and at one point I am just going to say "Right. I have just had enough."

Interviewer: And the guilt thing will just have to take care of itself?

G3S2: Yes. I cannot go on living my life in a job that I do not like.

Interviewer: What prevents you discussing this type of thing with your mother?

G3S2: Well, I discuss it more with my father than with my mother. My mother tends to go into a bit of a panic.

Interviewer: She would think: "Here we go. All this stress is going to start up again?"

G3S2: Yes.

Interviewer: So have you got some strategies for controlling the guilt in your conversations with him?

G3S2: (speaks quietly) I think what I will do is wait until things get better then I will leave and at least I will feel that I am not bailing out at the worst time. It is like the Captain jumping the ship before everyone else, in a way. I don't think I could live with myself saying "right, I am going now because things are not looking good...so really I am waiting for things to get better...when we have a good order book, well that could be the time that I would go...I just feel that I will be there to support him through bad times but when things are looking up then that is the time for me to go...

I have got to make the decision and start living my own life at some point.

When you start getting older, you start getting problems. As it stands, I have got six to seven years experience of managing a business. I am no longer just a number cruncher, and I feel I could do better. When you start getting in the same job for far too long, it is a problem. I am conscious at the moment that the problem is taking longer than it should. [A2\14\G3S2\2\p12-13].

By 1997, there was a clear shift in the successor's thinking: he was far more resolute, he had rationalised his views on the disadvantages of their market place, and had begun his disengagement from the business by changing the way he thought about it not as a career anymore, but merely as a job. Re-framed in this way, he was able to make his case to his father and agree exit terms. But what led to such a move? What led to such a fundamental change from being aware of the problem to being able to act to break the binds that held him in place? There were two factors, one in the family domain and one in the business domain, both of which pushed the situation, and the system, beyond the point where the normal reaction (to contain the problem so that nothing changed – first order change), was no longer appropriate or acceptable and a

new reaction (to change the behaviour so that the system could change – second order change) had to be contended with. In the business domain:

We were approached by somebody [to sell] and we have had discussions about selling the company. But since then, the company has not done very well. It has seen better times... Basically my dad got the phone call and I said "if you can sell the company, sell the company and don't worry about me. I could go out on my own, I would be happier doing that." I have had discussions with people, but since then it has gone cold. [ibid. p7].

This event opened the way for conversations with his father about the way out.

On the family side, two things had changed, one was the openness of the conversation with his father about leaving, and the other was to do with his wife:

I am reaching the end of my tether...my new year's resolution is to have things sorted out by the end of the year. That is basically far enough. Give up the ghost in terms of moving elsewhere, and stick it out for ever more or I go. I think it will be go. ..He knows how I feel. I am not happy To be honest, he is not a well man at times. It used to be: "fine, if you're not happy, just go. You are not expected to work in the family business" but just lately, when I have made noises about leaving, it has been that he "can't afford to be running about and doing as much".[ibid.p10].

The successor was therefore starting to feel parental pressure - expressed as financial needs - to stay, but this was up against the wish of he and his spouse to get their own lives in order:

She [his wife] knows. I mean she is in a family business herself that she is not happy in. She is sick to the back teeth of it so she is in exactly the same boat...working very anti-social hours...the basic thing is that neither of us can live the life that we really want to live at the moment because of our family businesses... I think at some point in the near future we will think about having a family in which case she will need to stop working at some time. And at that point the problems would have to be addressed. ...We are very much in a similar boat. She is not happy with what she is doing, and I am not happy with what I am doing, and from that point of view, we support each other but, all we can rely on at the end of the day is our power to do what we want to do and we can only make the decision.[ibid.p15].

How solid was this change on the part of the successor? Following this interview, the opportunity presented itself to interview father and son together for the first and only time in this case study. At the beginning, the father was very evasive when questioned about the state of the business and the options open to them given that the offer to sell had gone cold and the business was now in a real downturn. However, his son pointed out that "she knows", meaning he and I had discussed these matters minutes before he

joined us, so there was no need to pretend things were better than they were. The son's perspective on matters was communicated just as clearly in front of his father as it was when he was absent. G2, though, was apparently having difficulty dealing with this interview. He was very edgy indeed, and began to give some contradictory statements.

At one point, the father said about the succession:

G2S2: My own aspirations for the future are to get out, to retire.

Interviewer: Are you serious about this?

G2S2: Oh yes.

G3S2: The problem is that you do not have any intention to do that.

G2S2: I cannot afford to retire...it basically comes down to the simple fact that until such times that I can afford to live off a restricted income coming from the business, or alternatively get the business back to where it was and sell it...It depends on G3S2. I think if he were satisfied in what he was doing, then there would be a succession, and if not, it would not be.

[To drive home his position, the successor replied:]

G3S2: The last discussions were really about being bought out after being approached. I made it quite clear that I want out as well. I do not want to be here forever, so the idea is sell the business. For a period I would need to deal with the sales thing for a year, but at least then I could go...if the business can be restructured so that we do make profitability, I could go.

G2S2: I think the other thing is that basically it does not matter how well the business is doing, on a year to year basis, I don't think that would make any difference to you.

G3S2: No [ibid. p4-5].

This statement supports the shift in the successor's perception and analysis of the business. He now sees it simply one of a number of potential career prospects. He is using the findings from his analysis of the cyclical nature of the business, its trends and the overall potential for wealth to rationalise his reasons for breaking the business binds he is in, and by breaking these, (so his role is thought of as merely a job rather than the role of custodian and all the burdens that go with it), he is beginning to break down the emotional binds too.

They then discussed the successors achievement of an overhead cut of 15% and that there could be more to come. Although the father and son are clearly exploring options now that it is clear that the son will not be the successor, they are doing this in private. Apparently neither wanted the other directors to know that the son would be leaving "to prevent unsettling them" [ibid.p7].

5.3.4 Conclusion

At the end of December 1997, a telephone interview took place with the father to ask him to distribute the FACES questionnaire around his family (his wife, son and daughter). He agreed to do this. He also said that his son had left the company a few months ago and had decided to "go the professional route". The father claimed to have got his son a job with the firm's auditors, and the chance of a partnership within a few years. Since the son would have a conflict of interest about (eventually) having shares in his client's firm, this meant that the ties had to be completely broken and his shares sold, if indeed he ever got them. The father said he was considering his options on this, on what to do with his will and was biding his time. Asked if he may consider involving his daughter in the future ownership option, he was unclear. He maintained that the business could easily get over its difficulties and would again be a good prospect for take over by another firm.

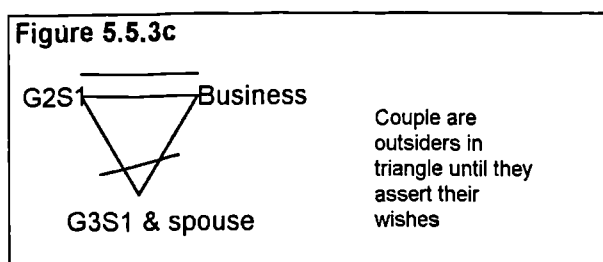
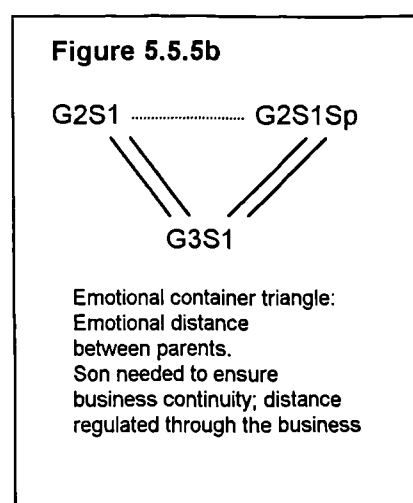
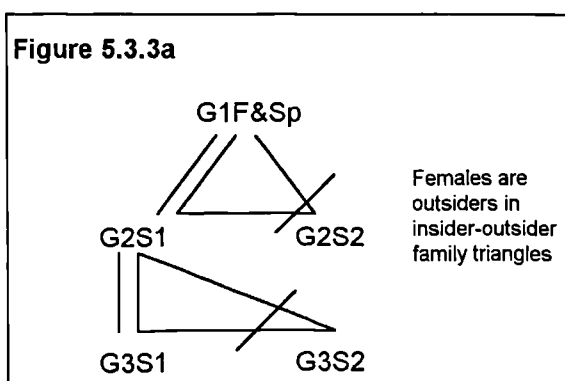
In April 1998, the son and his wife had their first child, so it seemed that their wish to start a family was a developmental pressure building up on the system to push for change. Looking back on events in 1990, it is evident that the family had a crisis resulting from a number of coincidental events and life-cycle stage shifts: there was a serious health issue for the seniors coinciding with their launching of the offspring and the start of the senior generation *coming to terms with their relationship as a couple* in late adulthood; for the juniors, the son was building a life structure for young adulthood and was knocked off course for seven years by the emotional call to make his parents' anxieties recede. In 1997, when the son went through a crisis of his own brought on by his age 30 transition, his decision to leave the firm coincided with him developing the ability to separate from his family of origin and also coincided with the beginning of his own nuclear family. Events in the business environment created favourable circumstances for his move out of the business, and to offset the guilt of leaving his father to cope with his health and structure for late adulthood on his own, the move was rationalised as being a sensible thing to do in such an industry where so many factors worked against the business.

Relatively little information was available on this family as a family other than the data collected from the narratives and from the researchers' experience relating to the father and son in the case. Despite the assurances given by the successee in 1995 that the family understood the nature of the research, he refused to arrange meetings with his wife and daughter. It was evident, though, that there was multigenerational gender bias at work (Figure 5.3.3 below). The women were not allowed into discussion and decision making about business matters. The successor's elder sister had been told that she would not participate in the ownership transfer from CO to CO and that inheriting her parents' property would not be equal in value to the business, as was the case in the first CO – CO transition. If the value of the business fell, then to ensure the son would have equality, the situation would be looked at again. This struck a chord with some comments made by the successee about how his mother's estate was settled, and how he managed her affairs and handled his elder sister on the matter. He had power of attorney for his mother and sold the house apparently to pay for medical bills. The sister was not aware that her mother had willed $\frac{2}{3}$ to the son and the other $\frac{1}{3}$ to her, so when everything was settled there was very little left for her. This apparently caused a cut off between the siblings. She later emigrated to Australia and there has been no contact between them since (Figure 5.3.3a below). The other obvious triangles in the case include:

- father, mother and son (Figure 5.3.3b): in which the son is relied upon to guarantee the well being of his parents. This inverts the normal parent-offspring hierarchy giving emotional responsibility for the parents' well being to the son; this is unnatural because parents should take responsibility for their own lives, and not burden their children. This responsibility put their son in an emotional bind on a number of levels: he was taking on responsibility for his parents' lives as well as trying to build his own, as a 23 year old novice adult; also, although he was being expected to deliver and income for his parents indefinitely, he was not given access to the power and resources in the business to learn how to lead it into a more balanced risk profile and better profitability;

- father, business and the young couple (Figure 5.3.3c): an insider \ outsider triangle keeping the son and his marriage in a subordinate position to the father's agenda for himself and the business. The couple were unable to influence the father-business relationship until they asserted their wishes and were able to achieve a less isolated position in the relationship.

Figure 5.3.3: Triangling Patterns in Case A2



It is not known whether the consultants who carried out the 1993-4 analysis asked or expected to get access to the successee's wife when they did their interviews and group board meetings. She was not included in this whole process, even though she had worked there nine years and was a director of the firm then. Whether the consultants assimilated the gender bias and assumed she had no value to add is not known, but there is no mention in their report of being denied access to her as an information resource. The father's view of keeping his wife out of the business domain other than in a low key administrative role was also taken up by the son - he did not want to have his mother involved in any of his thoughts or problems and did not even assume that there

may have been any value in asking her view. He was also afraid of having to deal with her emotional response (panic) if she had access to information on the business.

It is difficult to try to come away from this case with some understanding of what was going on for the successee and why did he agree to be involved in this research since he had no intention of involving the women in the family in the research? He returned all the FACES questionnaires unopened along with another paper describing their family as one "with no communication problems and no hang ups".[A2\D8]. From the outset, he built up an idealised picture of the business which it was easy to see did not match the facts, and when challenged on some specific aspects of this, he reiterated his view ever more forcefully as if his repetition somehow made it incontrovertibly true. He was heard to be de-briefing the non-family director after an interview and it became obvious that he had spoken to him beforehand too, requiring him to build up his picture of the business's success. His preoccupation with money and an extravagant lifestyle was at odds with his statements about how much he abhorred such a thing, and that he had seen this be the downfall of his wife's siblings' business because they had apparently "milked it to death and drove flashy cars and had boats at the marina" [A2\V1].

G2 himself had experienced some crushing disappointments in his life: he had grown the business way beyond anything his own father had achieved, then was caught out in terms of financial errors not of his own making and health problems. He was back in the business within three months, and secured his successor in place that same year. Then, the successor left and he had no one he wanted to pass the business on to, and no real work done on preparing himself and his spouse for their declining years. The last 15 years of his life have been filled with the many highs of being in a position of omnipotence, of envied business success and wealth and the prospect of a continued legacy, as well as the lows that brought great anxiety, the exposure of his human and managerial weakness and the loss of his legacy. His heroic stature was all invested in the business; within a few years, there would only be people at his gentlemen's club to

envy his stature and status, because his co-directors wanted out as soon as possible. His heroic mission had now failed. As time was marching on, and the next generation were getting on with their own lives, he could no longer avoid the reality that he was as mortal as everyone else, and money did not buy happiness. This must have been a fearful way to live.

5.3.4.1 Notable Features of the Case

- a) *The family's rush to get the succession decisions made* as a means to reduce their anxiety at the time of the health crisis. This showed how interwoven the strands of family, ownership and business had become: a family solution settled the business and ownership succession dilemma.
- b) *The faith placed in the "tax free" (i.e. a technical) succession solution* – that the promise of receiving wealth and control (one day) would be enough to indefinitely keep the lid on the feelings of loss of independence and autonomy and on the learning taking place from the successor's experience over the years. This was a serious underestimation of the power of feelings to drive actions, and also of the needs in young adults to strive to build a satisfying life structure and to receive personal and professional development so they can become competent people in their own right.
- c) *The extent to which the desire for unitary control* obscured the successee's view of the world: this impacted on *the board* in terms of their reluctance and avoidance of fulfilling their fiduciary duties as directors of the company; it meant *the successor* got mixed signals from his father: on the one hand he was to be the next leader, but on the other hand, he was not to experience and learn how to handle accountability and power until his father was gone; it subordinated *the marital relationship* and the role of the spouse in the family and the business, and it led to *all the family's wealth* being risked in one business venture, which in turn relied on the precarious health of the successee.

- d) *The enormity of the successor's struggle to differentiate* himself from his family of origin: he grappled with increasing frustration and anxiety on the various challenges for years until he recognised the various binds he was in, then he assessed his prospects for the future under these conditions. Ultimately, he had to be able to let his father take his own responsibility for his & his wife's income and quality of life in late adulthood, rather than the successor assume that it was an unspoken and non-negotiable part of his job description.
- e) *The dynamics and politics of power* in the case: how disempowered everyone in the case was other than the successee: his *family* (his sister, his spouse, daughter and son) were subordinated by gender and hierarchical power in the family (only the son's differentiation challenged this); the *board* were disempowered by the successee's ownership power (even though they had some legal backing to reinforce their own power as directors, they were not willing to risk opposing the personal influence of G2); and the *business* as a legal persona itself was disempowered by the unfettered unitary ownership and management control of G2. Under these circumstances, the business was subject to strategic drift and had to wait for on the absence of checks and balances causing a crisis as it had in 1984 before its needs would be properly taken into account.

CASE A3

CONTROLLING OWNER RECYCLE

PUTTING OFF THE SUCCESSION: AN ACCIDENT DIVERTS ATTENTION FROM THE FOUNDER'S FEAR OF RETIREMENT

Contents

5.3	Case A3: Controlling Ownership Recycle
5.3.1	General Description
5.4.2	1977-89: Leadership Under G1F
	Start-Up / Young BusinessFamily / Controlling Owner
5.4.2.1	1990: G2 Entering The Business
5.4.2.2	1991 – 1995: G1 & G2 Working Together
5.4.2.3	1996 – 1998 Succession Tasks
5.4.2.3.1	Passing the Baton?
5.4.2.3.2	Successor development
5.4.2.3.3	Re-creating a business marriage
5.4.2.3.4	Evidence of entrepreneurial zeal?
5.4.2.3.5	Recycling controlling ownership?
5.4.2.3.6	Successor's struggle to attain credibility
5.4.2.3.7	Gaining comfort with outside advisers
5.4.3	Conclusion: Notable features of the case study

5.4 Case A3: Controlling Ownership Recycle

5.4.1 General Description

Key Players (see family genogram: Figure 5.4.1a and Organisation Chart, Figure 5.4.1b):

G1F	The founder. (b.1931) 28.6% shareholder
G1FSp	Founder's spouse. 28.6% shareholder
G2S1	Eldest sibling, male, b 1965 21.4% shareholder
G2S2Sp	Successor's spouse. m.1994
G2S2	Youngest sibling, female, b.1966 21.4% shareholder

1994/5 Family Business Survey Responses (ref. # 262)

- 100% family owned.
- Significant proportion of family in senior management
- 1st generation in control
- No non-family or advisers on the board
- No non-family in senior management
- No documented succession plan
- Last 3 years average annual sales growth 10-25%
- Sales £650,000 per annum
- Would put "family first" in event of conflict
- 11 employees

This is a small service and manufacturing business based in Scotland providing a packaging commodity to relatively big manufacturing companies. They do short production runs, offering some further customisation of design and finishing, and the ability to work with non-standard materials. This results in a more flexible service than their bigger competitors where volume is needed to achieve economies of scale.

Theirs is a small niche market depending on repeat business, and therefore on their

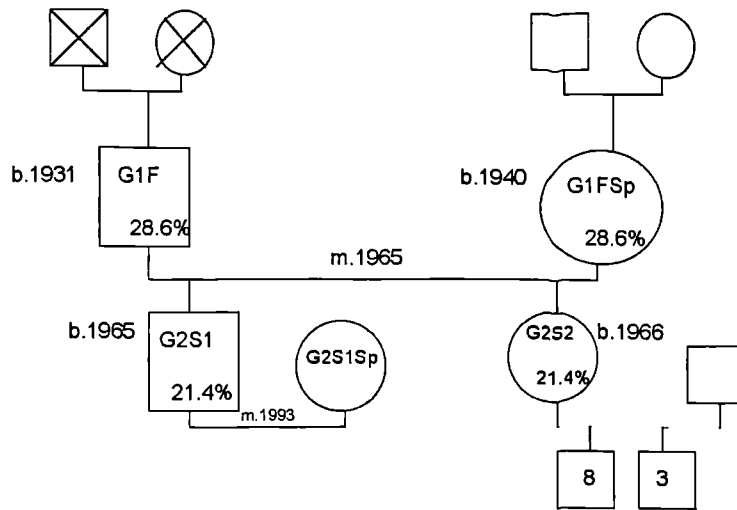


Figure 5.4.1a Case A3 Family Genogram @ 1995

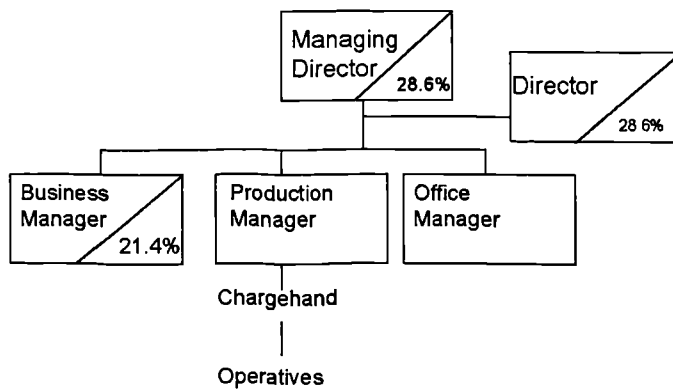


Figure 5.4.1b Case A3 Organisation Chart @ 1995

quality of service. They have extra production capacity but limited physical space to carry out more work, so growth is constrained.

Established in 1977, the firm grew to 24 employees by the mid 1980s, but was deliberately cut back to around 10 employees and has been constrained since because the founder does not want the managerial problems (structures and systems) associated with having a larger firm. In 1995, when first contact with the firm was established, the founder described the firm as “family first” but looking for containable growth – meaning one which would allow a comfortable lifestyle, minimise stress and hassle for the owners and be growing at a rate deemed appropriate for these objectives.

5.4.2 1977-89: Leadership Under G1F

The founder [G1F] started the business when he was 45 years old and married with two young children aged 2 and 1. He had been made redundant from his job and decided to start his own business.

Stories were told by the founder about how the firm had always competed on quality, not price, and where exceptional service and keen lead times brought repeat business which was about 85% of their work. Described by him as a “family -first” business, he talked of “looking for God” in all they did; that they were not in it for the money, and that they never advertise because that was to deny God would provide [A3/V2|G1F/2/p10]. The business operated from dark, overcrowded premises with poor access which was clearly constraining their activities. Efforts were made by the founder over the research period to source new or better premises, but with no success.

5.4.2.1 1990: G2 Entering The Business

In 1996, the successor [G2S1] described how he had always intended to join the family business. As a youth he had been in and around the business before he had

gone to university. He was also there for about 6 months after he qualified as a chemical engineer because an industry downturn meant no jobs were around in his chosen field. He said he had always intended to get outside experience then come back to the family business when he was ready:

Interviewer: So was it always there as being very likely or just as an option?
G2S1: Oh no, very likely. Even more - like having work worked for a firm with 25,000 employees it really was either you were a very, very small fish and I didn't particularly like that. I mean it was a very sort of bureaucratic traditionally civil service (inaudible). I mean it was interesting to work there but...[A3/V2/G2S1/p5]

The timing of the successor's entrance to the business is relevant because of all the coincidences taking place around it. The decision to join took place at a time when he was in his mid 20s (in 1990 he was 25), and working as a graduate trainee, having reached the rank of production supervisor in a part of a major UK engineering firm in England. He was single, sharing a house with co-workers, earning well and travelling up to Scotland to visit friends and family every month or so. He had not anticipated returning to the family business as early in his career development and youth as this. However in 1990, a combination of circumstances led him to review his situation. A trust fund set up by his parents dissolved, releasing 21.4% shares in the firm each for the two siblings, and his father began talking about retirement plans, ownership opportunities and the personal satisfaction family business potentially offered. This led the successor to start asking his peers at work for advice and for him to seriously consider his choices. He then weighed up the information he was hearing from his peers with his own view that it would mean joining the firm earlier than he had expected. It turned out that a friend and colleague of the same age and qualification but from a farming background was struggling with a similar decision: whether to end his well paid engineering career and join his wife's family's farming business? The successor's family business was very profitable, and in his case, there would also be ownership so it would not mean "giving up" a financial incentive. He confided in a friend in the personnel department who said to him :

...for every 5 graduates joining [the chemical engineering firm] , 4 will have left in five years. People are sought out by design engineers and contractors. So the company spends large amounts of money on your training - they only

really get 5 years out of you. High turnover. So it was a bit mercenary: get your experience and swan off somewhere else.[ibid.]

The extent to which he asked around for advice is evidence of how seriously he took this decision. He also spoke to his line manager, who constructed an image of a life structure based around a career with the current employer in the chemical engineering industry:

My boss at [location] warned me not to stay too long at that area as you can get stuck. He was mid 30s, with family & kids, house and was stuck -nowhere else he could work. He was happy but felt constrained. He said if you want to settle here for the long term, OK but if not, get your experience and go. And I did - it all became very real. I gave a month's notice and left.[A3/V2/G2S1/p5].

However the key influence initiating this process had clearly been his father with whom there were "ongoing, not formal"[ibid.] discussions. There was evidently a need not to lose his attachments to his family and friends in Scotland becoming firmer in his mind, but this was at a time when he was content to see for a few years where his initial life structure could take him. The life structure he had built for young adulthood was based on building up career experience away from the family business; there were a group of peers to enjoy life with, a steady girlfriend from university days at home, and a hazy Dream in which one day, when he was ready, he would return home, settle down and take over from his father. The thread was to be broken by his father's "now or never" offer:

Interviewer: How did you come to decide to join the business at that time?
G2S1: Well, I knew when I went down that I wasn't necessarily going to come back to Scotland ,but father, well this was the late 80s we were talking about this - he was going to be retiring at 65 so there was a limited window of opportunity. If I swanned off and worked for another engineering company for five years it wouldn't then be a case of walking into the business when father retires and pick up the reins. It's a new industry. Although motivation etc are supposed to be the same, what it really comes down to is your intimate knowledge of that industry and you can apply all the theory you like but its the practical side. I couldn't just walk in when he retires; I need to pick his brains to get some of his experience before he retires...[ibid. p6].

The "offer" to join the firm also concealed the possibility that if he did not seize his chance now, his Dream would not be attainable in the future. After asking around for advice, he decided to amend his original timescale and get the Dream into a sharper focus than it had been before the offer.

He returned to Scotland and to the family business at the age of 26, then began to work on other dimensions in his life structure: his relationship with his girlfriend from university broke up and he then met the woman he would eventually marry. As with the career choice, a parental influence was present when he was choosing his spouse. The parental influence again linked the business (and therefore its potential for rapid access to career benefits) to the decision being made by the young man about who would be his partner and complete his initial life structure. His father recalled:

When he first met and shortly after we first met [the girl who would become the successor's fiancée] , I did say to [him] that if they got married and so on and so forth I would be prepared to buy a bigger factory, which is a vote of confidence in her and a reminder to him to visit on Sundays.[A3/V2/G1F/2/p5].

With all of these influences, the successor appears to have re-joined his family of origin, and re-affirmed his attachment to his parents by forgoing his own agenda and life course, and joining the family business at this time. When asked to look back over this, he rationalised his decision as being obviously the right one at that time.

However the “now or never offer” implies that dissolution of the trust containing the shares, along with the 60th birthday and the ticking of the founder's own developmental clock were all reminders of the inevitability of entering late adulthood. The founder's actions are consistent with him feeling the need to get his own life course in order by firming up the retirement and succession plans, even if this meant pushing the successor to get the answers he needed before he was ready to give them.

These plans had been unclear before, because the son was under the impression that he could rejoin the business when it suited him at some stage in the future. The founder's adult development agenda therefore became a force influencing the successor to forestall his own developmental plans at a time when he was not ready to do so: he had been thinking of building on his industrial experience elsewhere before re-considering his option to join the family business. If he had worked elsewhere for another five years or so, he would have been 30 when he entered the business, and his father would have been 65. The founder may have felt that this was too long to

wait to be sure his business affairs would be in order and an experienced successor to be in place. The developmental paths of father and son were not in alignment. The result was that parental power was used by the founder to alleviate his anxiety about ensuring continuity of the business and the protection of the legacy he had created.

5.4.2.2 1991 – 1994: G1 & G2 Working Together

When the successor joined the business in 1991, he and his sister (who has a career elsewhere) each owned 21.4%, and his parents each owned 28.6%. His father was just approaching 60 and he was 26. He had gained experience as a shift manager in charge of 40 or 50 production staff, being on quality and safety committees, and learning about leadership:

...it was very well run ...but the main plant, having seen their very heavy handed approach... I mean that was one of the most valuable lessons I learned is that if you don't get these guys committed to it, it doesn't matter how much money you throw at it, how much effort it's not going to happen.[ibid.p4]

The successor regarded his primary task to be one of successor development: i.e. to assimilate his father's knowledge and experience within five years. He also started a MBA course part time at a local university.

The Accident: A Major Setback

By 1996, this was not working out as either the successor or the successee has hoped. One of the reasons for this was that just after the successor got married at age 29 in 1994, he was involved in a motor accident causing unconsciousness and injuries to his head and back. He made a good recovery and was off work for about a year. He returned to work in the business full time a few months before the research interviews started. In the successor's view, the accident had "set me back a year" [ibid.p3] meaning that he expected his preparation for taking over from his father to take another year or two. Now that he was back he was feeling confident:

Interviewer: Since you've come back, you've finished your MBA.

G3S2: Yes, well yes I handed my dissertation in recently but I've still got more courses but basically once the dissertation is out of the way that's it, the big chunk.

Interviewer: Congratulations on a good recovery.

G3S2 Yes, oh yes, I mean I'm very happy about it and it's, I'm part of this, you know I'm doing more and more at work and sort of new enquiries that are coming along I'm sort of being left to deal with them you know. I've got my father there for advice 'cause he's got the experience (inaudible). So that's basically 4, just over 4 years experience whereas he's got 35 years experience.[ibid.p3]

It soon became evident that his father viewed this very differently, and that he made links between the set-back the accident had caused in his son's successor development and other times in his son's upbringing when he had not achieved the success his father expected. His father also made references to times when the successor had not gone about tasks with the drive and direction he wanted to see. The father expressed a great deal of disappointment in his son's approach to life in general, and seemed to find it hard to attribute the son's pace of development to the accident, because the issues presented were so similar to what had taken place before the accident. He gave the MBA dissertation as an example:

G1F: It's very difficult, you see when he did his dissertation - a fortnight ago, I mean in the end he was struggling. He tried and tried, he was determined to do it himself and then 10 days before it was in, after 3 prompts from me he said 'okay'. And what it was, he'd basically been doing his - and this is something of a digression but it is still straight - he had been doing his reading, it hadn't quite clicked, so he'd gone back and done more reading and there was just an ever increasing pile of data and he couldn't see - but once I gave him - I read through it, and gave him some structure.

Interviewer: So what about the supervision arrangements with the University?

G1F: Well, I think he got to the limit of what his supervisor could reasonably expect.[ibid.p1].

Although this could be evidence of a father's wish to help his son get back on track after such a setback, in fact this was one of a number of times the father had stepped in and influenced or assessed the course of events in his son's education and development. As a child:

G1F: ... - I remember the first parents evening I went to, we happened to be the last to arrive. The teacher greeted us "Ah, my problem child's parents!". What was it? I was a wee terror at school, I used to pull the girls pigtailed and those things. [G2S1] did nothing, literally nothing. So she put him on the front row and he still did nothing!

Interviewer: She didn't know how to deal with him?

G1F: He was just so laid back (inaudible). He was just a (inaudible). So that's why he had to go to a fee-paying school.

When the successor was growing up, and at boarding school, his father said he intervened at the "A" level stage, to ensure he got a place at university. He described

the university admission as "second best" because he did not qualify for his first choice. The father recalled that when his son was at university in his third year,

"...he came back home. He wasn't working hard enough. My wife said I was too hard on him but I just got there in the nick of time. He just got a 2:2. [A3/V4/G1F/3/p4].

Then, when it came to the son applying for his first job: his father claimed to have been instrumental in getting him his first job. When probing this statement further, it turned out to be more about giving his opinion than an intervention:

G1F: I got him an interview at (chemical engineering firm)

Interviewer: How?

G1F: I saw it in the ROGAT [careers directory] book. Got him to write. My wife had to force him onto the train. He got the job. But they did an assessment of him eight years ago and said he was goal-less. He knew he'd hit the buffers. A consultant at [chemical engineering firm] said to him to join the family business, and he asked to join. [ibid.].

The father has felt the need to monitor and, by making interventions, try to control his son's achievements and progress throughout his upbringing. A pattern seemed to develop whereby the mother's anxiety about the focus on their male child led her to defend the child where possible, creating an anxious parent-offspring triangle. This pattern was carried over into the business, in a way that would ensure the successor's wife is not allowed to influence the parent-offspring relationship pattern:

So far I think he's doing quite well but he's not reporting progress, so I have to from time to time say 'well what's happened to this one - how have you got on with that one?' And to that end my wife, he and I had a chat on Sunday, because his wife was in Paris, at a conference or something, so we had a chat and the problem we have at the moment, and this is the specific one, is time to disentangle the 2 things which have got interwoven, mainly the effect of his motorbike accident from what is a problem, was or may become again. Well I want to see how, my hope is you see, I've told them I'm not retiring at 65 which is next week, but what I want to see is, in the weeks and months ahead is if he's given things, what does he do when he's stuck? [A3/V2/G1F/2/p2].

The intensity of the father's focus on the son in the family, and relative lack of intensity on the daughter was made evident by a comment from the father in a disinterested tone that his daughter led her own life with her partner who, he supposed, was the father of both their children.

The father was asked to reflect on the interventions he had made over the years, and stated:

But, you know, back to the Christian model. 'As a father loves his son', that's the model for me. Not as a rotten father in the sense that, not that I bullied or anything. Unfortunately [G2S1] was 12 and [G2S2] 11 when I was made redundant....

But I was saying to myself "Right, if I keep, get, this business going, I can keep the house, get the children educated and all will be well". But they didn't get my time, which they needed. And this is what I'm trying to repair now. And therefore when they ask, when they get stuck in dissertations, I help them, I just minister, to use Christian jargon, to a felt need in a, I hope, a non-critical manner and in a very constructive manner in the hope that it strengthens relationships, repairs the damage. [A3/V2/G1F/2/p13].

Whether the founder is in fact trying to make up for being an absentee parent during the years needed to build the business, or whether this pattern of control and intervention was in place before the family business was started is not known. The founder's feelings, thoughts and actions around fears that his son's capabilities and behaviours as a growing child and young adult would not meet his hopes and expectations were inconsistent with what his son actually achieved academically, and with founder's positioning of his son as imminent successor. The mother became a buffer when issues of conflict arose between the father's hopes and aspirations for his son, and the son's own aims and the pace and scope he was setting for his life. Explicitly, the business was being prepared for continuity in this family by the stated process of leadership transfer from the father to the son. But, the accident notwithstanding, the founder's ideas about transferring power and accountability remained vague and inconsistent five years into the successor development period, and his stated retirement date was not setback a further five years. The only aspect of the plan that was clear was that if son were incapacitated or killed, the business was to be sold.

The mother [G1FSp] carried out payroll and administration on a part time basis working from home, where all the records were kept. The founder went home for lunch and conferred with her every day, which obviously excluded the successor from this hybrid family-business routine:

How it works with my wife and myself and when you see her you'll be able to learn that is essentially the classical model. She does payroll and some of the book-keeping and things like that, but you know, I will go home, I can be home by lunch or in the evening; "what sort of day is it?" and this and that, and she sort of gets a picture. And then I say, "you know we should get this machine" or "we should do that" and then she will make some inputs but all the while it's basically my decision [ibid.p5]

These discussions illustrate how enmeshed the roles of spouses / directors / owners had become, and how blurred the boundaries were between home and business.

Since the opportunity to involve the successor in these discussions was missed, he did not have the chance to learn how express his views and be listened to. He also missed out on the chance to hear how capital investment decisions were made, what criteria were deemed relevant and important, and how the big picture was formulated and followed. The business was clearly the axis around which the parents' relationship revolved, and theirs was a "business marriage" in which the business of the family firm, and the business of the church preoccupied the partners. The successor was kept as an outsider in the triangle between his parents and the business, and he was therefore unable to work out how the business could be part of his own Dream, and how he could make his own mark with it. This arrangement also meant that his parents were missing out on the learning they needed to be able to complete some of their own succession tasks. They were not enabling the transfer of power to their son to take place, and so were not getting the evidence they needed to know whether their succession plans were on track and possibly to see their son develop into a capable successor. Transferring power would have meant breaking their "lunch and decision making" routines, which would change the business balance on which their relationship was steadied. Consequently they were not giving themselves the opportunity to learn how to re-define their marriage outwith the business. The rigidity of the emotional triangles was holding all this in place, and keeping everyone stuck. No one was willing to break the patterns because everyone had a lot at stake.

The Working Together years were not defined as such from the outset. In 1990, each generation regarded the next five-year period from the successor's entry into the firm

as their "passing-the-baton" period. As time went on, and it became evident that no baton-passing was in fact taking place, the accident happened, effectively creating a diversion because it allowed the founder to add another five years to his timescale for retirement. Although this extension was openly announced, the successor believed that his five year development was still on track, and that the set-back from the accident pushed his personal timetable back a year. He had entered the business expecting his prior supervisory experience to stand him in good stead. Having started at the bottom in the family business, he felt he was gaining experience of the business operations and their market segment. He was finalising his part-time MBA and exploring expansion opportunities into bigger premises. He had also got married. The successor was clearly getting ready for the next stage of his life; he wanted to consolidate his life-structure decisions (his marriage, the career and keeping his Dream in sight) and to settle down in preparation for middle adulthood. He was unaware of his father's misgivings.

The successor's development process was again not in alignment with the founder's developmental agenda. Five years on from the previous developmental clash, the reverse was happening: the son now needed answers about his capability to create the future of his Dream, to enable him to settle down in the timescale he was working to. His father, however, was not ready to do the work necessary to get these answers, because he would have to change the pillars on which his marriage and social identity were constructed. He was in charge of the situation and could keep it contained through his strategy of monitoring and controlling. The successor and the pace of his development as the next leader were in place and under control; his financial planning had paid off and he had a satisfactory retirement income in; he had encouraged his son's marriage and foresaw a repetition of his own model of the subordinate wife in a "business marriage" being repeated.

Clearly, things were just not adding up. Neither the father, the mother nor the son were being honest with each other about how they saw their futures and the challenges they would need to each to face up to in order to get things into balance.

5.4.2.3 Succession Tasks

5.4.3.2.1 1996 Onwards: Passing The Baton?

It is not easy to distinguish between when a Working Together phase ends and a Passing the Baton phase starts, especially in a case such as this where rigid emotional patterns have such a powerful influence on the key players' ability to make progress. In the 1994 survey, the founder envisaged the succession being completed in five years, and in 1996 he put his retirement back another five years. The successor was working at least internally to a shorter timescale. These are regarded as evidence that in 1996, each generation had an endpoint of succession in their sights, even if their sights differed. If the Working Together years were not as satisfactory as the father and son hoped, they seemed to set the scene for continued dissatisfaction in the Passing the Baton years. However, no one was vocalising their concerns and, in keeping with the family pattern, everyone maintained a respectful distance from each other.

5.4.3.2.2 Successor Development

As the interviews went on, the founder maintained his view that the successor was not shaping up as quickly as he would wish, and that he continued to harbour doubts about whether he was able to do so. However, when exploring the alternatives to appointing his son as successor, the father reiterated his intention to retire at 70 with his son in situ:

I think I have broadly narrowed it down to [G2S1] – he can make it. and basically I would probably continue as a consultant. I have described the concept of: I will come in only on request and I will only deal with what I'm asked to come in for and I will keep my blinkers on, I'll not, I will not do it. It so happens I think I can do that, but I would continue to get the accounts [A3/V2/G1F/2/p4].

Asked how he was going to be sure the successor would be ready when he was 70, he said he was aware of the need to get the work he does transferred to his son:

Well there's 2 things, one is identifying what I do so that I can specify what other people will need to do to keep the business going. And the opposite side of that coin is at the moment I'm progressively handing over, you know, starting up the details - new projects, for example [ibid.p4]

His strategy during this time for developing the successor was one of

...monitoring, seeing how it is very much handled and there is going to be more and more like that...But that's broadly the way its going to be. But as part of it bringing the family dimension in, I'm very conscious of the family expectation as that a son will take over and I'm closely monitoring [G2S1]. In other words setting targets, things to do and see how he gets on and does them. So far I think he's doing quite well but he's not reporting progress, so I have to from time to time say 'well what's happened to this one?[ibid.p1]

In early 1996, he was not happy with his son's progress and took the opportunity to call a meeting, when the son's wife was away, with the son and his mother to discuss his progress. His parents were vigilant about two issues: one was to do with assessing how he was coping, health-wise, with the demands of being back at work and back to a full workload again after the accident. The other was to assess his prospects as their successor. Clearly anxious on both counts, it is possible that their constant monitoring after the accident, underpinned by their long-standing misgivings about his inherent capability may have lead to a self-fulfilling prophecy. When the father was asked whether he may be perceived as a leader who is impossible to follow, and therefore there was a danger that others may get complacent rather than challenge, he replied "Yes, there is a touch of that, undoubtedly" [ibid.p3]. However, he was resolute that his son's "goal-lessness" was the major problem, and again linked this to the accident, obscuring the issue:

G1F: You come back to "Is this the accident or is it just him?"

Interviewer: What do you think it is?

G1F (Sighs) Well he once told me, you know, (inaudible) about career assessments at [chemical engineering firm], you know, that the comment was he is goal-less, he doesn't have goals. You know, he'll set some sort of goals but he doesn't, you know, he can't see (inaudible). You can't hear him saying "right, that's what I'm going to make happen" you know. So, yes, you see this is what I'm basically doing, listening to him. I've used the expression 'There are those that make things happen, those that watch things happen and those who've no idea what's happening', he tends to be in the middle category and that's just no use.

Interviewer: So have you got misgivings at this time as to whether it's going to

work out?

G1F: Open minded... I just don't know how interested he really is, you know, he doesn't sort of come to me and say "Ever thought of doing it this way?", and I'm the one that does the thinking in the bath.[ibid.p2-3].

The founder decided that he would continue to monitor for progress and wait for "a defining moment" [ibid. p5] at which his questions would be answered:

G1F:I'm fairly clear that there will a - to quote the expression of Tony Blair - there will be a defining moment. It will be something small, it won't be a big issue and just suddenly the decision made itself. It's not that I'm putting it of, but...

Interviewer: By the decision, do mean the decision of what to do with the business or what you -

G1F: Yes with him[G2S1]. I dare say the whole thing will certainly gel.[ibid.p5].

5.4.2.3.3 Re-creating the "Business Marriage"

What would the defining moment comprise? How would his father be convinced that any change demonstrated by the successor was real, or good enough, given the views formulated about his talent throughout childhood? Is it fair to make the successor run the gauntlet, if the benchmarks are not agreed and known? Asked to elaborate, the founder said he envisaged it being made of two parts: the first being to do with a satisfactory demonstration of entrepreneurial zeal by the successor, and the second piece being the instalment of his son's spouse in the business, as a source of support, just as his own wife had done::

You see one of the things, you know...it could be "come and have lunch with us and we can have a discussion on, you know, do we set up a new business to develop this soft material cutting or do we do this or that" and you know [G2S1Sp] will have a role somewhere though - I think she would be quite interested in the discussions. Now I think that's most likely where the defining area is going to come or the defining moment.[ibid.p5]

Taking the issue of the involvement of his son's wife first, it was becoming apparent over time that the founder's idea of a stable structure for the future was one in which *the models that he knew had worked for him in the past* were replicated. Not only was the recycling of controlling ownership envisaged by him as the business model for the future, but he also wanted to see a replication of the "business marriage" model that had stabilised his own marriage and given him access to emotional and business support.

The founder's efforts to influence the creation of a "business marriage" between his son and daughter-in-law raised some complex issues. This was the 1990s, not the 1960s and 70s, and the father had a dim view of dual career marriages: "I warned him. I said to him to think before the invitations went out which career comes first" [A3/V1|G1F/1/off tape]. Bringing the daughter-in-law in the firm meant he would have to reconcile his highly principled views about career women and his denial of their changing role in society with his wish to have her involved for the greater good of the family business. That is, he could not rely on his son to handle the business, but if the son's spouse were there to back him up, then the risk was reduced considerably:

Well I knew there was this tension of your generation, his generation, their generation, of the 2 careers and I have no shadow of doubt about it, if there is. If [G2S1Sp] is determined to pursue her own career, I don't see [G2S1] will be able to cope. But I think, if [she] gets involved in the business, just as someone that he can discuss things with at lunch or in the evening or whatever....[ibid. p5].

If she were to join the business, it would be to play a certain emotional support role and would not be as a valued member with skills to contribute:

Okay, so where do I, I think there is no reason why [G2S1Sp] shouldn't be able to monitor [G2S1] from (inaudible) like today. I think she could ask if its "quite a good day?" or this and that, and you know, the bouncing of ideas, it could work. I think it could. And then as the family starts to grow up, she might want to spend more time...[ibid.]

The father had been encouraging his son to involve his wife in design ideas (she was a lecturer in textile design). The father also held some very firm views about the role of women in society (that they should be homemakers and not be ostentatious) and firm views that businesses existed to serve God:

We've got a incredibly decadent middle-class now in this country. Look at our MP's. I mean, I wrote to a church friend in Belfast recently, I said the driving in Edinburgh at half past 3 is a menace. All these mums collecting their little kids, I was at pre-paid school - I'm glad I was –and [G2S1] was too. Collecting their little children in their Range Rovers, their 4 Tracks, their BMW, their Mercedes, they have no idea of the reality. They have husbands who are maybe lawyers, investment managers, (inaudible), but in fact we are very decadent as a society.

Gone is the Scottish tradition of 'You educate yourself'. When people would go to night-school, they would work at night, etc and in so doing...Originally it was seen directly as an opportunity for glorifying God.

And then you know - this is the history of mankind. Then success leads to, you know, you become self-indulgent and then decadent and you lose contact with God. Then a crisis comes along and then the repentance. And therefore what I think - an extension of that is - [G2S1] and [G2S1Sp] are certainly not in the same place. I think if [G2S1] does take over and he demonstrates that he wants to, really wants to, I think he would keep the thing going on human integrity, service and so on. But he wouldn't as I'm so often doing in situations, be saying to myself "Where is God in this?" "What is God doing in this situation?". [ibid.p10]

At a family interview, later that year, the daughter-in-law talked about joining the business, as a potential career opportunity, possibly because it came at a time when she was very unsettled about her existing career and its limited opportunities. However, she was also conscious of her in-laws' wishes to have her there to support her husband, repeating the pattern as they had done with each other and whilst there were still anxieties shared about his recovery from the accident. Once again in this family, a life-structure decision was being linked to the business. If the timing of joining the firm suited her from a career stand point, she was careful to give a response that met the support criteria the founder was looking for, as opposed to pitching for a career role on merit. She also made the point that she wanted to see her husband get access to some control:

Yes, well. We have sort of discussed it a bit, we've touched on it. we haven't really discussed it properly.... it means that he is actually taking control of the business and having a chance to perhaps establish his own ideas and perhaps things that he's learned or different views that he has, although obviously he's not going to knock away everything that his father's done. He going to very much build on that.

From my point of view, well I'd like to be there in support very much because I think obviously it's a difficult thing for him to do until he becomes established and confident in that role.

And also long term, well I know that after he's played a strong role in the company, in terms of just support as his wife, I also want to bounce idea's off and discuss things through with, obviously I'm very much there for him.

I have my own career as well at the moment...I'm quite a flexible person, I've had quite a few jobs in my time and it may be that taking a role in the business, whether it's part-time or accountancy that may allow me more time for me to try explore other avenues on the creative side as well. I could be a very positive thing for me to do, to become more involved in the business in that sense, and it'll give me some sense of stability, provide greater support for [G2S1] but also give me the opportunity to explore other creative avenues that I haven't perhaps hadA3/V3/Fam/1/p8]

Part of the founder's defining moment therefore means attracting his daughter-in-law into the business, under the veiled offer of a career for her. The father's comments on the matter are more consistent with her being a home-based insurance policy for the times when his son may struggle with the pressure of the business.

5.4.2.3.4 Evidence of Entrepreneurial Zeal

The other dimension of the defining moment for which the father was waiting was to do with his disappointment that his son did not "think in the bath" or come up with ideas, vision and strategic opportunities in the way that he had done. The father described how went about scanning the business environment for opportunities:

Now where I get this from, I don't know. I hadn't been taught it but I just say "Hmm, just think in very broad brush terms, "what are the implications of insecurity of this generation?", "what are the implications of reengineering or downsizing", "what are the implications if they [a customer] put a new machine in". Not "they won't be able to do a whole slew of work", and sure enough it all came true. This - being a van boy - it's amazing what you learn at a back door (inaudible) the manufacturers and the bosses do. Talking to the right people, listening, you know, someone in the (inaudible) says "well okay, course the first thing that we'll change is to get a decent car and this office isn't big enough". You see it's the potters work ethic, fully paid job is about glorifying God, doing good work as an end in itself and if you do it you'll get some money.[A3/V2/G1F/2/p9]

The father's many references to the term "goal-less" and his labelling of his son with it, may be linked to his envy of the opportunities for education and advantage his children had, even though he had in fact provided them. This would be narcissism on his part: as a parent he has tried to give his son a better start in life than he had, then uses the consequences of this advantage to hold his son back and hold his education and advantage against him. In Eriksonian terms, it implies he has not reconciled the conflicting tendencies of Generativity and Stagnation from the dominant, mid-adulthood years. He berated himself as a father for making life too easy for his son:

...Laid back equals goal-less. Goal-less equals - you know. In a sense I have drifting as part of my make up and I think he - You see one of the things I've said I was saying 10-15 years ago to my contemporaries, is - the big mistake we've made is we've bred insecurity out of my children. They've got it made. They're doing their thing and they say "it's going to be all right, we've no problems... Yeah, I'll take my degree, then I'll take my year out then I think I will write to so and so because that's who I'm going to work for" and then ...crunch! By now, the mind set's already there. [ibid. p6].

This label and his views on young people in society in general may have blinded him to whatever potential there was for his son to be entrepreneurial. For example, in the final interview with the father, he said that he had considered making his son a director when he got his MBA but this did not in fact happen. He seemed angry with his son about a conversation that took place when the family were walking back to their cars after the graduation:

G1F: ...I am very disappointed he is not using his MBA as he should. When we were walking back to their flat and the only thing he talked about was their plans for selling the flat and using the money to get more properties. I mean the firm paid for his MBA.

Interviewer: Is it possible that he might have been trying to show you that he too is trying to be entrepreneurial in his own way?

G1F: I hadn't thought about that.[A3/V4|G1F/4/p3].

Other signs that the son had some ideas about what to do with the business when it was under his control were evident. For example, he knew that he did not want to repeat the lesson his father had learnt in the 1980s about growing the business

...25 [employees] is unwieldy with the present company structure. Up to 15-20 is OK but above that, the management structure had to develop and it's an overhead. So it's trying to find the balance between growing the company to a certain point but not take it too far. But if it continues to grow, which I hope it does, then we'd have to look at new premises, new management structure. We're production oriented at the moment but we'd have to then get into personnel issues.[ibid. p5].

Apparently the son's Dream is different to the father's in that it encompasses having a dual career marriage, has modest or less lofty aspirations in the career sense, and does not encompass the religious dimension:

[G2S1] equates God with ministers. And ministers, he reckons, have lost the way, therefore God's lost the way [A3/V2/G1F/2/p11]

Clearly the generation gap – how each generation sees the world and their values about religion, marriage and careers is one of the sources of tension evident in this phase of the transition. As with the lack of openness about the transfer of leadership and authority, these generational tensions are privately acknowledged but not openly addressed, and the opportunity to learn from them was being missed.

Throughout 1996, the successee continued to express disappointment in his successor. During this time, the successor maintained that he was happy with his

choice of joining the business, and that he still saw his job as being to amass as much experience as he could so he could follow his father when the time came. At the end of 1996, a family group interview was held to see whether, and how these discrepancies were handled by the family as a system. The father was happy to call the meeting, but did not invite his daughter. It was interesting to note the anxiety the request generated for the father. It was necessary to firmly request that the successor's wife be present at the meeting:

Interviewer: I'd like to ask for my next meeting to be with the family. Is that possible?

G1F: Yes, let's get the three of us together....

[discussion about "family" and which family members are requested to attend]

G1F: Oh. Well, perhaps if I say she [G2S1Sp] was born on the fourth of July and her maiden name is Pankhurst that might explain things. This would not be as straightforward.[A3/T2/G1F/5/p1].

The meeting was very useful for illustrating the family's dynamics at work: the example above about the daughter-in-law's possible entry into the business is an example of indirect communication and there were to be others. At the beginning of the meeting, the father tried to set a very upbeat tone which was not consistent with his comments over the previous eighteen months. He stated that the business would double in size over the next two years and they would have new premises imminently. Despite his comments in private meetings that the option of selling the business if the successor did not develop the required capability, his wife did not imply that this was in her thinking at all, when she described her view of the succession process:

"Well - obviously the business is going to continue..." [A3/V4|Fam/1/p2].

The two generations treated each other with the utmost respect but there were times in the meeting when it became clear that there were tensions between the two generations and also within each generation. The son, for example, got nervous when his wife gave an example of what they discussed about the business at home, and the father became critical of the successor about a lapse which he said had taken place in the keeping of Quality Assurance records.

5.4.2.3.5 Recycling Controlling Ownership?

The discussion about future ownership of the business stirred up a lot of feelings in both generations. The father said that other than the arrangements that came in when the trust dissolved (equal ownership for the siblings), there had been little further discussion about how the shares would be left to their offspring. The son was quick to make two points from this, one to do with the issue of his sister possibly expecting jobs for her children in the future (now eight and three years old), and the other to do with him generating wealth for an inactive owner in the future. He made it clear that he was becoming more aware of the responsibilities and complexities of having a non-working family shareholder. His sister has not been involved in any of the succession discussions:

I'm in a sort of position now to what my father was 32 years ago. We don't have any children yet, so the one slight issue is my sister who's, well not slight but the other issue, is my sister and she's got 2 children who are, one's 8 and one's 3. That's not anything I've ever discussed with her and she's never mentioned it me. Whether there's a succession issue there or not, 10 or 15 years time they might be interested, who knows? By then we'll have our children, but they're going to be by definition at least 20 years off coming into the business [A3/V4/Fam/1/p10]

Regarding the prospects of working to reward an inactive owner, his father implied that he did not feel sure this was a good thing. The founder then indicated that this was not his own preference, that he didn't intend this to happen, implying that he wanted the future model of controlling ownership to continue as it had been in the past:

My position is that I would like to acquire [G2S2's] shares, when I say I, whether (inaudible), but as always in these things it is not about money, it's about timing, you know, what is the right time from her point of view. Then the issue is, what valuation to be put on it, but it is for that reason, to avoid this untidiness that, not untidiness, (inaudible) everything is just going hunky-dory and then wee nephew says "when am I going to get something from ...".[ibid.]

At this point, the founder's wife became very agitated and the daughter-in-law intervened as if to calm or reassure her mother-in-law, but still to express concerns for her own interest as part of the future "business couple":

I was just meaning - that it's some type of security, isn't it? I mean it's safeguarding the company. Having brought it up, I mean you have a lifetime relationship and there's no problem that I can foresee at all.

But you don't know what's going to happen, you don't know. If we have children ...[ibid.p21]

The father, noticing his wife's reaction, then modified his stance on total controlling ownership to one of majority control for the son, but still proposed a solution that assumed his daughter's continued invisibility and distance from the problem:

...Or whatever the legal position is - in a family business, if you've got 51% of the shares you've got 100% in effect. [ibid.]

It was at this point that the mother became very agitated indeed and said

But it's also a very difficult thing to do even if we were to buy back [G2S2's] shares for very good and sound business reasons. It's the hidden agenda behind that as well, is how will she feel. Will she feel she's being pushed out? Is she no longer part of it? [ibid.p21].

The meeting therefore brought about exchanges which illustrated that there were serious issues to do with the succession in the family and business which, despite the dyad alliances in existence, were not being openly communicated. It exposed the mother's role as the caretaker of people's personal interest and well being in the family, and the fact that her husband was not as open with her about the business as he had led her to believe, which was also the case with the successor.

5.4.2.3.6 Successor's Struggle to Attain Credibility

The meeting also revealed other tensions relating to the transfer of power and authority in the business. The son had the title of Business Manager, but said he was suffering from the "boss's son syndrome"

I'm very conscious of it in that, this chargehand and others, the operatives, will approach me and ask me questions as I am the boss's son and as if I don't want to be seen as the production manager. I know fine well the chargehand would far rather ask me directly, but its the politics of supervising and leading management. It's just not an option. You know you get in these awkward situations often were people come up and ask you, you tell them what needs doing and the production manager has actually intended that he go off and do something else. So that has to be under-lined. The other one is tell them to go and do something and then you actually have to go off and tell the production manager what's happened. The problem is at the moment, myself and the production manager are on the same level so you've got the sort of conflict in that people do ask me but I'm not really their boss, although I'm the boss's son. [ibid.p16]

His father said he was aware of the problem of his son lacking line management authority but that there was an awkward employee in the way (the production manager) and until he retired they were stuck with it, as if there were no other options. There was no one in the business of the son's age that he could turn to and discuss these matters, and he commented that the MBA cohort had been good for this, but now it had split up. The father said that the son had a mentor in the shape of a consultant, who visited the firm once a month and did the accounts. This person had been around since the firm was started twenty years ago, and was described by the father as "the firm's midwife" [ibid.] and had worked there for a while part time. When exploring this mentor / mentee relationship and other sources for developmental support for the successor, it became apparent that there was no such relationship:

I have got my father but I've also got this chap [Consultant] and I've already spoken to him once or twice and I know *between those two, if there ever was a situation that was new to me, or I felt out of my depth in, I know there's at least two people and also my mother, because she would have heard a lot of* (inaudible) [ibid.p12].

5.4.2.3.7 Gaining Comfort With Outside Advisers

The consultant was regarded as a very important person in this business, so it may be surprising therefore that he has not had as much to do with the successor than this. Although he is obviously highly regarded and trusted by the mother:

But you also have Stuart, who comes as a consultant and he certainly is very good. He keeps an eye on us as well. He'll make suggestions and if he was concerned he would probably say...[ibid.]

it is clear that this person is the really the founder's confidante and trusted adviser, as the following comments by the successor illustrate

G2S1: Well I meet him whenever he comes out to our place, I usually have a little chat with him...Well it's more on the general overview of what's happening and he displays some interest in some of the big assets. He likes to get shown them and shown round and so on, so yes I have a chat to him when he comes round.

Interviewer, to all: Have you ever considered asking him for a presentation, is not the right word, but at least an overview, a summary of the implications of the transferral of assets and such things? Have you consulted him about those things or is it more managerial accounting.

G1FSp: No More managerial.[ibid.p6].

The successor, therefore, is left out of the lunchtime meetings held by his father and mother, and also of the important discussions that take place with the firm's consultant. He is in a tricky position managerially in the firm, where his status comes from being the boss's son rather than having a clear place in the chain of command. The title Business Manager does not appear to be meaningful in terms of his development as the successor, and in fact sustains his isolation. From this, it seems that his spouse is the only real person who can be his "sounding board" yet he is nervous of his father knowing this happens.

Between the family meeting and the final interviews, a lot happened, some of which helped the situation and some of which hindered it. Improvements were made in the company structure, with the introduction of an experienced person as "production controller" who sidelined the production manager. This boosted the spirits of the successor considerably. In 1997, he was feeling very confident indeed. He was convinced that it had been the right decision to join the business and, despite considerable setbacks due to staff illnesses, felt that things were happening in terms of the succession in a satisfactory way. He now envisaged the hand over of power, for example, within a year:

...the problem is that until I am in charge...there is going to be a point at which it will become very rapid from my father running the shop to me running the shop. I have spent some time thinking about it recently, with me being off ill and with the general mayhem and I think that while he is calling the shots, it is very difficult.... I would then have to be the person at the top or the person in charge and my father would have to be in the very background role...

Interviewer: It feels very much to me, from reading previous transcripts that it is still very much your dad calling the shots. Do you feel comfortable with that at this stage or would you like to see things move along a little bit more now. What do you feel ready for?

G2S1: I mean, I feel comfortable with it, but I am definitely questioning it with my experience and knowledge at the moment, it would definitely not be right to have me calling the shots. I think that it is very far away...

Interviewer: Have you discussed with your father that your horizon is twelve months?

G2S1 Certainly not recently. In his eyes he is probably thinking more to the eighteen months - two years for it. But I could accept that but I think it is a way of motivating myself and try and move the process on... We have not really

formally discussed it in any way. [A3/V4/G2S1/2/p5].

His business horizon was also preoccupied with the other two key decisions to be made in the business which were preoccupying all concerned: whether to buy a new piece of machinery, and whether to move to new premises or buy the premises next door and expand in there:

If and when that happens, it is just like all the pondering, dithering will just stop and we will move on and I think this has also added to the more longer term reflection. [ibid.p11].

His father did not see things in the same way at all. He was extremely harassed by the timing of illness, the big questions, still unresolved, about the future of the business, the prospects of capital investments and relocation and also there were new orders that had come in. At the final interview, he seemed quite demoralised about his successor, the business and the future:

Yes, but I think there is another thing that I have become aware of and that is [G2S1] at interviews, discussions, meetings etc. He seems very positive and fired up and then nothing happens afterwards... I think it is post accident. It might be that but I have been doing an awful lot of agonising.

He once told me that his previous employers felt he was goal-less and I would have to agree with them. You can't see what he is trying to do. It seems to be getting through but he is not nipping my ear all the time like he should be. ... Several months ago I did suggest to [G2S1] that it would help to have another session with his clinical psychologist. He thought it would be a great idea but he has done nothing about it, or if he has he hasn't told me... We agreed that he wasn't functioning on all cylinders. [A3/V4|G1F/6/.p2]

This seems to have brought the issue to a head for the parents, who decided to gather information to assess their options. Firstly, they went to see their accountant, on their own but possibly with their son's knowledge, to look at what the business would be worth if they sold it. They discovered that they would not get the best return on their investment if they sold now, and therefore had to consider expansion:

it was a very interesting discussion and his valuation of the business is probably a little low than what is mine and [G2S1's], but unarguable conclusion was that we were getting a far better return running the business than selling it at even a good price than what we would get investing it in the bank. (inaudible). So as I was saying we are getting a good return and so... it was felt that yes, it was really worth acquiring next door even if we have to pay over the odds. This is just going to be easier to run the existing business. [ibid.p2].

They also asked the consultant to write a report [A3/D1] which he submitted in January 1997. In February, the successor was not aware that this existed. The report looks primarily at the impact of making a major investment in machinery on the business at this time. However, it also looks more broadly at the overall state of affairs in the firm and is summarised in Appendix 3. It is clear from the wording of the report that its purpose is to let the founder and his wife know that the company has gone as far as it can go under the current structures and processes, and in the current premises. The consultant is clearly advocating that many of the barriers to the transfer of power are removed, and that the successor is allowed to be tested on a more level playing field – i.e. more usual business conditions than were the norm in this firm. The success or otherwise of this approach would give them the confidence to end the drifting and decide on the way forward. This may be to take on borrowing, expand, to make a major capital investment themselves, whether to move to new premises or decide to explore more radical options such as selling or bringing a non-family managing director in as a bridge to the next generation. It is pointing out that their lifestyle approach to the running of the business (where worthy religious values about helping the needy had led to a recruitment policy which now caused skills limitations in the business, and where the keeping of records and key administrative matters and meetings were held at home) was no longer appropriate for the future needs of the business. It pointed out the need to disengage from this style and culture and to bring about some change to the way things were done, and to give the successor real responsibility and accountability, and the opportunity to find out if he could take this on, and if he really wanted to take this on.

What is clear from the report is that as far as Passing The Baton is concerned, the founder talks about moving to new premises and then retiring, but he still has almost all the tasks of this period to attend to: he is still the one with all the power, control and influence, as well as the front-man of the business. He is still the organiser and planner, and most of all, he still controls the key performance indicators of the business: how much to pay for raw materials, what price to negotiate with the

customers, and all the hiring / firing / organisational decisions. The successor, too, does not seem to grasp the magnitude of the work ahead (perhaps from a sense of being powerless to influence it), but still hopes to control the business within a year or two.

5.4.2.3.8 Retirement and Letting Go

The founder and his wife were pleased with the arrangements they had in place for funding their retirement, although it turned out that this did not include any provisions for healthcare. The founder envisaged a “phasing out” type of exit in which he would shift from being controller to non-interfering consultant, and that his timescale for this was four years away at age 70. His wife, however, was over nine years younger than him and pointed out at the family meeting that she was not ready to phase out, despite the comments made about her daughter-in-law replacing her in her role in the firm. She planned to leave in five years, which coincided with the new timescale announced by the founder. It is clear, from the consultant’s report, how tenacious the founder’s grip still was on the business so the psychological “letting go” process was also still a long way off. The tasks to be attended to before he would feel comfortable about no longer being such a force in the firm was discussed at the family meeting. There were a number of issues relating to family and business matters. On the business side, there was :

- unfinished business: the founder talked as if he had unfinished business to attend to, and wanted the business left in perfect order:

I think probably the most important point to me is that whatever is handed on, there are no skeletons in the cupboard. In other words, I don’t want those who continue to work to say “Well it’s alright for him, but look at the mess he left”.
[A3/V5/Fam/1/p4]

- knowledge transfer:

...the gap between [G2S1] and myself is greater than it would have been for most of my contemporaries. And therefore I still have this feeling that there is a need for, to put it grandly, my wisdom and experience to be drawn on in a way that is going to be positive and constructive without it being a constraint, something that is inhibiting him. [ibid.]

- change of role and a more business-like approach to operations:

So I think retirement to me will possibly be coming something like non-executive chairman or something like that. And if we go to a double-sized business, we're certainly going to have to have regular board meetings and instead of having quarterly accounts we might get monthly accounts and weekly meetings...we're beginning to become structured. [ibid.]

On the family side, work was still needed on:

- dealing with being a couple again:

the founder's wife did not expect there to be much difference in terms of adjusting to her husband being at home a lot more, since he had been coming home for lunch for many years. However, her comments suggest she has thought about a relationship in which the business is not there as the axis (along with the church) around which their contact and conversations revolve:

[G1F] always comes home for lunch... we've been able discuss a lot things to do with the business over lunch... I know that one or 2 of my friends who are now at this stage of their lives when husbands have retired, find it very difficult to have them around all the time, because you get used to being in the house on your own. Well I don't think we are going to have to much of a problem with that.[ibid.p4].

When the founder pointed out that his sense of worth and stature was largely defined by the business

...my own self-identity is tied up with the business...I only feel I'm of any worth while I'm working, I have a hope that once I feel the thing is set so that it will run, I'll have no problems. I'll quite happily dig holes or go and play golf or walk the dog or do whatever other things.[ibid.p5]

his wife then realised the implications of the questions about their relationship:

I think in a way it's easy to say that, but when it comes to the bit, it may not be so easy because apart from anything else he started the business...when it comes to the bit I think it will be very difficult to step back completely from it...[ibid.p5]

- letting the successor make his mark: the founder said he regarded the issue of new premises as critical not just to alleviate bottlenecks in the premises, but primarily because they would bring the successor a chance to make his mark on the business, and to be a stake in the ground demonstrating that the old had gone and the new is in place:

If [G2S1] unloads the equipment, then my fingerprints aren't all over the new place. And then it's [G2S1] that's decided that's where he'll put it then it's not my fingerprints, is it? So it will be, I believe, much easier to phase out going

to the factory or entering the building.[ibid.]

This task also relates to the sense gathered earlier of the founder being disappointed with his son's modest ambitions and aspirations, and so he tries to instil in his son a vision, his vision, of something bigger and better, as if the son only had to buy into the founder's Dream and everything would be different: there would be a board of directors, meetings, bigger, brighter premises, and they would have the successor's mark on them. It is as if, in adult development terms, the father is challenging his son to Become His Own Man by taking up a lead in the business. However, this may not appeal to the son, because the family history he knows is peppered with examples of his father being disappointed by the amount of effort he puts in to achieve, and the standard which the son is happy to settle for.

5.4.3 Conclusion

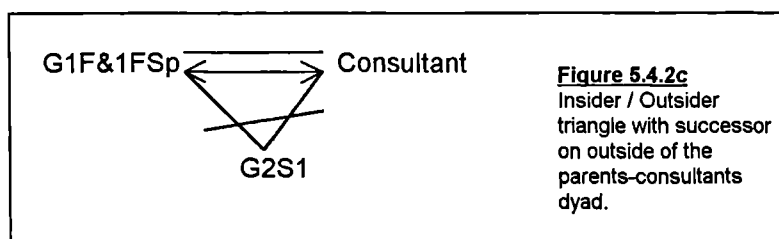
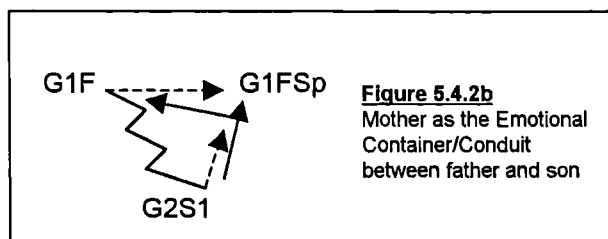
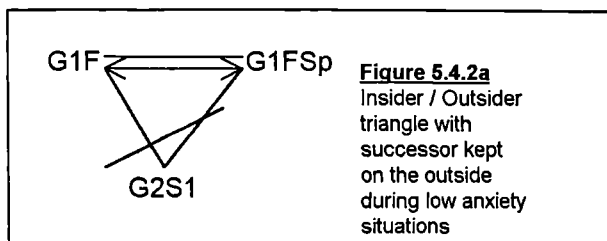
One of the consistent features of this case has been the way in which the mother has handled multiple roles: she is the founder's wife and business partner, the successor's mother, mother to a daughter who is an inactive owner at present, she is also an in-law and a company director and employee. Her husband implicitly senses the value of her input. Her handling of these multiple roles reveals an emotional function which is essential in this family, and for which the successor's wife is being primed to take-over. The emotional function is one of anxiety buffer (emotional container) and conduit. She is able to assume either role depending on how much anxiety is around when relating to her husband and her son. Her role keeps the tension between father and son in manageable proportions, and prevents escalation which could damage relationships (Figure 5.4.2b below).

Although the functional effect of emotional buffering is to keep the system in balance, it also holds back the change required in the system, by preventing confrontation of the father's doubts and the son's real wishes, means the men never learn to sort out their own problems. Her tendency to defend her son when he fails to meet the high

expectations of his father introduces some slack into a rigid family system, but sustains the pattern of intense child focus over the years. The successor was aware of this family role and used it to his advantage when relating to his father in the business:

She [his mother] has actually also worked out as a very good channel sometimes, getting things through between my father and myself through her. And it has sometimes sunk in a little bit if I say something to my mother or my father said something to her and she then said it to me or my father. It sometimes helps it sink in a bit more. I don't see any problems really. She will be in there in the background helping whoever takes over what she does, whether that be Fiona or somebody else. [A3/V5/G2S1/2/p10]

Figure 5.4.2 Triangling patterns in Case A3



The successor's isolation was also evident in the way he was kept on the periphery of his parents' relationship with the consultant (Figure 5.4.2c) over the years since the business was established. The consultant's recent report (which exposes directly the

structural and procedural changes needed in the business to make it more effective and also to give the successor the essential accountability he requires) had not been seen by the successor.

At the end of the research period, forces were gathering momentum in the business domain that were pushing the family system for change: the consultant's report, the after effects of the accident, the physical price being paid by the founder for having to remain the driving force in the firm at a time in his life when he knows his strength is declining.

In this case, the conditions under which the successor entered the business were not fully acknowledged, and the period of Working Together was not satisfactory for either party because it was hampered by the accident and, prior to that, the father's misgivings about his son's ability, drive and ambition. When the founder said he felt that his generation had bred insecurity out of their children, the father may have been finding a way of voicing his disappointment that his achievements had not been adequately praised or recognised, and that he has not been hailed as the hero he feels himself to be. The Working Together period therefore did not lay the foundation for the work ahead of Passing The Baton.

The business appears to be the father's mission, in the personal and the religious sense. It was built out of an economic need to provide for his family, but became a metaphor for his ever-growing rugged individualist Dream, with his religious zeal showing through in the recruitment of staff and approach to customer service and marketing. Characteristic of Sonnenfeld's (1988) monarch-hero, his stature and identity are interwoven in the business he created, and his mission, as he has described it, is not yet completed, so requiring him to remain firmly in place. The issue of whether the son is or is not capable, or will ever be capable, may be a smokescreen erected by the father to justify to the researcher that he should not retire during the research period or indeed at all. The aftermath of the accident may be used as a managerial brake pedal by the father to slow down the transfer of titles and

leadership, rather than open disclosure by the father of the views presented to the researcher. Emotional triangles, like formaldehyde, in this family serve to keep everyone fixed in their developmental and emotional positions (Figure X).

If the father is being more truthful with the researcher than he is with his son (meaning the father really does believe his son to be an incapable and / or unsuitable successor) then he has the task of reconciling his wife's expectations (with which he colludes) about the business continuing in their family under the son's leadership and their offspring's' equal ownership, with his own expectations that his heroic mission may fail.

5.4.3.1 The Notable Features of This Case

- a) *the influence of power and control on people's lives*: the founder's power came from number of sources: his hierarchy and gender in the family, his status in the business and in the church, his ownership and his history of success from adversity. His power also came from having access to information from all parts of the system, but feeding in only partial bits of information into those within the system, so that no one knew enough about what was going on elsewhere to be able to act with confidence about it.
- b) *The role of women in the family*, and the mother's role in particular: women were encouraged to take up roles that would lend emotional support to their spouses. The founder's wife and successor's wife both carried out their roles as anxiety buffers and conduits based on partial information from the founder and the successor. These roles bind and stabilise the family and the business, which on the one hand keeps the system functioning, but on the other hand prevents issues being addressed in a timely manner.
- c) *The role of the business in a lifestyle family firm*: the adult development agendas were seen to be very powerful drivers for action on succession activity in this case; however, once the objective was achieved (e.g. the founder's need to get his successor in situ, and the successor's need for a succession timescale), the needs of the business were subordinated until the next crisis came along. Only the

consultant seemed to be watching out for the needs of the business, and voiced these very directly in his report.

- d) *The danger of leaving the things that need to be said unsaid:* at some stage, politeness, evasion of conflict, "respect" and compliance can no longer contain the feelings beneath the surface about anger, fear, loss and envy. This family have become expert at avoiding and defending against their feelings, and learnt to function in ways to prevent feelings being voiced other than in covert ways. These were feelings were deeply defended but nevertheless ever present. The founder was angry and envious of his son's advantages and the relatively easier life he was leading; his wife was fearful of the ownership decision splitting the family, and fearful of her husband and son not being able to control their anger if it were let loose and she were unable to contain it to preserve the balance in the family; the successor was angry at his father and felt loss for the years of independence he forfeited in his 20s when he was having a good time, to take up the offer of joining the family firm.
- e) *The importance and the sheer challenge of parenting of children growing up in business families.* This case illustrates how hard it is for parents to raise a business at the same time as raising a family. It shows and how difficult it can be for parents (especially when they are under the mid-life pressures to balance it all and get it all right) to resist using the resources that the business can generate to solve a need in the family that only personal attention can fulfil. Although it is clear that the male child focus in this family had taken effect when the successor was a young child and before the business came about, the parents were nevertheless unable to prevent themselves using the business as the medium through which parenting was enacted. This was in two senses: by trying to make up for some aspects of absentee parenting (summer jobs, lifestyle, private education), and by the business being the place where patterns of parenting behaviour that had taken hold elsewhere were perpetuated (the father's focus on the son's performance, and defence of him by the mother).

CHAPTER SIX
FIRMS IN TRANSITION FROM CONTROLLING OWNERSHIP
TO
SIBLING PARTNERSHIP
CASES B1 AND B2

6.1 Introduction

This chapter contains the written case studies of the two firms undertaking the transition from controlling ownership in the senior generation to ownership and leadership by their offspring under the structure of a sibling partnership.

Both cases involved the transfer of leadership from a father to a son. In Case B1, the daughters worked in the business but were not socialised to expect a serious role in the leadership of the business. In Case B2, all four of the sons were considered for leadership at some time, and finally the third son let it be known he was interested in becoming the successor.

The transfer of ownership was not given much consideration by the father in case B1. It appears that he assumed majority ownership would go to the son who was designated as the successor, with a small number of shares going to his sisters as a "gesture". However, when the sisters' careers in the firm became more firmly established, it was clear that this assumption (a repetition of the previous succession arrangements) had to be re-addressed. In case B2, the senior generation had begun to equalise the ownership amongst the four sons, even though their tenure and mode of entry may have led to expectations of a differential in the arrangements. During the research period, a Trust was established in which the founder retained control and the shares were equally assigned to the sons, with a small proportion assigned to the trusted "pseudosons". Consequently, throughout the study, the founder had transferred the title of managing director, and the wealth locked into the firm without having changed his controlling hold over the executive control of the firm.

CASE B1

CONTROLLING OWNER TO SIBLING PARTNERSHIP

THE FALSE PROMISE OF SUCCESSION: WHEN PERSONAL READINESS TO RETIRE IS OUT OF SYNCH WITH THE PLAN

Contents

6.1	Introduction
6.2	Case B1: Controlling Ownership to Sibling Partnership
6.2.1	General Description
6.2.2	1981-1993: G3 Entering the Business
6.2.3	1983-1996: G2 & G3 Working Together
6.2.3.1	Business development
6.2.3.2	Succession management programme
6.2.3.3	Planning the transfer of title and power
6.2.4	1995-98: Succession tasks
6.2.4.1	To Pass or Not To Pass The Baton?
6.2.4.2	Before the acquisition (1995-6)
6.2.4.3	Procrastination factors
6.2.4.4	After the acquisition (1996-8)
6.2.4.5	Ownership transfer
6.2.5	Conclusion

6.2 Case B1: Controlling Owner to Sibling Partnership

6.2.1 General Description

Key Players (see family genogram: Figure 6.2.1a and Organisation Chart Figure 6.2.1b)

Founding Generation:

G1F Founder, d.1972

Second Generation

G2S1 Eldest sibling, female, inactive minority shareholder (6.5%)

G2S2 Middle sibling, male, successor to G1 Managing Director, majority shareholder

G2S2Sp Managing Director's spouse.

G2S3 Youngest sibling, female, inactive minority shareholder (6.5%)

Third Generation

G3S1 Eldest sibling, female, administration / accounts manager,

G3S2 Middle sibling, male. Successor, minority shareholder (1%).

G3S3 Youngest sibling, office clerk.

Non-Family

NF1, NF2 etc Non Family Senior Managers

A1 Financial Adviser / Auditor

1994/5 Family Business Survey Responses: (ref. # 307)

- 100% family owned.
- Significant proportion of family in senior management
- 2nd generation in control
- No non family or advisers on the board
- Non family in senior management
- Have a documented succession plan
- Last 3 years average annual sales growth 5-10%
- Sales £2m+ per annum
- Would put "Business first" in event of conflict
- 60 employees

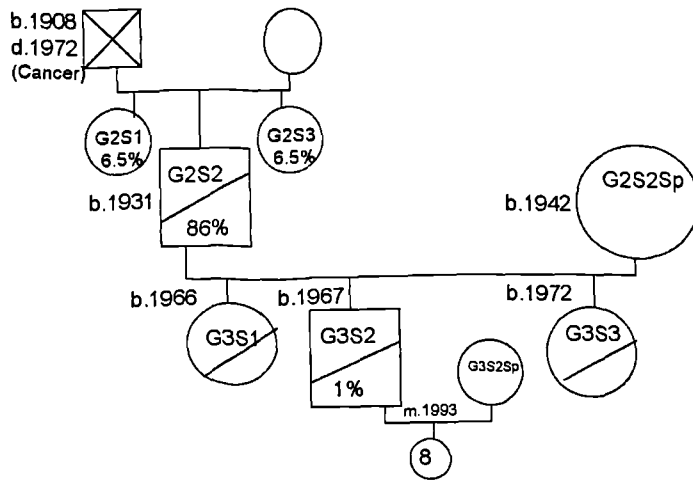


Figure 6.2.1a Case B1 Family Genogram @ 1995

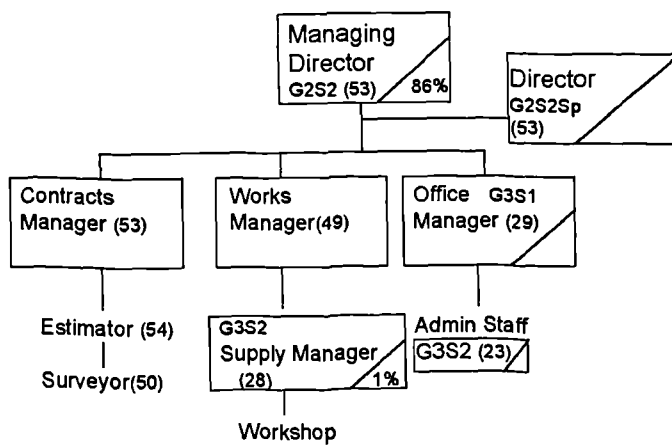


Figure 6.2.1b Case B1 Organisation Chart @ 1995

This business operates in Central Scotland in the engineering and construction industries. It is currently run as a controlling owner by the second generation controlling owner. In 1971, when the founder of the business was 63, he was diagnosed with cancer and began to lessen his involvement in the business. He had three adult children, but only the middle child, his only son [G2S2] was involved in the business. His son was his successor, and had joined the business following a career in which he started out as an accounts clerk, then joined the construction industry before joining his father in the family business, which was also in the construction industry. He had ideas about what he wanted to do with the business, and these began to take effect after his father died. Their first transition was a CO-CO recycle; although the ownership was shared with his two sisters, he received 85% of the shares and so the controlling owner model was continued. The involvement of males only from this generation left the successor with something to think about regarding how he in turn would have arranged things, or would do so when his time came: he referred to shareholders as male and female and said one of his sisters was a feminist, and that she may have reacted to this when the inheritance was being discussed. [B1/V1/G2S2/1/p5]

When he took over, G2S2 had the respect of the other employees and had been working outside the office "on the tools" for some time. However, when he put his plan in place to grow the business, he needed to surround himself with people of his own age and with complementary business experience. The first senior non-family manager was recruited the year he took over, and the building of the management team took off from there, Over the years, he anticipated business opportunities in related areas and got good people involved ahead of time to be ready to seize the opportunity [B1/A1]. Although the business was at the mercy of the economy and its direct impact on the construction industry, his foresight meant they were flexible and adaptable. His financial adviser recalled: "they built up this team and they knew that they were putting overhead on the bottom line by doing it, but it has allowed them to continue to go for the bigger contracts" [B1/A1/1/p6]. He diversified into design in the early 80s, property development in the early 90s and supply-only in the mid-90s. Looking back, he had executed his plan well and reaped the rewards:

Because they have had that sort of breadth they really are on a slightly different dimension from most of their competitors and they have a good name for delivery in the industry. They seem to get on most people's tender lists. The quality of the product is good and therefore the company is relatively unique.[ibid.]

Achieving this part of his Dream came at a price to the family. The eldest child, a daughter [G3S1] recalled:

...everybody else's Mum and Dad goes to work, but we seemed to do quite well for ourselves .. We seemed to be quite well-off...the fact that my Dad was always working until he'd go to bed and he was always doing something to do with work...he was always busy. He always worked hard and ...I think I was just very aware that the older I got that it was there and it certainly provide a nice lifestyle for our family and it also made me realise that obviously to get that you had to work the hours and put in the hours... That was really quite apparent. But I always respected that... it was the only way you were going to get anything, you know.[B1/V2/G3S1/p3]

As well as the absence, the children also began to notice they were different to their peers because they had material things that others of their peer group did not; the behaviour associated with the creation and use of wealth was noticed especially by the eldest, and became part of their value system. The eldest recalled her unhappy days as a child at school where others envied her:

Just the sort of ..by envy I mean... we had our own house. I was very, very aware of that, and cars, most people didn't have a car or it was just one. It was that sort of thing. it was just people's attitude to it, you really feel it. I mean, we never - we were never brought up to be any different and that was the real cause of – it was a real problem for me. But I was bullied as a child when I was at primary school and I don't know whether that was - I can't really remember why - I just felt we were slightly different. At maybe - at high school we got it. I could never understand though the fact that ... My father worked that hard for that.. so I could never understand why... I suppose you think you're own friends will just accept it. Accept that's the way it is.[ibid.]

For the youngest, [G3S3], who came along when the rewards of the business had established a comfortable lifestyle which was now the norm, hers was a different experience:

I don't know, my Dad - when [the elder siblings] were young - spent a lot more time at work and had been working for a long time. He spent a lot more time with me, he didn't work such long hours, He was always there at weekends, home at night, it was different for me than for those two, because he wasn't there. He says he can't remember them under five because he never saw them, he was working so hard. I was totally different, I can't remember my Dad not being around, I remember a lot of holidays spending a lot of time on the boat...I mean, things - Dad started to make more money as well, as far as I was concerned, I don't know - we seemed to do quite well... B1/V4/G3S3/2/p6]

The family obviously enjoyed a good lifestyle from the business and were aware of their father's concerns about missing out on parenting during the formative years of the elder siblings.

6.2.2 1981-1993: G3 Entering the Business

The way in which the third generation siblings entered the business suggests that their father was acting on a need to gather his family around him, and to make up for lost parenting time in the

earlier years. The eldest joined the firm from school at 16 years of age but carried a sense of guilt about having this advantage over her friends and the other employees:

And when I started working here, I felt that I had to work hard because of the guilt I felt about having got a job in the family business...people were leaving school and not getting jobs and I just walked into one. But...I didn't know what I wanted to do in life. I had never thought about working here, it was just my Dad said.... and that was the first day of going into the family business. At first – I didn't have any qualifications for coming here either you know. It was just the fact that you feel that you've been given it. I always thought my life was privileged I just felt guilty about it. But I had to justify being in the business. B1/V2/G3S1/1/p2]

Her brother remained at school until he was 18. He had enjoyed working there in the summers doing deliveries and other things, but when it came to the career decision, it was not so clear cut: he had enjoyed art and practical subjects:

But looking ahead, I didn't know what was going to be in the future. I suppose I thought I was always going to be involved eventually. It happens gradual, more and more. All of a sudden you're there. [B1/V2/G3S2/1/p3].

He joined the firm for a short time and was laid off with other people during some cutbacks. After a short period outside, he returned and developed a sense of commitment to the firm, taking on an apprenticeship and serving his time. These were not easy years for him as he struggled between being the boss's son and just being a young lad. Looking back, some co-workers regarded him as "hot-headed" and he had difficulties gaining credibility with the senior non family people in his father's management team.

[when he first worked there] there wasn't a lot of work on, work fell away very quickly and I was actually paid off, laid off, because I was actually the last to start, I was the first to go. So I went to work for a company in Glasgow, just labouring. I thoroughly enjoyed it, it was a good experience. it was great not to be the boss's son, just another guy. Because being the boss's son, when you go down as a school boy, you always get a lot of stick, ribbing and people never take you seriously. You can never be one of them 100%, because you're always something different. And that was quite good I suppose enjoyed from that point of view. I really enjoyed what I did, I enjoyed the practical side of it . And eventually I got on with all the guys.[ibid.]

Over the years he seemed to be able to work this out and gain entrance in to the adult world with the family business as one of the key strands in his life structure:

You get involved in different things in the company. I worked on the shop floor and the office at the same time. I eventually came into the office full time and got more involved in different things in the come as time went on. Yeah, I was quite interested in it [p1] ...once I started to work for the business, I didn't want to come away. I did enjoy it. I enjoyed the life as well. I met a lot of guys as well. Once I had started, I didn't think I wanted to go and start something else. I want to learn as much as I can now.[ibid.p6]

The youngest sibling had the hardest time of the three as she tried to find her own way in life way rather than go directly to the family business:

Literally, people would say "what do you want to do? You'll be working for your Dad", and I was always the one who said "no way - I'm not into it"..... for them [her siblings] it was the obvious step as soon as they left school, but for me - I was always determined I'm never going to work there , I don't want to don't ask me. So although when you find out, when they left school they came straight here, I didn't, I went to college.[B1/V2/G3S3/1/p1]

The youngest had started to develop a sense of what she wanted to do, but when she put this initial choice into action, she was very disappointed with it and the sense of direction, which had been so clear, left her. This was when her father stepped in:

...I didn't know if that was what I wanted to do anymore and just I don't know - basically - so I left after 3 years and I tried to get a job, I thought maybe I even might work in a shop and do design as a side line. There's not many businesses in this country doing what I wanted to do ...it's all like 'officy' and things like that it just didn't interest me. So... there was four out of sixty that got jobs, it was ridiculous , so my Dad said why don't you start here, at least until maybe you get something else, at least you are earning some money. So I mean I've got no secretarial skills or anything so basically I tried to help ...[ibid.]

Clearly the father wanted his children into the business. However, he may not have anticipated that keeping them there would not be straightforward.

6.2.3 1983-1996: G2 & G3 Working Together

Between 1983 and 1996, the three siblings encountered difficulties trying to get their careers established. They all struggled with achieving the developmental task of becoming a credible, self-reliant adult because having their career and status inextricably linked to their employment and future ownership of the family business complicated the situation. To achieve the task, they had to get on and earn a position for themselves, but the problem was that their father had used his power to create their entry-level positions in the firm, and there were dutiful non-family staff ahead of them up the line and very few job openings. As the pressure increased for each of the siblings in young adulthood to become mature, independent and credible young adults, the father began to work on keeping them in the business.

During the Working Together years, the eldest [G3S1] was never able to shake off the guilt she felt for getting a job so easily when she left school, and for having had advantages over her peers.

Over the years she became bored with the office position she had, and could not see a future in it. Dissatisfied with her career choice, she started thinking about leaving the family business and

working elsewhere. Her father became aware of this and positioned her for a convenient vacancy in the bookkeeping and administrative side of the business.

...I had to justify being in the business. For the first few years...People don't want to feel as though they getting it too easy... so for the first few years, I didn't learn much. and then eventually there was a girl came to work with us, she knew exactly what she was talking about, she was on the ball, and she left about 8 years ago, and I was really getting pissed off working here, I didn't know what I was going to do, because there was somebody above me, it wasn't as though I was running the office. Not that I could have..... and she left. I was thinking of leaving myself and my Dad said give it [the new job in the firm] three months and see how you get on and I just loved it [she stayed]. I loved it out there.... then we had our first audit and everything went OK . From then on I just really enjoyed it. . I really really like it you know...I just picked it up [the bookkeeping] as I went along.
[B1/V2/G3S1/1/p3]

Her younger sister [G3S3] was not happy to be in the family business. Hers was a "gopher" role and by 1996 she became very conscious of her career and life drifting, at a time when she was seeking a clearer sense of purpose:

I mean I've got no secretarial skills or anything so basically I tried to help. So I started here and then I just got basically lazy , I was five minutes from the house, I had an OK wage and quite an OK job and I just basically gave up writing to companies and forgot about it and got on and then its 2 years later and they [the family] kept saying "are you not interested in that any more? Don't you want to try to get into Interior Design?", and I was like - "to tell you the truth – no". At that stage in my life , I though I don't know what I want to do but I know I don't want to do that , but I don't know what it is that I do want to do. So, he says "as long as you are happy working here then that's fine with me" he said, "but obviously, I am interested in what you want". So basically, I've just been here ever since and I've never left. And I don't love it, but I don't like ...but sometime obviously, like everybody else, you have good and bad days[.B1/V2/G3S3/1/p2]

Aware that the youngest daughter was trying to get a clearer sense of direction in her life, the father tried to use the business again to accommodate her career needs. In the early 1990s, he had become interested in acquiring properties for development as a retirement interest and, trying make a link between her developmental need for a career, her interest in interior design and his interest in refurbishing buildings and having her in the firm, he created an opportunity for her to get involved in property development. In 1996 she put a brave face on this, as did her father, but both knew it was not working out:

G3S3: he was talking about the other company - ...he's building these flats in XXX, and he gave me like basically the right to do whatever I wanted to with the entrance hall and everything , I was choosing paints, I know it doesn't sound very much but, I enjoyed doing that side of it. So he said why don't you get more interested in that , I really would, and if this comes off, with this new property, I would really like to get involved in that, that interests me. But, obviously I don't want to work in the office, I cant really go anywhere, I still would have to maybe go to college and learn about accountancy and stuff like that, but – it does not appeal. Not really no, I mean I would like to get involved in that, and he has said , and I have started reading and in renting properties that he rents out and I'm reading through the files at the moment. so it does interest me. [.B1/V2/G3S3/1/p2]

She was clearly giving a lot of thought to the reality of the way her life was shaping up, and was not able to articulate the frustration she felt at her inability to find the right place from which to launch a career:

As far as this is going I can't really see - I don't think there's anywhere for me to go here at all. I mean basically we can't have 2 office managers. The only next step would be her job, there is not enough room for two people to do that job. That's her job and maybe So I don't think there is a place for me there...

[and concerning the property company]:

then again that's what he enjoys as well, so is there enough room for the two of us? I don't know, I suppose it depends how, I mean, if this things comes off that he is talking about buying the land, just now, this would be the biggest development that he has ever done. So I don't know, maybe it would be good, because basically the flats he has just finished, it would have taken two years to get it from A to B. Maybe when there's two of you working ... maybe you could half or quarter the length it took. [ibid.]

Although she was making an effort not to disappoint her father, it became clear that both her father and her elder sister also knew this was not working. It was evident that her father was struggling with how to keep her engaged in the firm and how to find other angles he could use to generate commitment from the youngest to remaining in the family business:

...I was disappointed with her -I've discussed it with [G3S3] actually, because she is, if you like, her superior in the general office. [G3S3] commented on it, but I said to her in November time, ...the property file, take your notes ...she took the largest file but she has never took another one, and I find that a bit disappointing... I'm looking for her to show initiative...she has been given an opportunity, so it's up to her.

She is obviously and intelligent girl, but it is maybe a sign of a lack of motivation anyway...[G3S1&S2], obviously they've worked for 10 to 12 years and they see their future . I've tried to figure out what her future is and what it could be. [B1/V2/G2S2/2/p17]

The father had therefore taken some responsibility for working out what her life could be, and in so doing, tried to relieve her of doing some of her own adult development work. Aware of the relatively high quality of life his daughter had got used to, he started thinking about what a dose of reality would be like for her if she had to find out how much she would have to earn enough to support herself to even a basic standard of living. The tenor of disappointment in his comments implies that he expected her to take his needs (to have his children around him) into account when planning her life. This would be a tall order for a young person with relatively few of her own resources to draw upon:

I think [G3S3] is still in that quandary. She doesn't know truly what she wants herself, she doesn't see a role in the company business and she has been quite satisfied to live in my house, to enjoy the fruits of that as a family and at the moment that's quite sufficient. Until something is forced upon her, you know , maybe crystalising... go and live on your own, provide for yourself, you can work within the company, but it's up to you to create your own career...I get that impression, she's happy with what she is doing, she is happy with her lifestyle, because she has got a very nice house to live in, she drives a very nice motor car, she's maybe not an ideal salary, but she has got a reasonable salary and everything jogs along quite nicely.

But I'm surprised, because, she is very bright and I would have said ten years ago she was the brightest of the three. I'm not criticizing the other two, but obviously, she has a distinct lack of motivation. Maybe that's the way she is, everybody's different. [ibid.p18]

This is indirectly pressing her to shape up, be grateful and don't let father down, emotionally binding her to the business and making it harder to separate from her family and become her own person. Since the developmental tasks for a 24 year old are to experiment with different elements of the life structure (occupation, interest and relationships) and to test these, her father is (perhaps inadvertently, perhaps not) holding this back.

The son's struggle was of very different form and illustrates how gender issues can show up for next generation family members. The daughters were given jobs and struggled to find their niche in a personal way, whereas in the male dominated construction industry, the son had to fit in with the men on the tools and so his search for a meaningful career and credibility as a young adult who was also the boss's son was much more public. Labeled as a "hothead", his cause was not helped by the fact that he drove a Porsche at the age of 19, and that non family managers did not enjoy the same benefits. Although the son paid for half of the car, the company ended up paying for it after some financial maneuvering when the successor was involved in a crash. The crash happened when he was 19 years old; it was clearly a shock for all concerned, and after his recovery, the financial adviser observed that his behaviour became more settled and less rebellious [B1/A1/1/p16]. Being young, lively and having access to wealth can be hard to balance against the disapproving gaze of your fathers' peers, who expect that one day this youth will call the shots to them. Over the years, the son / successor earned the respect of the junior staff by serving his time and working in and around the factory departments. However, he continued to have difficulty with his father's peers, and there were tensions when he tried to have a say in what or how things should be done.

Three things happened in the early 1990s (the Working Together years), which led the successor to develop very high expectations that he would get control of the business soon (within 2-3 years) and that this would be done in such a way as to engender the support of the senior managers. Firstly, a *business development* idea (claimed by the father to be his idea) was pursued to grow part of their business (supply-only) into a department and income stream in its own right, and put the successor in charge of it. Secondly, in 1993, when the father was 51 and the successor was

25, he engaged the firm in a “*succession management programme*” being held by the local enterprise company. This got the successor and his elder sister involved in seminars and led to an assessment being carried out of how the firm was positioned at that time for a successful succession. Thirdly, the father started telling his son how, when the time was right, he would bring all the staff together and make an announcement *about the transfer of the title and power*: that the son was now in charge, and how he expected the non family managers to ensure their support for the successor as they had done for their father. These three events led the successor to believe that he really was on a fast track to power, and to have faith in his father’s plan. Although some of the plan worked well, it was not to be all plain sailing for either generation.

6.2.3.1 Business Development

When the father saw the opportunity of developing the supply-only side of the business, it made sense to use this as an opportunity to give the successor some responsibility and autonomy. To make it work, he required authority and so he was promoted to be the manager in charge of this, making his position equal with the senior non family manager. He also needed to develop a collaborative relationship with his peers and the senior managers in order to get them to support the requirements of this newly formed department. He had to modify the way they had always done this part of the business, and to give it a higher status and priority internally if it was to work. The non family managers were still mindful that this was the boss’s son who was asking for support.

The successor recalled:

That’s what first brought me into the office to run this department ‘cause we always ran the supply only bit, what you find is supply only is just little bits and pieces of jobs, nothing big. It was always when we were doing big jobs it was a bit of a nuisance nobody was really interested. That’s what first brought me into the office. It was then I found there was more profit in it. So I was brought in to sort that out. I suppose to make more of it...I think this was my kind of chance to go with the office and rather than taking somebody else’s job. [B1/V2/G3S2/1/p5]

By identifying that the firm could make more money more quickly if it gave priority to this work, he was building his case for support up and down the line:

...there was a market but we could have done with somebody concentrating on it, and that was my chance to get management experience and a general feel for the overall business, because what I do is, I price it, once it’s priced, I follow it up and if we want the job then I can get it on my work sheet get it into the workshop, get it made and then get it delivered and then get it invoiced. So really I’m doing everything other than chasing the money, because that’s done from a central point. so it’s given me a taste for every bit of the business. So I’m getting a mix of everything, but all for a purpose as well. [ibid.]

This led him to see the need for a more formal approach to marketing, and to take on a marketing graduate. Unlike his younger sister, who was struggling to find a career path, he had now found a niche on which he could focus and he began to feel very positive indeed about his capability. The father's financial adviser said he had achieved considerable success with this:

As I said he started with the supply-only division. Took it from nothing. I am talking about that doing somewhere in the region of £700,000 or £800,000 next year and now people know what that division is doing and if you take something from scratch and build it up like that in 4 or 5 years then you are going to get the respect of your peers.[B1/A1/p7]

and by 1996 the son was beginning to feel he was making progress as the successor-in-waiting:

Yes, I really enjoyed it. Obviously through time, I mean, I've always been positive about [the family business], but now it's even more positive. [B1/VB2/G2S2/1/p5]

6.2.3.2 Succession Management Programme

In 1993 the father enrolled the firm on a "Succession Management Programme" which was offered by a management consulting firm and for which the Local Enterprise Company provided a subsidy as a financial incentive for relevant firms to participate. The issues identified by the programme are summarised in Appendix 4.

Enrolling the firm on this programme illustrated that the father had two issues to deal with: one was to encourage his son's commitment to the business by demonstrating to him that he was being lined up for the power and status that would come from taking over his father's business role; the second issue was to get access to outsiders' views of the calibre of his successor. Once the father had more information about these, he could monitor the pace and content of his own self-managed succession plan. The programme showed that the successor was nowhere near ready, that the successor and his eldest daughter had some critical training needs and that the senior management of the firm had to start engaging themselves, and the next generation, purposively in strategic planning. Although the father was able to show he was actively preparing his financial strategy for retirement, it was clear that he had not worked out how to let go emotionally and physically. It also showed that the consultants did not recognise the issue of how power would be shared amongst the siblings if it were to be a sibling partnership, and that they had gone along with, rather than challenged, father's thinking about whether this was a CO-SP transition (what it was in theory) or a CO-CO transition (what he was trying to make it, and what the consultants thought it was). They did not reconcile the timescale for successor development recommended (3-

5 years) with the timescale for hand over of the MD title in 2-3 years. This meant they inadvertently fell in with the MD's plan of keeping the successor's expectations of an early transfer unrealistically high. The whole process gave the father assurance that no one was ready, and that he should not back off yet. Since this was his plan anyway, it is not surprising that in the programme evaluation process, he noted a few comments:

- a) that the main benefit of the programme was that "our original plans have been confirmed to be correct";
- b) that the impact of the programme on the firm's short term strategy would be "marginal" and that there would be "no change" on their long terms strategy;
- c) that the programme's value to the company's future development was "minimal" and had not been value for money;
- d) and that "further training to be actioned" was the only outcome of the programme.[B1/D5].

The father was clearly not willing to let others (inside or outside the firm) into his ownership of the succession plan. This was made clear from the father's null response to the very strong recommendations made by the consultant that the further work required should focus, in this order, on: the siblings improving on their "needs improvement areas" and management skills by attending external courses and networking with others in their peer group, the management team doing training in people management and personal effectiveness, and then a series of strategy workshops with the whole management team to be carried out [B1/D6/p10].

Despite this clear remit for further work, the father criticised the programme for not providing on-going interest and guidance. [B1D5]. The only outcomes from this whole process were the successor attending a few low-key seminars, and his eldest sister going to the auditor's firm for guidance on financial management systems. Neither of the offspring had a clear training and management development plan. It was clear from this that the father was not ready to share ownership of the succession plan, and that he wanted to be in control of the process and who became involved in it. If the consultants' appraisal of the offspring was reasonably accurate (they used a combination of a management profile assessment instrument and interviews in their data collection phase), it is clear that the siblings could, after suitable management development, complement each other well in a sibling team, each offering strengths the other lacked. If having a sibling team in control in the future was the father's goal, then the father's approach to a number of

flaws were likely to reduce the chance of this happening. These include the evident gender bias which marginalised females in the family and put the pressure on the males to keep the family maintained in a comfortable lifestyle; the father's need to be self-sufficient and to manage and be in control of all dimensions of the succession process himself; and finally, the untimeliness of the succession, in adult developmental terms, meaning he is not ready to implement his stated goals and reorganise the structure of his life.

6.2.3.3 The Plan for the Transfer of Power and the Title

Whilst the successor was building up his expertise and credibility on the supply-only project, and following the consultants' foray into succession management, the father did not work on the development of strategic awareness in the management team as the consultants recommended, or on the development of his offspring as a true sibling partnership. On the contrary, he kept those in various parts of the system unaware of these options and their potential value, and on retaining his own position as essential as it ever was, all the time reminding the successor that his time would come soon. Continually temporising, he maintained control and ownership of the succession plan as well as the business. He also reinforced everyone's assumption that this would be a CO-CO succession rather than a CO-SP succession. One of his habits was to tell the successor, on numerous occasions, what would happen on the day he would become a director:

I said the day is going to come when I have made up my mind what I want to do. I will sort it out in my own mind. We will get the relevant people together and have a friendly meeting and say 'this is what I have decided to do, this is the timescale I want to try and do it in and as from Monday morning I am making [G3S2] Managing Director and I am expecting you and you to give him the same support that you gave me. I am not going to disappear, I am going to be in the background to help out when experience require it, I will be putting more onus on to you people and [the successor]' that's roughly how I will handle it.
[B1/V2/G2S2/2/p9]

The father was heard to say this many times during the data collection process. During an ad hoc family research meeting attended by the father and all three offspring, the adult children visibly glazed over when he said this again, and it was obvious that they were waiting for action, not more words.

These three events during the Working Together phase (the business development opportunity for the successor, the succession management programme for the firm, and the verbal affirmations and description of the forthcoming transfer of the title) led the others in the system to monitor the

situation for evidence of progress being made in the succession. Any or all of these events could have signaled the end of the Working Together phase and the start of the Passing The Baton stage (PTB). That the PTB stage had started was vocalised by the father on numerous occasions, but his offspring were not convinced. At the start of the research period, the successor asked the researcher in passing if such resistance to handing over the title was common in all family businesses. The father initiated the events in the WT phase to keep the successor committed and to test his plan against an outside assessment. They raised everyone's expectations of progress, but led to disappointment especially for the successor who had delivered the goods in terms of his new department, but he did not feel sufficient progress had been made towards his own goal. The father was dangling carrots in order to delay action because he was not ready himself to share the overall control of the business, or of any of the succession plan and process with anyone else.

In the early part of this phase, the father enjoyed having his family around him in the workplace and perhaps felt this made up for not being at home during their childhood. However, he then found himself having to put a lot of effort into keeping them there. During this phase, he did not lose sight of the business environment, where there were two recessions affecting the industry and three elections between 1982-1992. There were major changes to the capital gains and inheritance tax system, and this had to be addressed too. Insurances were taken out to offset potential inheritance tax consequences.

During the Working Together stage, the family business in this case was the medium through which the next generation's adult development process was at times held back (individuation, separation, self direction and freedom of choice for the daughters) while at other times, it underwent an artificial acceleration engineered by the senior generation (career advancement goes along with expectations of enhanced social skills and maturity for the son). That this was an outcome of the way in which the adult development stages of the two generations were misaligned became clear as the Passing The Baton stage got underway. This stage was designated to the years 1996-98 because of the father's agreement (as indicated in the 1994/5 survey) that the succession would be complete in five years. However it is evident so far in this case that there is a very blurred boundary between the WT and PTB stages.

6.2.4 Succession Tasks

6.2.4.1 1995-98: To Pass or Not To Pass The Baton?

Data were collected from 1995-1998, and during this time, the firm went on the acquisition trail and successfully made an acquisition in 1997. This was a significant event in the firm and in the family, and brought around structural change in the system's evolutionary process before the acquisition. For this reason, this section has been divided into the periods before and after the acquisition.

6.2.4.1.1 Procrastination Before the Acquisition: 1995-1996

By 1995, when this research began, the father in the senior generation was 53 years old and at the adult development stage called the *Culmination of Middle Adulthood*. His middle adulthood years (38-55) were good years for him. The life structure he had built in his 30s had served him well, as had his business strategy, and he had succeeded, perhaps with a little difficulty, in keeping his family around him in the business so everyone could gain access to the fruits of that effort. But there was a major problem: he had been seen to press the accelerator pedal on the succession timetable and created expectations in all the people around him in the family and the business that there would be an early retirement. He had told everyone that his Dream was to be a successful businessman and retire at 50. This was modified for financial reasons to 55, and despite some reservations his offspring believed that something would and should happen at 55, and were beginning to think about the consequences of this on their own lives. Aged 30, 29 and 24, they were relatively young to be seriously thinking about major career commitments and taking on such responsibility and power: they still had not experimented much with other choices for their lives. Of the three offspring, the son had always been destined to be the successor and, at 28, he was himself in the Young Business Family stage (he had a wife and a baby boy) at the same time as being on the succession path with the senior generation.

The father claimed publicly that they, as a father and son, were Passing The Baton. And, his agreement in the family business survey of 1994 that the succession would be complete in five years, along with the firm participating in the succession management programme in 1993, support this. But privately, he acknowledged, and it was evident, that they were a long way off Passing the Baton in terms of the tasks to be achieved. Financial planning for retirement had certainly been

given priority ever since his own father died in 1972, and the pension fund was able to support a livelihood independent of the business for him before he was 55. But all the other tasks, especially decisions about personal life goals and activities after the business, governance of the family and business, preparation of the successor and siblings for leadership and ownership were systematically postponed or denied. It became evident that the public and private versions of the succession were different. Also, that in the context of adult development, the calibration of senior and junior readiness for change in power and structure was wrong, and the father was “out of synch” psychologically with his plans and with the people who were implementing his plans. He was nowhere near ready to modify his life structure and build an identity outside the business.

6.4.2.1.2 Personal Identification With the Business:

The period before the acquisition was finalised was characterised by the father almost agonising publicly and privately, about his “dilemmas” and “quandaries”. Whilst this did seriously preoccupy him for much of his time, it was obvious that those around him were becoming somewhat tired of hearing about his “schemes” and deliberations. He vocalised his thoughts at great length when he could. In an ad hoc family research meeting with all the offspring, they became restless and fidgety when, for over half an hour, he discussed all the hobbies and interests he had been thinking about but rejected for whatever reason. Also, the financial adviser said

[G2S2] is the only person when he comes in for an accounts meeting, I write-off a day. And the accounts probably take an hour and a half and the rest of it is simply talking about business, frustrations, aims, aspirations, goals, what he wants to do, what I think of certain things. He, I think finds that useful. I don't know that there are a lot of people who he talks to openly.[B1/A1/1/p11]

It was as if he was going over in his mind all the tasks he was aware of that he had to address, but when he got stuck (not knowing what to do, or knowing what to do but being unwilling to do it) he reverted back to going over and over the logic or reasoning, never quite committing to any firm plan. Probing for more information on what prevented him from pinning down his plan was time consuming and led the father into considering his own needs more thoughtfully. At the first (introductory) research meeting, it was surprising to see how keen he was to explore these personal issues with a relative outsider, clearly he was anxious about it, but as was found later, he had run out of people with whom he could indulge his thinking. This initial meeting was not taped, but notes were written throughout and typed up later:

He spoke with little interruption for over an hour. He said he'd talked at length with [the financial adviser] about it. They had explored his options. Clearly demonstrating his depth of thought on it, he said he'd like to : do a degree in archaeology, get involved with other businesses, sail, sail in the med., take more holidays, get more involved in the property company, and do fewer days and focus just on the bits where he can make a difference - e.g. consulting on ongoing specifications for deals."

It was becoming difficult to remain empathetic whilst feeling a little exploited, but I decided to indulge him and see if what was underneath it all may be glimpsed. Finally, after some considerable time, it became clear that a major part of this was his identity being tied up in the business; he was the business: "when I go for fuel the blokes at the garage that fill up my car know I'm "the bloke who owns the big firm down the road". After, it would be "he's just someone else" . And, you have to move over and give the younger ones a go so it would be hard to get back in". He described it all as a "quandary" (b1/v1/f 1 p1).

How to create an identity, and a way of life that would be worthy of his stature was clearly a big challenge.

6.2.4.1.3 The Marital Relationship

Life after controlling the family business would also involve his spouse, but working out what this should, or would be like was not an easy task for G2S2. His wife was the same age (53 in 1995) and was therefore relatively young to be thinking seriously about their life structure for later life other than financial preparation. Her daughters both described her as happy, supportive of her husband, thoroughly enjoying her work as a supply teacher and very unwilling to consider giving this up. The father said it was sometimes difficult for them to go on all the sailing holidays he planned because she was reluctant to take time off other than the school holidays.

The siblings were all very conscious that their father's "letting go" was going to be very difficult indeed:

...he was saying there was a lot of things he would like to do. He would love to be able to just go on holiday and not worry about it. But I think he would always be in the property game, he is talking about having an office at home, still having the responsibility, but having the time to just to be able to do what he likes, taking afternoons off, go easy whenever it suits him. But the only thing I think as well, my Mum is not interested in leaving her job. She works as a teacher ,and I don't think – I mean she loves her job, she doesn't want to leave, but I think she would love the fact that they could do more traveling and things together. But she will only want to go in the school holidays. Obviously she gets a lot of holidays, but, you still just can't say we're going next week or whatever
[B1/V2/G3S3/1/p8]

This was one of the strands that he was trying to put in place, but was experiencing resistance, this time from his wife in the family system, just like there was resistance in the business system from the non-family managers.

6.2.4.1.4 Letting Go

In addition to finding an identity outside the business, and working out how to balance his wife's career with his retirement, there was the related issue of literally letting go of what he has created in the business. All the offspring were vividly aware of this being a major difficulty, probably because they had been led to expect and watch out for it, and so far, they had only seen the process of easing out being put off. After the family meeting, the youngest commented

I don't think he can. I think he has got to let go to a certain extent. I don't know how that's going to come about, I think that is the most trickiest part of the whole thing. How does he control but not control and let other people get on with it , but still have a finger in the pie type of thing. I think , I know he couldn't be one of these people who play golf ...No , I think he would like to have his freedom to go on holiday, he loves travelling. He has spoken about going back to to archeology. I thought, God, that's my dad, I didn't know he was interested in that. [B1/V2/G3S3/1/p8].

The successor took a more pragmatic view about the timing of his departure and there being an announcement; he recalled the times his father had said he was retiring at 50, then 55 and when he had said it would be 2 years or 5 years. At the ad hoc family research meeting, the father said he would ease out in a few years. The successor interpreted this not as his father physically easing out, but about him reaping the rewards of the pension fund:

Interviewer: Is it a more serious proposition?
G3S2 I think so. Yeah I think he is interested , he's interested in the money side of it. I totally agree with him. Why wait? You've paid into it so you are as well enjoying it. That's what I would say...I would encourage it, because I would like to see him get his money, he has worked for it, not me. I think he should enjoy it , and I'm really a hundred percent for that, that he should get his money and do the thing he's wanted to do. Take as much time as he wants, he put a lot of hours in. [B1/V2/G3S2/1/p6]

The successor's sense of urgency may be explained in the comment which revealed his awareness of the personal price he was paying for waiting in the wings:

One of my reasons for working late and all the hours and weekends - there's a lot to learn, and I want to learn as quick as I can, because I obviously want to get on as quick as I can, so that when my Dad's retiring, I know as much - I started at sixteen and am now twenty eight - so that's 12 years I've been in the business, and if I'd been bumming around, doing another job, or sailing, wanting a good life for a year or two, going to America, down to the Med - that's something that could have been done. I fancied architecture. When I was younger, I used to do a lot of drawing and I quite fancied that, but , you've to go to Uni and that and I couldn't be bothered, and that's what you need to do. [Ibid.p6]

The eldest was also at the stage where she wanted to see some action in the form of evidence that he would be able to let go:

In his current role? No I can see him - I know that he wants to back off a bit, but he's definitely got to come to some arrangement of what exactly he is going to do, up to know it's been talk, talk, talk. I think as I said in there[at the family meeting], I just really don't ...

working half days every week or something and then [the successor] will feel more into it.
[B1/V2/G3S1/p4]

The father himself knew this was not going to be easy and had started to try taking time out:

G2S2 I know damn fine I could retire as such totally, but I do know that over the next year or two, I could start easing out. I am going to try and take a week of a month at the moment as a gesture if you like, ...and see how I like it. ...That's as far as I have thought at the moment, but I am going to try and do that, or as near as possible. Consciously, people then become aware, he is only 3 weeks out of every month and you are preparing them, A formal announcement or should do it surreptitiously, I am not quite sure what is right, but I am trying to teach myself to step back.[B1/V2/G2S2/2/p6]

There were frustrations and anger present among the siblings, who were apparently all aware of their own lives being held up in some ways by the father's procrastination. His verbal wanderings into his options and the moving goalposts of the retirement / announcement date added to their frustration. When this consequence was pointed out to the father, his reply showed how frustrated he himself had become with the matter.

G2S2: I've not set a date.

Interviewer: Well that's just the sense I got when everybody was in the room this morning was sort of "well, OK we have talked about this a lot, so what now"?

G2S2: Well as exactly as you and I are talking now, and as I did this morning, I've talked to them and half the time I'm talking to clear my own mind, and let them know as best I can, the routes I'm thinking, so they can think about it. Everybody assumes when you talk about it in this fashion, you are going to drop down dead or you are going to disappear, and I've no intention of disappearing. ... To put it all down in black and white, and be as definite as I can be, I don't know yet, I don't know the answer /G2S2/2/p20

The financial adviser had no illusions about the father's intentions to remain in the business:

The date varies, he talked about 50, 50 was never realistic and 50 was never likely to be attained. When I had dinner with him on Saturday night he announced the fact that he was never going to retire, which was a total 180 degree turn from the previous position, but in truth he doesn't - in my opinion - in his heart-of-hearts want to retire, he wants to be able to be in the position where his second line management is such that he can stand back, become involved in the broader decision-making aspects of the business and not necessarily be so involved in the nitty-gritty of the day-to-day stuff. [B1/A1/1/p2]

During the early phase of the PTB stage (1995-1997) the father spent a lot of time reinforcing the successor's expectations that he would have power and become the controlling owner. The two daughters had become used to not being involved in the cosy chats which took place after they left the building, and during which father and son would strategise together:

To tell you truth, a lot of the time they don't tell me things, its a lot between [G3S2] and my Dad, which obviously I don't know they keep a lot of it to themselves , but obviously you pick up a lot of things, so I don't know B1/V2/G3S3/1/p7]

This was explored with the successor to see if this time was used for coaching or mentoring, or perhaps building up the strategic awareness and management development stipulated in the consultants' report. However, this was not the case:

Interviewer: Do you have monthly management reports?

G3S2: Not necessarily reports, but we have weekly meeting, and it's mainly about capacity and volume not about finance.

Interviewer: Is there ever a get together when you discuss this month's profit and loss accounts?

G3S2: No. My Dad will talk to me. He might say a little about how we're doing...but we don't have an annual meeting, or monthly meeting.

Interviewer: OK. And is there a Board of Directors?

G3S2 No [ibid.p8]

Although a successor would require comfort when dealing with outsiders, in this case, the successor was kept out of the inner circle: he did not see the bank manager and was not party to meetings with the auditor formally or in the advisory meetings between his father and the auditor. It is clear from this that although the successor thinks he is in the PTB stage, and has had reassurances that this is the case from his father, in fact they are still very much at the earlier stage of Working Together.

At the end of this pre-acquisition part of the PTB stage, the father's attempts to make progress with the part of the succession process he was aware of were not amounting to anything tangible or conclusive other than in the area of funding retirement and the pension fund:

What we have said to him is that as of next year, we could probably give you an income somewhere in the region of £[six figure sum] a year. Now, if you then want to pass on the business to the children, you are going to be totally secure from it. Whether they make a go of it or not, doesn't affect you and you can dip in or dip out as you feel is appropriate but, the strategy is there. All the components are there for allowing you to do what you wanted and on the basis of that (inaudible). So really what we - what I see as my part of the job, was to make sure that the cash was available to allow continued investment into areas where we saw the opportunity for growth and we saw the opportunity for tax efficient planning. So we got the asset-base right. and once the asset-base was right, then he could take these other positions, knowing that he is secure. And that is the position he is in.[B1/A1/1/p11]

Ironically, the success of this part of the plan was in fact causing problems because something needed to be done to be sure to get the best value out of all the assets in the fund.

By 1997, the father had turned 55 and stated he would retire in 5 years. Pressure was mounting in the system from the key subsystems towards the need for change, or action of some kind whilst, at the same time, there were reciprocal forces against change (Figure 6.2.2). It was against this

backdrop that something had to happen to defuse the pressure / tension which was affecting all the constituents. The acquisition of a customer met this requirement nicely.

Table 6.2.1 Forces for and Against Change in the System in 1997

For Change	Against Change
Individual Subsystems:	
<u>G2S2:</u> Has explicitly stated he'll retire Has retirement funds in place. He needs another mission	Not ready for life outwith the business Social identity / self worth tied up in the business. No one thinks he can let go. He fears transferring power to his offspring
<u>G2S2Sp</u>	Not ready to sacrifice own career / life structure to accommodate husband
<u>G3S1</u> Frustrated with her brother being kept waiting. Frustrated with lack of action	Fearful of responsibility & senior role Lacks credibility with senior team in gender / role terms Socialised to be secondary to males in the business.
<u>G3S2</u> Has been promised title / power for >4 yrs Has proven he can develop the business Has credibility with his peers Keen, enthusiastic, energetic, Has the support of siblings	Has not been shown key systems, financial management, involved with advisers etc Non Family managers concerned about financial management under successor
<u>G3S3</u> Disillusioned with her role/career	Relies on business for accustomed life-style
Family Subsystem	
<u>Parents:</u>	Delays final launching of offspring Delays contemplating late adulthood
<u>Offspring</u> Opportunity to take on new challenges & personal development within the confines of the family business.	
Business	
Has access to surplus pension fund assets In a tricky industry, opportunity to diversify / expand.	Structure and ability of management team.
Ownership	
Successor anticipates being the next controlling owner	G2S2 not ready to transfer ownership & give the siblings more power.

6.4.2.1.5 After the Acquisition: 1996-1998

The talks about the acquisition took place throughout 1996. Everyone was very excited about the possibility of this taking place. The financial adviser was working on using the pension fund to secure the funding of the deal, and was also exploring the advantages and disadvantages of there being a holding company structure. In the adviser's view, the exercise had invigorated the entire family by giving the father a new mission and justification to remain in situ. He expected the father not to retire within at least four years, and that if it went ahead, the acquisition would create the scope to "take the company onto a very different plane" [B1/A1/1/p.6]. The summer of 1996 was full of frustrations when it appeared that the deal was on , then off, then on again. Between November 1996 and January 1997, the deal was finalised and the family were elated.

The father had clearly been searching for a new challenge, something that would keep the family and business together and had found what he was looking for. The financial adviser said the father had been worried that the stimulation he received from the business had worn off and it had become tedious:

That's what he said on Saturday night [at dinner] . He said that he had become jaded and he wasn't enjoying work because it was simply a repetition of what had been going on for years...[the acquisition was the] fulfillment of aspirations that he has had for the business but never thought could be achieved. And yes, he was excited about that and he will go on for another 5 years anyway. [ibid.p.15]

The next research meeting with the father took place the day after a discussion about using the pension fund to finance the acquisition:

- overnight it will double the size of the business at least. Once again to be able to do that finance act where we will be borrowing from the pension fund etc. which is totally different from what we have set up so far. The pension wasn't set up for that reason, but it's got that flexibility obviously. So that was the reason for the meeting yesterday... The reason for it obviously was - it's all relative to what you are talking or interested in ... and scheming for the future and where are we and what can we afford and when should we do it and timing and all those kind of things. Once we have sorted out what we want to do or what we think we want to do p3
[B1/V4/G2S2 /2/p4

After the years of nothing happening in the business, and false promises of a succession event, the elder siblings were thrilled with how quickly everything seemed to be changing in terms of certain aspects of their jobs:

G3S1: It is exciting. Hopefully, it will have a lot of extra work, I just hope we can handle it all. I am sure we will really. I think like that. You get you have been doing the same sort of job for so long and then suddenly you have about three times as much work to handle.[B1/V4/G3S1/2/p8]

Their titles also changed, because the father decided to appoint the successor and eldest daughter as directors. This was something they had been anticipating for some time. Their expectations about what steps would be taken and how it would be handled had been raised by their father over the years: how he would get the staff together and make an announcement. By 1997 he was ready to act:

For a good number of years, it has been in the back of my mind to make G3S2 a director and eventually G3S1 a director because obviously they both carry out very important roles in the company. Looking to the future, I was the only working director in the company. My wife was a director, but only to sign a document, therefore to grow with the company, it was better to have them on board. I feel as though they are mature enough now to act as directors in all respects and they deserve the reward anyway for the work effort they put in and it is what I want for the future for them is for them to be directors and to run the company and I think that they are good enough.

However, he did not make an announcement and this took the edge off a thrilling phase in the family business for both G3S2 and G3S1:

That was one thing that I thought would have been a good way of doing it. Sometimes my dad gets tied up in other things. He does think about these things and then they go out of his head. I think that is the way it should have been done. In fact, he told the surveyor and he meant to tell [NF1]and [NF2]and they actually heard from others. It wasn't until the Monday morning and he felt really bad about that whereas if he had just called a meeting and said this and that there would have been no problems. I know my dad felt quite bad about that. It could have been handled better. There was actually a notice put up in the notice board in the workshop to let all the workforce know... My dad did say that when it happened he was going to make [G3S2] and I directors of B1and [acquired firm]. One Friday morning I was asked to sign this form and it was congratulations, you are now a director. I cannot remember exactly when the time was when it happened [B1/V4/G3S1/2/p8]

The father's version did not correlate with this:

G2S2: G3S2 and G3S1 did not know until a certain date. I just did it. They were delighted. It has always been known because I have talked about it for ten years or more. We have not had meetings to discuss it but people have known what my intentions were as a family business. People were nervous obviously that that these people [the siblings] were good enough to protect their employment - whereas they trusted me. They were worried about changes. There has not been any change from that point of view.

Interviewer: What steps did you take?

G2S2 Well I informed G3S1 and G3S2, I then informed the staff individually that I had made them directors. [B/V4/G2S2/4/p6].

It is clear that there is an issue around this event among the family members. The father had discussed in the past making them directors as a "gesture" [B1/V2/G2S2/2/p18] to the offspring as

was the case when he gave 1% shares to his son on his 21st birthday. Whether the offspring do not know, or realise that this may be the case is not known.

Evidently, in the euphoria of the event, they were too excited to bring the issue of their father not fulfilling their expectations up and he justified the promotion as being deserved because they were now "mature":

G3S2 is married now with a family. G3S1 isn't, unfortunately. They have both got great experience in the areas they work in. G3S2 has been primarily concerned in sales and marketing and manufacturing the products. He has learned a lot over the last two or three years on various courses, working with [NF4] etc. They have made a big success at what they do but he has matured in his relationships with like the existing works managers and the work force and where he was maybe a bit hot headed and impetuous at times he has learned to manage that.[ibid.]

The result of this approach is that the father has not had to face his peers and ask them to regard his offspring (especially his son) with the same seniority as himself, and so that part of his self worth which emanates from success of the business is intact. Also, the non family managers need not fear his grip being lessened on the business and its control or direction. The difficulty and danger associated with using rewards in the business as gestures for family reasons is that they can be misconstrued by the recipients as being an affirmation by their parents of their capability; if this is not the case, then it can be crushingly disappointing for the recipients. The eldest described the elation she felt on becoming a director:

Being made a director was quite something for me. I don't really know how it affected G3S2 . The money did not really come into it for me. It was quite a bit of an honour.[B1/V4/G3S1/2/p8]

Yet the indirect way the father dealt with the non-family managers over this issue belies the impression he is giving the adult children about their stature, role and position:

My dad in the past was very protective of all his other managers that had been here for so long and he did not want to put anybody's nose out of joint, whereas now he does not really care. It is like, you two are there and you are my right hand people. That is his attitude now.[ibid.]...but I think it is also a reward. It was going to come at some point . I think it is a reward for the fact that we have been here and we having been working in the company for so long as well. I think it was a good time for it to happen...I think what it says is that he has the faith in G3S2 and I and the rest of the team here to do the business. I think he thinks that we will be able to handle it OK. [ibid.98]

If the offspring had reservations about this style of announcement, it was clear that the successor had taken to his task with relish anyway:

G3S1: I think he has handled it very well. He has taken it all in his stride. The company we have taken over are still over at their premises in XXXX. G3S2 is over there most of the

time running that. He has already got production up over there by about 30% and I think this is just [G3S2]'s idea of heaven.

Interviewer: It is the break he was looking for?

Nicola Yes, definitely. And also the discussions and meetings with the take over of the new company, [G3S2] was involved with my dad all the way through it and I think he really impressed my father. I know he impressed other people who we know. I think he is really enjoying it. He can handle it. He knows what he is doing. He has my father's backing. He is behind him 100%. I think it has been a very good thing to happen for the family.

Hopefully it will be a good thing to happen for the business. I think it has been good for the family as well. [B1/V4/G3S1/2/p2]

Around the same time as the acquisition, an internal development took place which created a niche for the youngest daughter, who had been very disillusioned indeed about her future and being trapped in the family business. The job of buyer, which had been held by a non family manager who had been on sick leave became available. A decision was made by the father that his post had to be filled and since the employee was unable to return at that time, he was paid off. As with the administrator who left when the eldest daughter was threatening to leave to find better prospects, it is not clear exactly what role the father played carving out roles for his daughters. What is clear, though, is the timing of these incidents. This career opportunity gave the youngest the direction she was looking for and made her feel as if she had something real to contribute to the family business at a time when it was really growing. Her elder sister was enthusiastic about her progress and could envisage the day the youngest would also be a director. The difference in the youngest sister from one visit to the next was very marked:

I'd been here for a few years. I was not really enjoying myself very much... It has all changed now. Well, [NF3], who was doing the buying had to leave due to health problems and basically my dad said do you fancy doing it? I said yes, it was something that was at least a proper career. I just started doing that. I had no training or anything. I did not know anything about it or anything technical about it. I was flung right in at the deep end and I love it. [B1/V4/G3S3/2/p2]

.... I feel as if I have much more responsibility. I enjoy doing something. I have to speak to a lot of people. Some days I can go in and spend five hours on the phone all day. I have always got to deal with reps coming in to see me or trying to sell something. Whatever. It is more like dealing with people and playing games with them... I would like to be my own boss. I don't really know where I see myself in ten years but I definitely still want to be here and be involved. [ibid.p4]

Her father, who had begun to feel disappointed with her performance prior to this development commented on the turnaround:

[G3S3] is now the buyer. She is doing tremendously well. She is good. It is so complementary to what the other two are doing. Everybody speaks highly of her, both brother and sister, managers and the companies we buy from. She is due an increase. I have told them all that until I have things settled down and a bit of space in my mind, I

have done nothing if you like. They do not worry about that. They are more concerned about the thing working well.[ibid.p8]

If the siblings were thrilled about the pace of change around the time of the acquisition, it was also evident that they were monitoring the situation and weighing up what it meant for them regarding the succession, and whether their father's future role would remain the same. The tension around this was still evident, and voiced firmly by both daughters. The youngest was of the view that her father should not have the same presence in the future:

I would hope not. I don't mean that I want rid of him or anything but for his own sake I think he should. I think eventually he has just got to say "right, G3S2, here you go, you do it. I can't keep interfering". I don't think you can have two people who you are supposed to think are running the company really.. You cannot just say get on with it when he is still holding the reins as much. ... [B1/V4/G3S3/2/p5-6]

The eldest now envisaged a three to four year timescale:

G3S1: I think maybe over the next three to four years when he basically gets his money back that he has invested in this new business, once the return is back, I think he will take a further step back. I think he will put G3S2 into managing director. I think he will become company chairman or something like that. I think that will be the way forward for the company... It has been discussed in a round about way. He may go into more details with G3S2, I don't know. ... [B1/V4/G3S1/2/p8]

The father was aware that the same issues of succession transition had not gone away, and that the acquisition had allowed his declared timescales to slip back into a timeframe offering him a window of opportunity during which he could position all the adult children onto the board:

It is early days yet but I anticipate this move will make my decisions easy to make. My ambitions are still the same that I do wish to retire earlier rather than later. When I say retire, I do not intend to disappear totally. I would want some interest. I am now fifty-five. I am enjoying what I am doing again because I am creating something but it is my intention hopefully if things go as well as planned in the two/three year period, I want G3S2 as the managing director and obviously G3S1 . I am quite interested eventually in looking at G3S2as well and the scenario that I was always trying to achieve, relative to retirement, semi-retirement or easing out, whatever the format takes... I have taken a lot of personal risk to do what we have just done.[B1/V4/G2S2/4/p10]

The acquisition changed some of the parameters that has been put in place beforehand, for example it resulted in the father's pension securing the capitalisation of the business, so that he would not have financial independence to the extent he had before the acquisition. It also has bought him time to get his plans synchronised more effectively, and has given the next generation the developmental space to modify their career structures. The financial adviser foretold of the kinds of structural, systems and procedural changes needed in the future to accommodate instant growth of the firm from a single business unit to one of two now operating across split sites in Scotland (until the new factory was built on-site) as well as in central England too. It also took the

firm from £2m+ turnover to £5m+. The financial adviser's view was that it was likely that a non family qualified management accountant would be necessary, and regular board meetings too. This would raise issues about how the new non family personnel would react to having family directors with more seniority carrying out lesser roles, and the father's emerging "family-then business first" strategy. When asked whether he anticipated problems arising from the need for formality to support the much bigger firm, the father said this was not to be a problem, meetings would take place and the family members would be duly trained. The next generation, though, reported training taking place for them only on operational topics such as buying skills (G3S3) and using the new computer (G3S1). The successor did not attend any financial training courses. If the acquisition had not taken place, the father would still have played a significant role, as he felt his job of getting the business fit enough to hand over was not done yet:

I would not want to leave, ideally, if I was given the opportunity, without having done what we have just done, in theoretical terms, if I could have been convinced that in two years time there would be no change in the take-over situation that the family business was as it was which has been growing for many years, if I could have left it in a cash rich situation, the trading situation with our customers was improving, I could have walked away and left it, but I did not see that happening. [B1/V4/G2S2/4/p12]

As it turned out, the acquisition provided the agenda for keeping the business, and his identity intact:

My dad has this new lease of life because he has this new interest with the new company and obviously we have taken on more staff, we are building a new factory.[B1/V4/G3S1/2/p1]

6.2.5 Conclusion

The notable features of this case are:

a) lack of emphasis on ownership transfer in the succession planning

Throughout the data collection period in this case, ownership did not feature highly on the father's agenda as a succession task, possibly highlighting how far away he was from completion of the planning required. A few minor adjustments were made to the Controlling Owner arrangements in 1996 when the father bought out the 6.5% owned by each of his sisters. Rather than think about the future ownership structure in terms of the rights and responsibilities placed on the shoulders of his offspring, ownership was at this time considered to be one of a number of vehicles for rewarding family members. The father controlled all

salaries and kept in mind the ages and financial requirements of his adult children when deciding on salary and perks. Ownership was used as a way of rewarding family members, by means of “gestures” at significant birthdays.

By observing the share transfer movements, and listening to the financial adviser, it seems that even though the founder is in theory financially independent, and perhaps because so much of his identity is tied up in the business, decisions about ownership are to be left until a later stage in the transition process, perhaps if or when the father feels more comfortable about truly scaling down his presence and control in the firm, and letting others take over guarding the direction of the business. Alternatively, illness or some other unanticipated event could precipitate this.

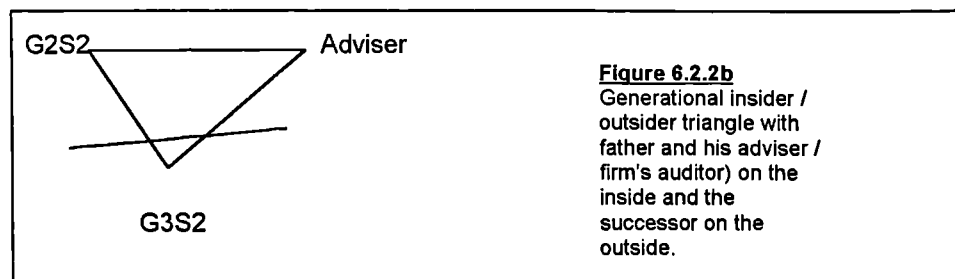
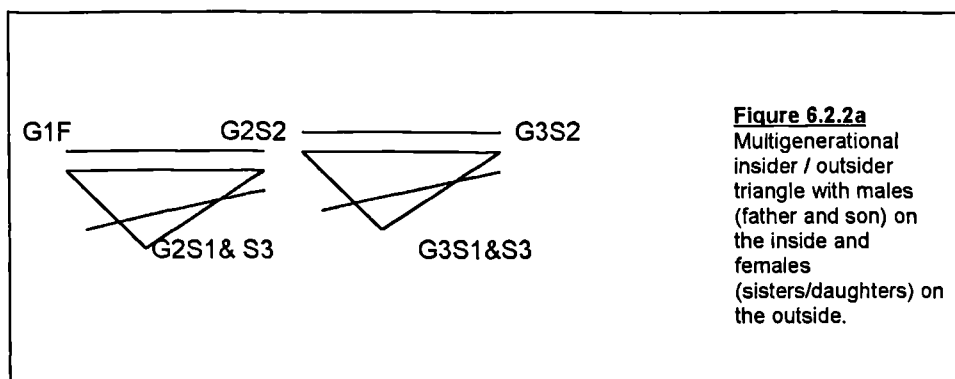
b) a lack of awareness of the complexity of a succession, specifically the difference between CO-CO and CO-SP transitions: What might influence the father's thinking about how the ownership would be divided, since all three offspring are likely to be directors when the time comes? It is clear from the adviser's words that the efforts made by the father and the adviser together have been directed towards repeating the previous ownership transfer pattern to ensure the succession becomes a CO-CO recycle as his father had done. However, the emergence of the youngest daughter's enthusiasm for a career in the business set off some revisionary, but as yet inconclusive thinking by the father about the difference between the decisions needed for CO-CO succession and the more complex considerations of a CO-SP succession. Such a transition is unprecedented in their family business history and puts the father onto new ground, challenging the inherent gender stereotypes in place.

So far, everyone in the system has come to expect a CO-CO transition in which power will be transferred from father to son. The son and daughters have both been socialised to expect this, and the non family managers are clear that the son is positioned to take over from the father. Any adjustments to this, implied in the advisers comments above, could lead one or both of the daughters to raise their expectations that they will have a say in the future of the business, and would shake the successor's belief that he will be the next controlling owner. There is no foundation laid in the succession work carried out by the family so far to accommodate such a change in the dynamics of power amongst the siblings. If this were to come about, it may be that

much of the work that has been done on the CO-CO transition during the 90s through Working Together into the stage of Passing The Baton has been misdirected. The real work of transferring power to siblings may be just beginning, and that the youngest's change in career aspirations has signaled the commencement of the Working Together stage in a CO-SP transition.

c) *the influence of the male gender bias on the lives of the key players, and on the structures in place and being planned.* The two daughters in this case had become socialised into their subordinate roles in the business, ownership and family. The eldest, in particular, did not expect to be party to the cosy chats between her father and her brother, even after she was made director. The pattern of "gestures" and "tokens" from the business towards women in the family existed in the previous generation and was not questioned by the current and next generation either. The gender issue is illustrated in one of the two key triangles in the case (Figure 6.2.2a).

Figure 6.2.2 Triangling patterns in Case B1



e) *the power of emotional triangles to keep people "stuck":*

The other key triangle in this case illustrates a generational bias as opposed to gender bias, since it is used by the father and the adviser to keep the successor at a distance from some of the knowledge, experience and relationships with professionals that he requires as part of his development. (Figure 6.2.2b).

f) the influence of wealth on personal self-esteem and managerial credibility in the next generation:

The lives of the three siblings in this case were affected by the dynamics of wealth in this case in different ways. The eldest was stigmatised at school because her parents' relative wealth singled her out from her friends and made her seem different, and she protected her younger brother when the same thing happened to him. The eldest sister carried a sense of unworthiness from this into her working life, and this limited her sense of self worth. Her younger brother felt the same stigma, but was able to use having access to the family's wealth in a positive way in his relationships, until he had to earn respect and credibility with his peers and the senior managers. The youngest was brought up in a world that now valued materialism so she was not stigmatised at school; however, the family's wealth sheltered her from the reality of prices, wages and the cost of separating from the family home and making her own way in the world. Although all the siblings were proud that their father's work generated their wealth, they had problems dealing with others who did not see this link, nor place the same value on it.

CASE B2

CONTROLLING OWNER TO SIBLING PARTNERSHIP

THE ENTREPRENEUR'S DREAM: ITS TYRANNY OVER A FAMILY IN BUSINESS

Contents

6.3	Case B2: Controlling Ownership to Sibling Partnership
6.3.1	General description
6.3.2	1930- 65: The Founders
6.3.3	1965- 79: A Young Business Family
6.3.4	1979- 88: The New Venture: Entering the Business.
6.3.4.1	Growth Through Creativity
6.3.4.2	--Diversification #1
6.3.5	1989- 93: Working Together:
6.3.5.1	Crisis of Leadership & Growth Through Direction
6.3.5.2	Diversification #2
6.3.5.3	The Sales Crisis
6.3.5.4	Selecting a Family Successor
6.3.5.5	Parenting & Working Together
6.3.6	1993 – 98: Succession Tasks: Working Together or Passing the Baton?
6.3.6.1	Crisis of Autonomy & Growth Through Delegation
6.3.6.2	Diversification #3
6.3.6.3	Politicising Sibling Relationships
6.3.6.4	Coming to Terms With Mortality
6.3.6.5	What Business Are We Really In?
6.3.6.6	Diversification #4
6.3.6.7	The Politics of Organisational Structure
6.3.6.8	The Non-Executive Director Decision
6.3.6.9	Non-Family Directors' Interface with Family System
6.3.6.10	The Influence of Values and Principles on Ownership and Leadership Transition Activities
6.3.7	Conclusion

6.3 Case B2: Controlling Owner to Sibling Partnership

6.3.1 General Description

Key Players (see family genogram: Figure 6.3.1a and Organisation Chart Figure 6.3.1b)

Founding Generation

G1F Founder of New Venture. Serial Entrepreneur.
G1M Founder's spouse (referred to as "the mother")

Second Generation

G2S1 Eldest sibling. Male. b 1954. Co-founder / owner of new venture.
G2S2 Second sibling. Male. B1957
G2S3 Third sibling. Male. B 1962
G2S4 Youngest sibling. Male. B 1965

Non-Family

NF1 Co-founder. Distant relative of founder. 1st non-family director
*NF2 Production Director.
*NF3 Software director
NF4 Consultant
*NF5 USA Manager
* denotes "pseudo-sons".
NED Non Executive Director

1994/5 Family Business Survey Responses (ref. # 256)

- 99% family owned.
- Significant proportion of family in senior management
- 2nd generation in control
- 5 non family or advisers on the board
- Non family in senior management
- No documented succession plan
- Last 3 years average annual sales growth 10-25%
- Sales £1-5m per annum
- Would put "business first" in event of conflict
- 55 employees

This is the most complex of the five case studies presented, in terms of the nature of the transition from controlling owner to four siblings and in terms of the type and size of the business in which the transition was being made. In addition to this, the family gave access to a lot of documentary data and to their family history, which enriched the case study.

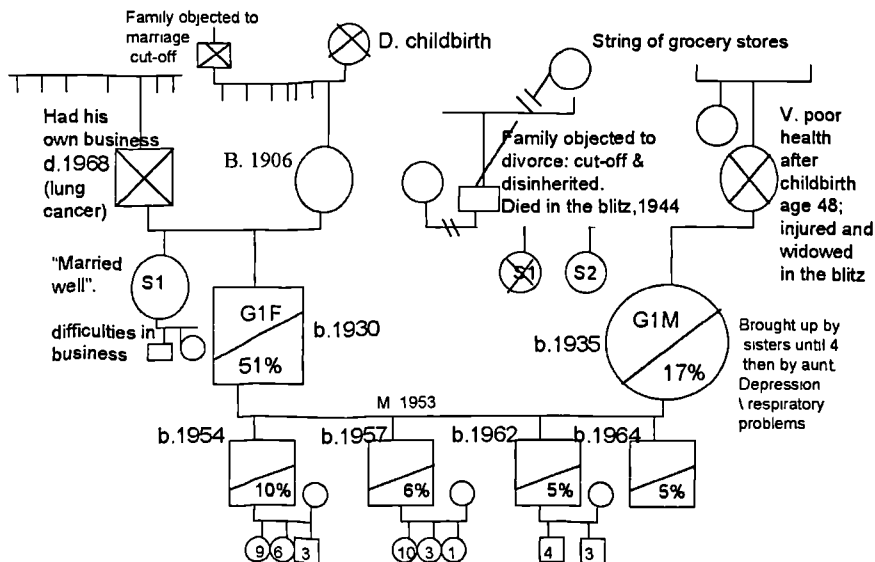


Figure 6.3.1a Case B2 Family Genogram @ 1995

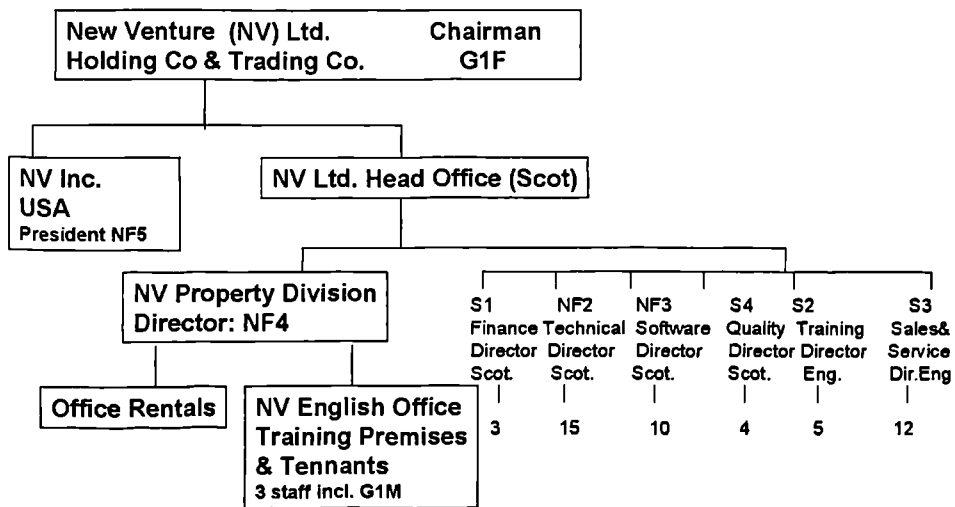


Figure 6.3.1b Case B2 Organisation Chart @ 1995

The way in which the transition from controlling owner (“the founder”) to sibling partnership (his four sons) took its course was profoundly affected by the repetition of the multigenerational family pattern where money, generated from businesses in the family, was used as a vehicle to keep members connected to the family of origin, often affecting their preferred life-courses. This was a recurring theme throughout the lives of the founder and his spouse: their sense of duty to their own elders affected the course of their marriage in its early stage as a Young Business Family. Then, in the transition taking place in the 1990s, the founder and his wife based their own succession structures and arrangements around their need as parents to ensure their offspring the promise of wealth, in order to maintain their family connection and to perpetuate the parents’ values after their death.

The case study starts with the founder and his wife’s own family histories and stages of adult development, and relates these to the driven, serial entrepreneurship mission carried out by the founder over the years. The New Venture began in 1980. By 1990, when the generational transition started up, it was clear that the family had paid an emotional and developmental price for the promises of wealth made by the founder. However, this seemed to be forgotten about most of the time during the excitement of the firm’s growth and creativity, where the next generation used work as a defence against thinking about the lives they forfeited when compliance to their father and to the family pattern led them to enter the family business. It was only at times of difficulty in the business, when relationships seemed to falter or when individuals experienced unease during their own transitional periods, that the price being paid for the founder’s brand of entrepreneurialism was considered. In between times, the many warnings and reservations expressed by non family directors, advisers and friends about the structure and activities in the firm went unheeded.

6.3.2 1930- 65: The Founders

Born in 1930 and 1935 respectively, the founder of the business, called [the new venture] and his wife (referred to later as “the mother” of the successor generation)

were born in London, into an era of post-depression hardship and were brought up during the Blitz of World War 2. The founder's memories of his formative years as the younger brother of a sister are of being poor but happy, with fond recollections of family outings in charabancs to Margate beach, when they took along a piano and a multitude of relatives for a sing-song and lots of laughs. His wife's memories of growing up are contrastingly sad:

...My grandparents had a wholesales business and half a dozen greengrocer shops. And they owned about 20 or 30 houses that they used to rent... I mean basically I can't remember my father cause he was killed in the war when I was 4...[her mother] couldn't cope. She was very ill, 'cause when her house was bombed and my father was killed, my mother was buried and she was paralysed for a while and she wasn't able to look after me. And she was, I think 45 or 46, when I was born and she was very ill afterwards, that's why my sisters brought me up and she really, I think she had a very difficult life.[B2/V6/M1|p3].

Her chief recollections of childhood were of loneliness. Women in her family were not expected to get an education, and so limited their expectations to marrying and having a family. For the mother, this became her Dream: having a large, happy family would end her personal loneliness and unhappiness. The founder's family also had its share of tragedy. The founder's maternal grandmother died in childbirth at the birth of her 7th child (the founder's mother). She therefore grew up as a motherless daughter in a household of limited material resources and was effectively parented by her siblings.

The founder and his spouse married in 1953. Although they have very different stories about their upbringings, in fact they share some common emotional patterns in their families of origin which illuminate their attraction to each other: both share patterns in which there is a struggle to sustain familial togetherness, the violation of which leads to the opposite: emotional cut-off (inability to manage emotional closeness and distance). Interestingly, their family businesses were the place in which these tensions became bound-up: access to family money, earned by the family business or inherited wealth, created power which was used in an attempt to ensure emotional contact and on-going parenting (control) with launched offspring. It could restrict the extent to which members could make their own way in life: self-determination was sometimes

achieved at the price of becoming cut-off from the family and their resources. The founder's maternal grandfather was cut-off by his parents, who were "connected to royalty", for marrying beneath the family's social expectations. This caused financial hardship as he and his spouse raised their large family, and especially so after the maternal grandmother's death in childbirth after the seventh child.

In addition to wartime tragedy and poor health, the founder's spouse's family of origin had also experienced economic difficulties. They had been denied their inheritance, which was largely money generated from their string of grocer's shops. This was because her father was cut off from his family and excluded in the will, losing out on the family business inheritance following his divorce and his ensuing relationship with the woman he later married after two of their three children were born. This must have been a difficult period as his second wife did not have good health, especially after the birth of their youngest daughter when she was debilitated for some years. In each family-of-origin therefore, family money became the regulator for emotional closeness and / or distance. Putting all of this in the context of the day, a scene emerges of relatively poor (both sides were one generation removed from relative wealth) but at the same time resilient Cockney family life between the wars. Survival required a reliance - emotionally and economically - on wide networks of families, neighbours and particularly on extended families. In such circumstances, the fear of becoming cut-off emotionally and / or financially is prevalent; it would mean a "starved" existence characterised by a shortage of essential resources such as extended family support. Such fear would be expected to generate a high level of chronic anxiety amongst these families.

When the founder and his spouse married in 1953, they lived in "grotty" [ibid., p6] housing comprising a series of flats in London, and managed to balance starting a family with the founder's leaving the army and qualifying as a quantity surveyor in the late 1950s. The founder had an instinct for making money out of an opportunity and used to rent motorbikes out when he was in the army. His father, who had a small

jobbing builder's business, provided the founder with money to top up an army scholarship to get him through university. In the early 60s, the founder was holding down three income-generating occupations: he worked part time as a Quantity Surveyor for a local construction firm, he took over and grew considerably his father's business by re-creating it as a limited liability company owned equally by the founder and his father, and he borrowed from the local construction firm to buy the land on which he had their first home built. At this point, two strong themes emerge from the narrative, one of which links back to earlier family-of-origin themes, and the other shows the early emergence of the business philosophy which would repeatedly drive actions in their successive family businesses. They show how the culture of a family and its business become intertwined and embedded early on. The first theme relates to the binding of anxiety around money, and was described by the founder's wife as follows:

"I was basically brought up as an only child and was very lonely and I was determined to have a large family....[B2/V6/M1/p4]...

...she [the founder's mother, herself a motherless daughter] would grudgingly help from time to time but she - how can I put it - mother's quite a manager and she didn't approve of the way I brought up the children and was constantly criticising it and I found it very difficult...[ibid, p7]

[the business] was our money and [the founder] not his father controlled the finances... We had trouble with mother, the fact that we had a bigger house than they had. (inaudible) the fact that we had 4 children and we needed a bigger house...we said part of what we're doing is we'll build our house first and then we'll build yours so if we get profits, you'll get yours. They'd never thought of even owning their own house so I honestly don't think it was a lifeline for them, no. But I think mother thought we were getting more than they were...I'm a very good manager of money and our housekeeping allowance was far less than they had and mother didn't realise, do you know what I mean, because when [the founder] was at college we had to manage on so little money and it's never left me. Whereas when his mother, they managed on very little money when they were first married, but once she got more money she was very extravagant; you know you can go either way and I'm still very mean with money [ibid p7].

The founder appears to have used the resources he and his wife generated in the early days of their marriage as expansion capital in his father's business. He created expectations of equality of reward by making it an equal ownership business despite the unequal contributions made by father and son:

Well, when [the founder] qualified he used to help his father on a part-time basis because he felt that pop needed, it was something he felt he needed to do because of pop helping him through university...he did the organisational side and the quotes and estimates and things, you know...it was our money and [the founder] controlled the finances...it [the business] changed it's name, it was a different company and they [the parents] were equal share partners and so when we sold it we shared what was left.[ibid., p6-9].

Typical in-law triangles between the generations then led to bad feeling focused on inequality of reward for effort (perceived as greed by one side and ungratefulness on the other) and the absence of support with parenting (by the founder and his parents) during those years when the founder was dealing with the three interrelated business activities. The theme from the earlier generations' experience of emotional tensions being bound up in family business money issues is consistent.

The further theme, describing how this family's business culture and philosophy became embedded, is the repeated tendency of the founder's entrepreneurial instinct for getting multiple uses for assets, intellectual or otherwise. His wife commented:

"...I think he's always had it, because even in the army he bought motorbikes and rented them out...It's, he's a Londoner and I think its a London trait to have that sort of mind... [concerning the first home they built] ...it was something like 2.5 acres and had planning permission for one house and he looked at it and thought "we could get 2 houses on there" ...he still worked full time for the [surveying] company and his dad's business, managing director was the title. We moved in and it gave us the capital to get started. And after that we bought more land and developed it and we only built houses to order to people's designs so we always sold them before, we only had to pay the money for the land and so it was self-financing in a lot of ways. [ibid p6].

The founder was clearly committed to the goal of getting both his new nuclear family as well as his family-of-origin to a higher economic status, and although he achieved this, it was at the price of tensions between his wife and mother.

The 1950s would include a social and economic context in which business opportunities were emerging after post WW2 rationing and widespread deprivation. In this context, the challenge for the founder in terms of his own differentiation from his family of origin was to regain a satisfactory level of emotional connection (not commitment) to his family -of-origin in order to determine his own path in life. This would be a difficult task developmentally because his new family and his family of

origin quickly became emotionally and financially entangled in the context of the new father - son partnership and other property opportunities. The father's Dream of becoming a successful, self-made, independent businessman may have seemed to him to be the route to emotional as well as financial independence.

6.3.3 1965- 79: A Young Business Family

By 1965, the founder and his spouse had completed their family of 4 sons, born in 1954, 57, 62 and 65. They were living comfortably in the south of England. When he was 35, the founder stated his intention to retire at the age of 40. By 1970, when he turned 40, he said he was fed up and wanted to retire to run a country club. This mid - life decision required a lot of re-organisation. After selling the business and splitting the funds equally with his parents, he discussed with his wife his wish to change direction and its effect on their nuclear family. The plan was then put into place: the family home was sold to raise the required finance and a bid made for the country club he had in mind in the south of England - but the founder was gazumped in the deal. Since his wife and family were by this time living with his parents, this could not have been an ideal situation given the tension between daughter-in-law and mother-in-law, so a solution was required quickly. The problem was sorted out when he called "out of the blue" from northern Scotland asking his wife to travel north to look at a rural hotel business which he felt they could run and from which the family could be raised. Looking back, the founder's wife appeared to look on the whole thing with regret: "...I said "Oh my God its in the middle of nowhere!" Of course I didn't realise what the weather was like up there. [ibid. p9].

The context for this move was complex: the founder's Dream was about to be realised when he bid to buy and run the leisure club where he could teach his hobby of skuba diving; funds had been raised by selling the family home, his parents settled financially and his wife and family living with them temporarily with a rosy future on the horizon. What happened was a rather different outcome. In moving the family to Scotland,

there were some difficult issues around changes of schools, especially for S2, who at 15 was midway through the English system's examination syllabus and had a difficult transitional period. However, he and the other children recovered well enough and completed their education in Scotland, the youngest two attended fee paying schools. By contrast, the mother, however, did not fare well around all this upheaval. She became depressed after the move, and felt socially isolated for the next twelve years until she finally moved south again.

It was really difficult. I had lots of health problems and I think it - and I just got more and more depressed really. I think we were lucky we stayed together really because we found there was a friction between that we've never had before and it was really, really hard[B2/V6/M1/p4]...

Her depression was exacerbated by the demands of the business enforcing a different style of parenting for the two youngest boys and meant that their family life revolved around jobs being done in the business. Although the mother resented this, the sons did not seem to mind and enjoyed making money; the youngest recalled being a waiter and the disk jockey, another son remembered doing the drains and serving in the bar. The eldest, S1, went on to do a degree in a Scottish university and then embarked on a PhD in mathematics. The next eldest, S2, who had experienced difficulty with the curriculum in Scottish schools in his mid-teens, readjusted his education schedule to accommodate a lost year then went on to do a qualification in hospitality management. The third and fourth sons, [S3 & S4] appeared to make satisfactory progress at private schools.

The founder's marriage and family life in those years appeared to revolve around the axis of the business. Although the business was yet another business challenge for the founder, it was highly unsatisfactory for the mother who was approaching 40 and experiencing major social, financial and emotional upheaval. She was not able to adjust as well as the rest of the family appeared to. In her view, this made her husband all the more determined to make it succeed, and in so doing intensified the problem: "What he said was "We still need to earn a living, if we sell the hotel we

haven't got enough money to not work and what will I do?" ... Yes. I was desperate at times" [B2/V6M1/pp10].

Despite her hard work and parenting efforts, the mother felt guilty that family life was not good enough and angry about losing the grasp on her Dream of a satisfying life raising a large, close family. The depression affected her functioning over a number of years, and the founder distanced himself from her by investing his energy into re-creating business success as if to earn his way out of their marital problems. The business therefore became the axis of the marriage, rather than the marriage being the axis around which the business revolved. The actual task of parenting, delivered in the context of the family business, seems to have been what kept them together.

When the new venture was formed in 1979 and the hotel was sold to raise the necessary finance, the founder typically came up with a solution that served a number of needs simultaneously: the new city property housed the family and the new business. However, it seemed to exacerbate the mother's sense of isolation and her depression. The sharing of resources such as finance and accommodation by the family and business kept the family's boundaries enmeshed with the business. It was by now the third repetition of pattern since going into business with the founder's parents whereby the family sacrificed its boundaries in order to achieve the economies required to get the business going. Investment in the business was at the opportunity cost of investment in the marriage. Both the founder (who may have feared the loss of his Dream) and his wife (who was struggling with her own losses) may both have felt between a rock and a hard place during these years.

6.3.4 1979- 88: The New Venture: Entering the Business.

6.4.3.1 Business Growth Through Creativity

In the late 1970s, the founder and his family had an established pub / hotel clientele which included a number of professional people. The hotel business had been grown considerably in terms of turnover over the years of their tenure. With the power of

computers and the potential of computer applications in business becoming more apparent, the founder identified the need for computing power and data collection in certain aspects of the management of their own business. It was with some pride that a number of people told the story that S4, who was 13 at the time, wrote the first piece of software to test out their idea. This led the founder to approach his cousin's son, who had a Doctorate in Computing Science, to write the more complex programs. One of the pub regulars worked in a local hospital in the application of computers to medicine and was able to help with hardware. The final serendipitous connection came when the founder convinced a national chain to do a pilot trial after proving the concept was workable in the family's hotel:

"a lot of middle managers from [national chain] would go on Friday night to [local pub] for a drink after work and so did we. The people who went to drink were then the middle managers, and are currently the main board directors of [national chain] so that provided us with early day contact, a little bit of luck really. [National chain] provided us with a very high percentage of sales, then...." [B2/V4/S1/2/p4].

This led to an order for 50 units and the new venture was established. To raise finance, the founder set the ownership up 50:50 in 1980 with a friend and his family, (later buying them out in 1981), and with the cousin's son who wrote the software, raising share capital of £100, a director's loan of £22,990 and a bank loan of £20,000 repayable over 8 years.

In addition to mobilising finances within and beyond the family, the new venture also led to some re-organisation of lives in the family system. The mother's experience described above was not a satisfactory one for her. Table 6.3.1 below summarises the way in which each of the sons entered the business.

Whatever the reasons given by the siblings for joining the firm at these junctures in their emerging career paths, it became clear from the interviews that all the family and a close circle of friends and supporters rallied round to see the new venture launched. Its launch was deemed an outstanding success when the big order for 50 units was

made from the national hospitality chain after the success of the trial run.

Table 6.3.1 Four Siblings Entering the New Venture: 1979-1983

Family Member	Career Path	Entering The Business Circumstances	Ownership by 1983
S1	PhD (Mathematics) (N. Scotland)	Gave up PhD after 2 years to join founder at pre-start-up in 1979 age 24 "others were studying same topic"	10%
S2	HND (Hospitality)	Turned down unsatisfactory promotion offer to join new venture in 1979 age 22 "derisory salary- so joined the firm"	
S3	Various jobs In S.E.England	Joined as a field service engineer in 1982 age 20	
S4	BSc Electronic Engineering (S.W. England)	Left course after one year to join the new venture in 1982 age 18 "if I joined in two years I would be further down the ladder. Things were taking off"	

The first non-family employee to be taken on outside the founding directors was the pub customer who had been working unpaid during 1980 doing assembly and repairs outside his normal hospital working hours. In terms of ownership and direction, it appears from S1 that early days were not easy:

"establishing the product took about 2 years and obviously it was from cash which had been generated by the hotel and a little bit more...my cousin designed the initial set of electronics and there was a disagreement over the way the business was run between my father and other members of the board and he went off with a director and set in up in competition to us. We employed [NF2] who had done it on a part-time basis and fixed the equipment in his loft at night; my youngest brother [S4], who was about 13 at the time, wrote the initial programme andThe separation - [from the other founding directors] that was what made the company. After then I think you will see that it took us a couple of years before we really established ourselves. You can see that from figures. It's been a roller-coaster ride from then. It's been basically upward trend, with some fairly nasty peaks and troughs."
[B2/V4|S1/2/p3]

The core team in place by 1983 was made up of the founder, (who negotiated with the key customer aiming for saturation of their chain of outlets) the eldest son (who did the purchasing and accounts), S1's cousin [NF1] (responsible for the software), and the

customer from the family hotel days, [NF2], who saw to production assembly and repairs. When S2 and S3 joined the firm, they worked in the field doing installation, training and repairs.

A major theme to emerge at this entrepreneurial stage, when all resources were being ploughed into the business, was that reward for loyalty would be assured in the future if the business is successful, and that reward would be forthcoming then: the founder described it as: "you get your jam tomorrow". Those who did not agree with the founder's aims for the business soon parted company. As if to assure compliance from non-family managers, the term "pseudo-sons" came about: those who were selected by the founder for this privileged status were expected to work as hard as the real family members and intimations that this would be rewarded in the future this was made known to other non-family staff in the business. For the founder and S1, who did not take a salary out of the business for the first two years, their reward was to be the value added to their ownership of the business. The software director [NF1], who also worked at a university, joined as a director in 1980 and received Ordinary A and B shares in 1982 when those who co-founded the business resigned. For NF2, however, there was some ambivalence around many years later relating to the issue of reward for effort given which was not alleviated in any way by the 'privilege' of drawing a salary before any of the family did:

"It was a leap of faith, I think... we'll get some full-time employees and you'll be in on the ground." ... the decision to join was really taken by [the founder] in as much as he then said "right, we can now offer you a job and pay you. Up until that point in time it was always assumed that if it ever got to the stage then I would probably just leave the hospital and join them. But it was just an understanding ... "if you help us out we'll pay you a fiver an hour, but at the moment we've no money". Now in actual fact I kept a note of all the hours - correction - I kept a note of some of the hours I worked, and it came to a lot of money. I never got it of course - that never happened. I got £700 cheque the first day I worked. Put two nothings on the end and it will be nearer, but that never happened." [B2/V4/NF2/1p4]... He said "right, we've now got an order for 50 [units from national chain] we can afford to pay you", remembering that the family themselves weren't even paying themselves at that time." [ibid.p7].

He was appointed a director in 1985 and was provided the funds to buy one share (1%):

"I paid £1000 for, all the rest paid £1 for theirs and I actually bought one share; now that's being changed slightly in that I am getting given another one and a half share over a period of time." [ibid, p5].

This theme of equity between reward and contribution would re-emerge at key points over the life of the company. Once the core team was installed, the founder set about trying to get as much growth and return from the ideas and the people he had engaged as possible. This led the firm into and out of a number of related and unrelated diversifications.

6.3.4.2 Attempted Diversification #1

Between 1980 and 1997 a total of five attempts at diversification of various sorts took place. The first diversification attempt led to a senior member of staff and co-founder of the firm *confronting the founder. It surfaced over the role of NF1, who was in charge* of the company's software. He owned 17% of the company, and had been instrumental in getting the company's product off the ground in 1979. The firm's closest competitor was established in 1978 so it is reasonable to assume that the software written and developed at that time was leading edge. However, relations soured between him and the founder, and he left in 1984.

There were different versions given about this episode and why he left. It was apparently to do with the founder wanting to push for diversifying the software developed into other office uses, and NF1 being unwilling to do this. This was one of the founding stories in the culture of the firm, whereby the founder discounted the reasons holding up the software development as "academic". It is possible that the theme of disdain for academia may have some of its origins here. That the founder was not a practical person and was more interested in results than the problem solving process was evident throughout the research. Aware that his skills are in the ideas generation area, he is sceptical about academia and gives his eldest son a hard time because of his academic background:

"Well, they never get anywhere do they? Academics never get anywhere. I have reservations because I'm not very bright. I'm not. I've got some qualities but academics and these technical people they worry me...they tend to be very closed minds...And [S1s] a bit like that." [B2/V6/F1/p6].

From Start-up to Rapid Growth

By 1987, the business had been launched, and moved into a phase of rapid growth through creativity. In 1988, there was a drop in sales and a number of other ominous signals that things were not looking well, but these were generally regarded as a good years in the business:

Well, in '88, the crisis was ... perceived as being a short-term problem... And in fact 1989 was excellent year, I mean, you know, (inaudible) and when you actually have a good year, it tends to take your mind off some of the fundamentals... we only really started to understand that there were problems at that time and we weren't really understanding the nature of the difficulties and the problems and the lack of focus... 1989 was such a good year that we maybe didn't push through some of things we should have done at that time. And when the recession came, it hit hard and we needed to make the changes that needed to be made.[B2/V5/s1/3/p1].

The business had enjoyed a period of rapid expansion between 1980-89. lessons had been learnt that software development took a long time, was problematic and that R&D was very expensive with lots of potential blind alleys. Employees and family members alike learnt also that the founder would not be deviated from his mission, and would rather part company or distance colleagues or family members than work out his differences with them.

From the family perspective, this phase of the new venture created opportunities for family members to develop careers and a life structure with excellent prospects. The real investment being made by them came along with a very real risk: that their future careers relied entirely on their father's ability to create wealth from his ideas and ability to close deals. The call for family involvement was heeded by all to get the new venture going and was rationalised by all as a good career opportunity. The mother, who was thoroughly disillusioned with family business life at the start of the new venture, became even more unhappy when the new venture took her husband away more often, and so around the age of 48, with the nest emptied, she sought out new opportunities for self development:

"...I mean I had no intention of actually working full-time for the company [in 1980] because when we moved into [the city] away from the hotel I said I felt we had moved out of the frying pan and in to the fire... I felt that I wanted to be divorced from the business. I didn't mind helping but I didn't want to be

totally committed and I wanted something to do ...

I've always been interested in history and I developed my own interests which was the first time I'd ever been able to since I was 19. I really enjoyed that and when we moved down here I carried on that and I worked for guides in various stately homes. I did an OU course and I enjoyed what I was doing. And you feel, I think you come to a point in life when you feel you've got no children around you and you want to be a person in your own right and I felt I achieved that. And I'm quite happy not to be now because I felt I could do it. I didn't come from the sort of family where having females educated to a high degree was a high priority. [B2/V6/M1/p11].

The move south, in 1983 was another example of the family (in this case the mother) again being caught up in the trade-off between family and business life:

But [the founder] was away all the time we were in Scotland and he was down here seeing customers and so I was up there on my own...And [the founder] was away all the time and it came to the choice of where did I want to be alone all week? Up in Scotland or down here and I said "Down there". So that's why we moved.[ibidp11].

The mother started working for the business in 1988 in the south of England office: they had decided to close down a central England office and the founder once again found a way of making multiple uses for assets acquired by converting a pub and barn into office and training facilities.

The mother's improvements in functioning were helped by her own efforts at self development that did not rely on her family. This helped her recover from the simultaneous emptying of the nest by the two younger sons and deal with the feeling of isolation from her spouse and the lack of a social life due to living in the business district of the city centre. Her decision to move stimulated the founder to acquire a suitable property and, after moving back south, and her depression lifted. No family members talked about the mother's unhappiness during the years in the new venture or the rural hotel business. The siblings seemed to see their mother's role being to fit her life around the business, wherever this was taking place. Work, in the family business, was the distraction that kept everyone focused on other things.

A number of issues were to emerge in the next phase of the company's development from this decision and its attempt to entwine family and business solutions. According to a non family director, the premises in Central England are less than suitable and create difficulties for the nature of their business:

NF3: It is absolutely minute....But you have got to have meetings, training, somewhere to take customers to, that sort of stuff. It's not even suitable for that – [there's a need to] make people feel that they are part of a local company and they have got people down there who are based there to deal with routine enquiries; it's local point of contact...not just some minute satellite of - you know - the Scottish mafia or something. [B2/V5/NF3/1/p3]

The impact of this location (which was chosen to accommodate the mother's wish to live nearer her family in the south), on the company structure and sibling working relationships will be described in a later section.

The pattern of business and family activity over this decade identifies the founder as an autocratic, paternalistic serial and parallel entrepreneur and as someone who is relentless in the pursuit of his Dream. Clearly a lot was at stake after his marriage had become strained during his previous venture in the 1970s: he had everything to prove, once again, to restore the family to the quality of life they had known prior to 1970. He therefore had a harder task than ever to provide a business which could generate the upkeep for his own household, the four sons' households and the promise of reward for a few loyal "pseudo-sons". Congruent with the themes of earlier generations, his approach has been to keep his family connected by taking care of their financial needs. This was done at the developmental cost of compromising the siblings' development of personal authority and autonomy. They in turn took the opportunity, which the new venture presented at a time when they were entering and settling into young adulthood, to repeat the multigenerational pattern again and opted for an instant career structure with a fast track to senior status.

The founder therefore went about his task vigorously using his entrepreneurial instinct for opportunities and his tactic of entwining family and business solutions to achieve economies of scale. He sought out potential business opportunities and diversifications to expedite his mission for independent wealth for himself and his (extended) family. Between 1980 and 1988 sales grew from £839 to £1,163,181 with net profit following sales performance; in 1988, despite some adverse indicators, they regarded this as their best year ever.

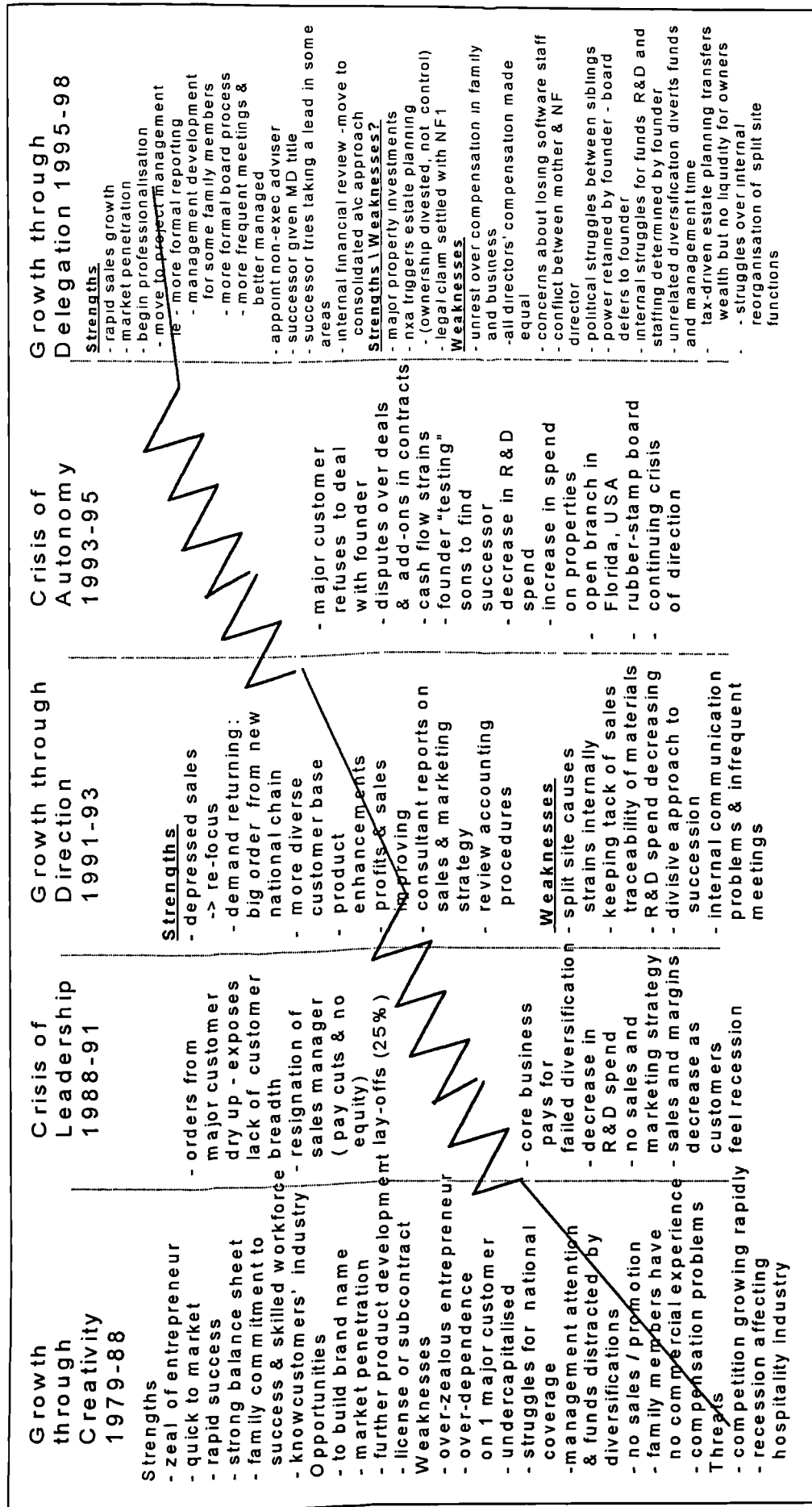


Figure 6.2.3 Evolution and Revolution in the life-cycle of B2.

6.2.5.2 The serial entrepreneur: diversification #2 (hotel chain) fails:

With the new venture established and underway, the founder decided in 1983 to make a diversification into hotel management, and acquired a small chain of hotels under separate ownership. This was regarded in hindsight by others in the core business as a disaster; the reasons for going into it and what happened were described with sarcasm by S1:

S1: the other part of the [new venture] business was maintenance. One of the concerns was how to maintain [the product] all over the country, so we came up with one of our smartest ideas ever: "seeing we know what we are doing, we will buy pubs and we use those as service bases". It was a disastrous idea. And we lost about a £1,000,000 on this... It started off in '83...

Interviewer: Why did it fail if it seemed like such a good idea?

S1: Managers. Wrong person running it and there was a lack of interest in the operational aspects of running a chain....It was beyond our management - I mean - looking back on it now, I would know what to do, but at the time I didn't.... The idea is a rotten idea. Absolutely awful. [B2/V3/S1/1p5]

This experience had in effect diverted funds and management attention away from the core business. It was possibly an attempt by the founder to counter-balance the risk in his personal investment portfolio from the high risk nature of the software business. It would also appeal to his characteristic approach in business that assets should be able to serve a number of purposes simultaneously: the pubs/hotels across the country would be income generating site offices for maintenance, training and customer relations. The venture exposed their knowledge of the hospitality industry as not of itself sufficient to safeguard against fraud and theft in the hotels. Their inability to "micro-manage" the logistical difficulties of control from a distance led to uncontrollable costs. This, added to the miners' strike of the mid-80s meant sales were depressed and the hotel business was no longer tenable. In 1989 the family's core business wrote off the debt from the hotel group in its accounts as an extraordinary item.

During this time, it appears that the senior management in the business were just not willing to believe that their success was waning even though the founder and S1 were becoming concerned about actual cash going out of the business, and the way in which accounting processes reflected the performance of the business:

...Confidence generally was very high in our success. I, together with the chairman, had an uneasy feeling that, despite the good results, problems were round the corner. [ibid. p9].

Indeed, the market for property in this area ceased in 1990-91 and in addition, a recession meant property values slumped.

The hotel chain was set up to capitalise on the potential for synergy between the businesses, typically to meet the founder's requirement of getting additional value out of assets acquired. What was intended to be a saprophytic arrangement apparently turned into a parasitic one, where the hotel chain did not create sufficient value (for a number of valid reasons) to warrant its surviving on the back of the new venture and it became a cash drain. One of the phrases often which often cropped up in the next generation and the pseudosons was about the need to "do the homework". It may originate from this diversification attempt: insufficient planning and the lack of rigour in the boardroom, combined with environmental factors such as a recession and a property slump, meant the situation went on much longer than was necessary.

6.3.5.3 The Sales Crisis:

Just as the early signals of an impending cash flow crisis had been missed around 1989-90, in 1990-91, the business was also moving into a mis-perceived crisis of a different sort. By 1990, sales were starting to increase again after a difficult previous year. The number of employees was declining and their R&D budget (R&D spent as a percentage of sales income) had peaked in 1987, and margins were on a downward trend. There were lay-offs, cut-backs in R&D and other spending, and a process of consolidation was undertaken. In 1990, the founder contacted one of his ex-customers from the family hotel days, a consultant whom he respected as a businessman, and commissioned him to recommend a sales strategy for the future, one that would involve "...re-shaping the company and its functions where appropriate...to implement and structure a Sales team to identify new and existing growth areas where the company's existing expertise could be utilised to the best advantage"[B2/D5/p1].

The consultant soon realised that the problem was not just one of “stagnant sales activity and poor co-ordination”; his report shows his view that with the founder now turned 60, the company’s key issue was succession in all areas, not just sales. His analysis of the firm’s strengths and weaknesses shown below is summarised below.

Table 6.3.2 Summary of Consultants Report for Sales and Marketing Strategy

Strengths	Weaknesses [Source: B2/D5]
highly skilled & competent personnel but morale shaken after cut backs & redundancies	management appear to be totally fragmented and in need of a proper structure
excellent facility; can produce bespoke systems quickly due to expertise in the trade users perceive product as best on the market great potential for product with the proper sales & marketing support	no structure means loss of management accountability and commercial awareness problems stem from autocratic management practised by the Managing Director poor communications and co-ordination between departments: loss of efficiency. sales input poor and badly controlled with lack of internal support - resulting from the growth and direction of the business being dictated by the requirements of [x] the main customer No proper financial controls (budgets and forecasts) responsibilities unclear with no job specifications resulting in a situation where staff were unclear who they were answerable to buying appeared erratic / not controlled by FD

The report’s recommendations are extensive and detailed: it was written to be a blueprint for the creation of an internal structure and for internal monitoring of the business for the next phase of its growth - if taken up by the management. It presents a good milestone for the nature of the difficulties facing the business as at 1990/91, and is a backdrop against which some of the future internal struggles (structural, reporting, staffing, strategic) can be considered. The following narratives give an insight into the effect of the report on the founder’s perception of the sales crisis and more broadly on his stronghold over the strategy and structure of the firm over the coming years. Although he had given a clear brief to the consultant to take a “professionalising” approach to the problem, it seems that from his pattern of response to the sales issue then and in the next six years or so, that “sales” (i.e. controlling the flow of income) came to be regarded as one of the levers of control which he was unwilling to share or delegate. The previous sales manager had wanted access to

equity and therefore posed a threat to the founder, and he was determined to make sure no one else could reach that level of seniority again:

...the money that was involved at the time wasn't going to attract the right type of sales person and [the founder] wasn't particularly keen to bring someone in at senior level who could have that kind of influence on his business. [B2/V7/NF4/1/p1].

6.5.3.4 Crisis as a Trigger for Initial Thoughts About a Family Successor

The consultant created the opportunity the founder needed to remove the dissenting sales person. Since he did not want to be "held to ransom" [ibid.] again, he ensured this was the case in two ways: by offering unrealistic compensation for the post, and by beginning the process of positioning a member of the family (someone he could control) for the job of sales director and Managing Director. [S3] was therefore positioned for this job, and the youngest, S4, became the focus at that time for the position of successor. Dealing with customers was the founder's key role and so having a formal sales function would have meant a change, or at least a struggle, for him to shift from his autonomous position as controller (and constrictor) of business growth. The founder prided himself on his ability get the money in, to chase it up and to prevent it from being wasted. However, six years after the consultant's report, the founder had not taken on board the consultant's recommendation to "groom" S3 for the role of National Sales Manager. Although he was positioned to deal with sales, S2 was kept at a distance from the real work of selling and negotiating.

Founder: ... he leans on me an enormous amount but the easiest thing to do is drop the price and make no profit and I don't see any value in that. Then we're eliminating it. Blows the margins...A typical example is we bought a new [product] out, the [Mark 4] which cost less to produce than the [Mark 1] but it was an opportunity. Everybody liked the product and I said to [S3] "add £100" and he said "but it costs less to make". I said "it doesn't matter - there is an opportunity here to get this extra £100..." but he didn't really pick it up. And we didn't get the benefit from it because he was wrong and everybody said it is a big contract worth £5m or whatever so we ought to reduce the price. But you don't reduce the price if you can help it...We had a thing once with [first major customer] years ago when I went into a meeting and I knew I was getting an order for 20 [products], I knew I was getting the order. I went in to see the MD and I know that the order was dead close. The MD said these products are £3,250 does that include the installation and I said no it doesn't so I got another £250. [S3] wouldn't have done that he would have said "yes of course it does" but I sold 1,000 of those to him at plus £250 and it makes an

enormous difference. [S3], him and, the others - I don't think any of them think on their feet as quickly as they should. [B2/V10/MF/1/p16]

The consultant's report served the purpose of creating a resolution in the founder's mind: that in an exploding market such as theirs, controlling sales (and therefore the flow of cash) was the key to controlling everything else. He also resolved that only he should handle this aspect of the business until such times as he was ready to have a key family member take it over from him. Six years later, handing over to S3 the authority to negotiate was still causing him a lot of personal difficulty, because it represented handing over the potential both to grow the firm too quickly, and also the potential to lose their price premium through inexperienced selling. In 1996, the consultant [NF4] described a picture that was reminiscent of 1990:

NF4: So recently everyone is keen - and I mean everyone in a senior position in the company - to engage a senior sales person with a view to taking forward.... because although there's quite a lot of work on the go at the moment, looking forward there's nothing at all...At the recent board meeting every one of them was for it and [the founder] said "We're not doing it because I don't think it's time to do it"... there's not one of the sons got the gift or the drive or the ability to negotiate at that level...none of his sons have it at all. None of the senior people he has around him have. They are just not capable out in that market place coping at that level. You're talking about huge contracts(inaudible) you're talking a million upwards for equipment and so on. Now negotiations at the onset are very very important so that you've got the right deal and the right contract and so on and you're not getting in to problems at a later stage. [B2/V7/NF4/1p5]

The next generation may well be aware by now that their father's control over income generation could be loosened (and therefore that they can grow the company as they wish) if a senior sales person is brought on board. Their father's comment that "We're not doing it because I don't think it's time to do it." implies that the timing (not so much of appointing a sales professional, but the timing for giving up the power associated with constraining the firm's trading growth) is not right for him. This is a clear example of a developmental push from the next generation which is congruent for both the business and the successor generation, yet incongruent for the founder. The next generation is ready to come into their own in the business by pushing for more aggressive competition and access to a broader marketplace. The business was itself ready (in a state of crisis) for this six years ago, but the sons were unwilling to face a reality that their father may not be able to deliver his promises to them. The situation

became resolved for the time being when a major new contract appeared and faith in the founder was affirmed (without having to risk the battle to enforce checks and balances on his leadership). Now the situation had come around again. The next generation, after a further six years of personal development and business experience, now see a different picture and interpret their data differently: that their father, in pursuit of his own agenda is constraining the development of the business and in so doing, is frustrating their own development (what may contribute to his reasons for this are explored below).

Although there is further evidence that by 1997 some “letting-go” had taken place in the sales area, the founder’s comment on the timing for significant sales appointments shows how his own adult development progress is not congruent at all with the life cycle stages of the business and of those in the next generation as this off the record comment from a non family person shows:

“[the founder] never made it official in any documentation or at a meeting - but implied to people down the line that [S3] was Managing Director. First of all he made him the Sales Director. At the time [...] made a joke about it. [...] said “He’s the only Sales Director I’ve ever known who never made a sale.”

The section below examining the period of 1995-8, (crisis of autonomy) will illustrate some ways in which the founder becomes unable to avoid further procrastination with progress on some adulthood development tasks associated with the late adult transition, and will show the role the business plays in this process.

The consultant’s report also appears to have brought out into the open the issue of how the successor should be chosen. His report implies that the business had gone as far as it could without some professional management development to breathe new life into the way they went about their business. The appropriateness [or lack thereof] of each of the sons for the role of successor was discussed by the family and non family directors at length over the years. Everyone appeared to collude in the founder’s views that none of the sons was good enough to replace the founder; none could continue his entrepreneurial flair; despite it being mentioned as an option, a non-

family CEO was out of the question, and sooner or later the best candidate from the family pool would emerge. Table 6.3.2 below highlights the comments made about the successor candidates:

Table 6.3.2 Internal Critique of Successor Candidates

Views on	Views by	Comments
S1	S1	"the basic strategy of the company - I actually run... I am rotten at implementation...some of my ideas need to be influenced by a bit of practicality. [The founder] likes to make sure that what I am doing is sound"[B2/V4/S1/2/p3].
S1	Founder	"[S1]'s becoming a stronger character and he's becoming insufferable in a way. Because he's done his MBA and got a lot of knowledge of the way things will be done." [B2/V/6/F1/1p4].
S2	S2	"I'm not overly fussed at taking over the main role and definitely know that [S1] isn't. I don't think [S4] would want to either, so that leaves [S3]. I think [S3]'s a better candidate than me."[B2/V6/S2/1/p15-16]
S2	Founder	"[S2] is not capable of taking the responsibility" [B2/V/6/F1/1p4]
S3	NF4	"I recommend that [S3] should be groomed to take a more responsible part in the sales and marketing function in the future" [B2/D2.p17].
S4	NF4	"I recommend that [S4] should be given the benefit of an outside professional course on senior management with a view to grooming him for the possible position of MD in the future" [B2/D2.p16].
S4	Founder	[S4] didn't want the responsibility" [B2/V/6/F1/1p4]

The report shows that the business has gone as far as it could at that time with its informal approaches to structure and strategy: a phase typically characterised in life cycle terms as a Crisis of Leadership. The business needed its internal processes and chains of command formalised in order to stay viable, and to focus on a balance of income streams for the core business to survive long enough to grow in the future.

This influenced the founder's thinking about his approach to successor selection and the development of a successor. The founder turned 60 during this crisis and his sons were between 25 – 36. Their risk associated with their dependence on the future performance of the business and therefore on the founder's success is evident in the his comments about pensions:

They know I'm very anti giving money to pension funds. Everyone says its tax efficient but... It may be tax efficient but if you don't pay it it's more efficient. You know what I mean?...as I said, the property is my pension. [B2/V9/F&S1/p2-3].

So for the individuals within either generation, the failed diversification and the sales crisis must have been cause for serious reflection on one's own position and decisions for the future. The absence of any comments about anyone leaving at that time suggests the effect of the crisis on everyone other than the founder was to focus on pushing to get some formalisation in the business. The alternative would mean either individuals or groups having to present the founder essentially with a vote of no confidence, and evidently no one was at the stage of doing this. NF2, however, took out his own pension plan.

Between 1990 and 1991, family members were brought closer to ownership by the founder. S3 was appointed as a director and was also made a shareholder by being given 5 shares. S4 who had been appointed director in 1989, was also given 5 shares at the same time. The founder appears to be positioning the sons in a number of ways: in terms of ownership it is the start of the founder's quest to make reward and ownership equal for family members, and there is also some positioning in terms of potential for the leadership title. It was around that time that S4 had made it clear that he did not want the responsibility of being the successor, so there is some correlation between this and the positioning of S3 for this role. There is no evidence at that time of any personal or managerial skills development taking place to shift the successor from "manager" to "leader", nor for the successee in terms of a shift from "monarch" to "delegator" or "overseer" in Handler's terms. This case clearly shows that adult development phases do not fit neatly into such categories. Between 1990 and 1997

the founder went about these processes and made the decisions relating to successor choice and successor development in his own way:

"[S1]'s becoming a stronger character and he's becoming insufferable in a way. Because he's done his MBA and got a lot of knowledge of the way things will be done and he and [S3] - he's the potential Managing Director, and [S1] and [S3] are going to have to work together for the benefit of the company and yes they will. No doubts about that. [S4] didn't want the responsibility and [S2] is not capable of taking the responsibility. [B2/V/6/F1/1p4].

Non family directors and advisers commented on what they had observed over the years:

NF4: Well, it concerns me, I have to say. [The founder]'s method of trying to sort out the future of the company is awful. He's pitching one son against the other to see who comes out the strongest. He's causing internal politics that are unbelievable..[ibid p6]

NF3:... the brothers aren't really competitive [about the successor role]...And every now and then somebody will seem to move to a front runner and they'll seem to be flavour of the month. It's like a bike race: if you start behind somebody it feels very easy, until you pull out and hit the wind head-on. So as soon as anybody seems to be putting their nose out front, or doing anything, then they seem to come unstuck. Some months ago, [S3] seemed to be saying the right things, and then I've seen him sort of hit the wind and be blown off course just like everybody else... he [the founder] will die in harness, he just can't bear to let go. If you have looked after something from the cradle you'll take it to the grave and that's probably the way it's looking. He keeps saying - last week there was a big meeting and he said he was going to let go in 5 years time, 8 years or something like that. He didn't actually say a date...I don't know family policy, but certainly it is worrying that at the moment I can't see naturally who would take over. Maybe it'll be someone from outside."[B2/V/5/NF3/1p9].

It was interesting to note in this 1996 comment, from an employee who joined in 1984 and was appointed as a director / owner in 1991, that he had no illusions about it being the board's role to appoint the successor; he was quite clear that this was down to "family policy". S3 subsequently put himself forward for the role of successor around 1995-6 and was sent on a week-long senior management course. S4, the founder's preferred choice, remained in Quality Control and developed this area of the business, along with other Project Management work.

With all of this going on throughout the study it was difficult to establish what the criteria were for successor selection that the founder was working to. He finally regarded S3 as satisfying his internal criteria well enough in order to go public on his choice. His approach appears to be a process of elimination - for which only blood

family are eligible for consideration. As at 1998, the situation was that S1 was ruled out for being too academic, S2 was deemed incapable of the role (and did not want it anyway), S4 made it known, after a period of time in the “favoured” position, that he did not want the responsibility, which leaves S3 as the only one with any suitability criteria who was willing to take on the role. What kind of psychological pressure might S3 have felt in this context? Coming from a family which there was a multigenerational history of keeping the family connected using the wealth generated from family businesses, what sense of obligation to continue this was felt by a young man who steps up to the mark but appears to emerge from his father's analysis as if he were deemed to be the best of a bad bunch? The wish not to disappoint their father seems to have been projected on to S3 and he emerged as the only willing to not say no. The following from 1996 illustrates his position:

Founder: “[S2] is naive in many ways. [S3] is very street-wise and [S1] is very academic but he's not as street-wise as [S3]. Between them they'll sort it out. I know they will. And [S4] is happy-go-lucky - I mean he'll put his two penn'orth in but the four of them work well together. And I think the boss basically in the end will be [S3]

Interviewer Has he been appointed as such?

Founder: He's been appointed really. Everybody knows he's going to take over. It's really a matter of getting it sorted out. He's going through his proof period at the moment. Earning his stripes yes. He's got to earn the confidence of the others.

Interviewer Do you think he can do that?

Founder: He's getting there. By the time I give up he'll be there.[B2/V6/F/1/p4]

There appears to have been a period of roughly two years during which time S3 was known on the grapevine to be the successor, but it had never been made official. The founder's approach was to present the opportunity to S3 and tell him to earn his stripes, but also to raise the stakes for him by telling everyone else that S3 is the successor, or “MD-elect” but not transferring the title or any power, thus denying him the chance to learn how to do the job effectively. Pressure from a major customer who no longer wanted to deal with the founder caused the process to become overt. S3 needed to assert himself and test his authority but his initial attempt to earn “the stripes” using the same style as the founder backfired (this is described in Section 6: The Politics of Organisational Structure). Here, he attempted to make changes to a department by discussing it with his father and then informing his brothers by memo;

this backfired and led to a period of tension particularly with S1 (on whose domain this encroached) with the founder acting as a conduit between the two brothers. It drew other family and non-family members into the problem and had knock-on effects at the other sites.

In 1997, the founder was prompted by an impending change of government to accelerate his estate planning and hand over the wealth (but not the control) to the siblings. S3 capitalised upon the timing of this and asserted his authority again in a different way, by creating a lot of support for his call for an off-site four day strategy review meeting. He ensured the founder's agreement to formalise the transfer of the title of MD at this meeting. The excerpt in Appendix B2.1a (taken direct from the Minutes of this meeting) shows that whilst S3 may have earned his stripes to the satisfaction of the founder, this was not the case for the non-family directors who still stated his lack of experience as a barrier to his leadership. It also shows that despite this dissent, the founder was determined to hand over the title at this meeting but doing so in such a way as to assure that he was not letting go of his personal grip on the levers of control (Appendix 5). In an interview with S4 a month later, it became clear when news got around that S3 was now officially to be the next MD that despite the dissension on the board, the founder won the day:

Interviewer: So how did it move from being MD elect to official, how did it all really take shape and become announced and all of that kind of thing?

S4: Well it was really happening in practise for the last six months, S3's been MD elect and he decided to make it official and my dad's doing an awful lot better.

Interviewer: So what does actually being official mean, is there a notice or a memo?

S4: Everyone was informed and everyone now knows that that is the change.

Interviewer: So who told everyone?

S4: Em I'm not sure

Interviewer: It just got round

S4 I think it may have gone out with the payslip or something so everyone - something to do with structure changes [B2/V10/S4/2/p2].

At the opening of the meeting, S3 was officially made MD of the firm. S3 and the founder had arrived at their division of role and power prior to the meeting so that S3 could not build political alliances with the other directors during the meeting. In effect, nothing had changed in terms of the locus of power, but the founder has now laid a

milestone and made it clear that S3 was in overall charge of the organisational aspects that did not interest him anymore.

It is clear from these accounts that the (unwritten but understood) leadership succession plan is as follows: even though a successor had been identified and "elected", and the shares transferred to a trust, the founder is not letting go of any power. In August 1997 the founder and his wife described how they were getting the structures and arrangements they wished to have in place:

Founder: I also took the view that there er, I've got a doctor friend, there is gonna be a time as you get older, you get slower and you don't see all the opportunities - we've got a doctor friend in fact and if any of the boys think that I'm incapable of running the trust, they can go to this doctor friend & say I want a word about [The founder] and he will -

[The mother]: We've all agreed that we'll abide by his decision...He's a family friend -

[The founder] Not only that though he is a highly intelligent guy and medically he can say "you are not fit to run this company anymore" and it will be on medical grounds, because if you start going a bit 'ga-ga' you've gotta get someone medical to say you are....

[The mother] the other thing that we're going to do, and we've not done yet, is to give [Dr] power of attorney that he can bring into play if he needs to, with these grounds. We're worried about that because if we get to the stage where we're not capable of signing it we might have a conflict.[B2/V10/M&F/p5].

Looking back over the 'crisis of leadership' phase between 1988-91, issues emerged that were typical for the context a growing business, that led to family members functioning under conditions of heightened anxiety over a long period of time. Additional anxiety was also generated because their own development as young adults was being frustrated. It was clear that when the father/founder's Dream was shaken in 1970 and again in 1990, it led to forceful reactions to get it back on track. When the response from the business system to the crisis in 1990 came in the form of a recommendation to professionalise, it failed to take account of the founder's uncompromising Dream - to be the creator of independent wealth for his family. Looked at through the founder's eyes, professionalisation of the sales function was an attempt to take away one of his key levers of power, because income generation was both the fuel pedal and brake pedal of the business: it could constrain growth or stimulate it. For the founder at 60, with his Dream under threat again (as it was in 1970 when he was 40) and with more at stake this time, the crisis marked the start of

his entry in to the late adult transition: it coincided with a developmental push for him to achieve his Dream before it was too late. His tasks were to set up a life structure which included independent wealth and a good enough marital relationship; his drive to achieve these was far stronger than his sons, pseudo-sons or any non-family managers and advisers could challenge using their combined personal and political resources. In past generations, family members wanting to go their own way over key life-direction issues had achieved this by leaving (and becoming cut-off); so for these family members there may have appeared to be no choice really but to stay and work through it - his way. Personal development in the form of opportunities to learn by finding new adaptations to business situations inevitably became stifled under such conditions.

6.3.6 1993 – 98: Working Together or Passing the Baton?

6.3.6.1 Crisis of Autonomy & Towards Growth Through Delegation?

During this period, the business went simultaneously through a boom in sales and business activity and a heightening in the struggle for power between the generations. This was a substantively different period to the crisis of leadership around 1990 because growth had since resumed and a comfort factor had set back in. This went on until by 1993, everyone's expectations of more formality and professionalisation did not materialise and the firm's internal systems and organisation became strained, with cracks appearing in efficiency and cost control and personnel. This section describes the crisis of autonomy faced by the founder between 1993-95 and his attempts to keep his grip on policy and structure in the firm. Unlike the crisis in 1990, the siblings were by now a few years older (29-39) and wiser, and were looking this time to have a voice in defining the structures and processes by which the business would be run, because their careers, their identities and much of their life structures had by now been invested in the firm. It was also different because the founder was finding the business so big that he could not, and did not want to control it all. Finally, he was realising that he was not able to perform as astutely as he had done in the past. His autonomy was therefore questioned over a period of two years; he resisted this in a formidable way

just as he had done in the past, but this time the system was more prepared for resistance and was able to have at least some effect on his totalitarian style.

6.3.6.2 Politicising Sibling Relationships & Diversification # 3

Between 1991 and 1993, as the family and business moved on from the crisis of leadership and began to enjoy more sales growth, staff costs rose considerably to meet the new demand. Profits had begun to increase in line with sales over this time, and then began to plateau as the higher cost regime set in. Between 1993-95, some big contracts were won and the business seemed to be back on track again; product enhancements were developed and there was a sense of confidence in the firm that organic growth was really taking off:

All in all since August 1994 - 300 [new outlets], from initiation to getting the order was about 6 - 8 weeks....And at £10,000 [per outlet], you can see the size of the order. Considering that at that time we were doing less than £2,000,000 a year, it's a dramatic - it's a seismic shift and we didn't have - one of the - in order to get the deal, we had to manage their [customer's head office equipment] for the 1st year, and we didn't have enough space in the [north of England] office, So we had to buy another office. [B2/V3/S1/p12].

This rate of growth soon exposed cracks in the infrastructure of the company which were to pre-occupy the management throughout 1994 to the present day. Split sites required divisions in the workload to be performed and caused divisions amongst the staff, particularly between a non-family manager and the mother. Increasing tensions were evident amongst the sons. The sheer volume of work, which called for rapid product development, significantly increased production volumes and the maintenance to required to service the products across the country (mostly in central / southern England and therefore at considerable distance from head office). These issues all led to internal strains and communication difficulties.

The founder was again looking for expansion that would not threaten his hold over the firm's evolution, and for something that would offer extra value and operate with fewer costs. He therefore selected one of the loyal, non family "pseudo-sons" to be the vice-president in charge of overseeing the opening and growth of a branch of the firm in

Florida, USA in 1993 as the third diversification in the new venture's history. This brought with it the added challenge of trying to serve a different client base with the same product. At home, conflicts were occurring between the founder and the major national chain with whom the business had started out, and there were legal issues about what equipment and servicing was included in the initial sales contracts (whether / how to charge for what some customers regarded as "inclusions"), as well as new issues about cash flow. At that time, the original director in charge of software, NF1, was still engaged in a legal claim over rights to the original innovation. The founder accelerated his mission to create independent wealth for his family not just by expansion to the USA: he also made a series of major property purchases. This resurrected the unresolved issue between the generations of the founder's policy of cash constraint to choke the growth they wanted to pursue via Research & Development of new generations of product. Two camps were therefore created in the business: those who supported the founder's export expansion and property strategy (the founder, successor, pseudo-son, and the mother), and those who pushed for organic growth. The organic growth camp were struggling to answer the key question: "what business are we in?".

Developmentally, the business sub-system faced the management challenge of dealing with internal inefficiencies from split site operations, the fuzzy chain of command and unclear structure, the directive and autocratic style of the founder and the need for effective financial reporting systems. Supplementary information about the production section of the business is shown in Appendix 5d. This is a summary of an analysis of the production and operations strategy of the business made by a Danish student in 1997. The firm's culture (from an operations perspective) is summarised by the statement: "customers must be pleased first of all, then we deal with the eventual problems internally" [B2/D8p2]. This phase shows all the hallmarks of the Greinerian revolutionary "crisis of autonomy" in the life-cycle of the business.

In the family sub-system, the founder and his wife were still both working full time, and this affected their own development process for entering late adulthood. They held different views about the consequences of increasing demands being made by the business (in terms of the ever-increasing volume of work to be done) constraining the amount of time they could have together as an investment in the marriage for late adulthood, and the time available for the grandchildren. The next generation entered this phase of adult development with frustration carried over from the previous one as a consequence of the founder's power to create conditions which stifled their own development and their aspirations for the business. The founder's response to assertions from his sons for more autonomy with the reward and compensation system were met by comments "the problem is the in-laws". The founder resisted when the sons' attempts to improve their standards of living clashed with what he had in mind (keeping their compensation and standard of living equal). In the ownership sub-system, the founder's own awareness of his ageing took place alongside a major development in the external business environment: a change of government from Conservative to Labour was becoming more likely and each budget brought its own apprehensions for the founder about how to preserve the wealth he had created and was still generating. Collectively, these factors motivated personal development work and also in a legal / fiscal sense they motivated the system towards change from the controlling owner stage of the business to the sibling partnership stage. This creaked into action at first, and then went into full speed. The "seismic shift" descriptor given by *S1 about this phase is the context for major family and business challenges on a* number of levels: personal, familial and organisational. Revolution - in the developmental and organisational sense - appeared to be in the air.

The information collected from the entire study was used to create a chronology of summaries put together after each visit (Appendix 5c). These provide a record of the pace and content of what was happening in the business domain, and the impressions gained during each visit about the tone and underlying dynamics at work in the family and business arenas. The summaries describe the struggle for power within the

successor generation and between generations vividly. The rest of this section describes how the crisis of autonomy was handled, and highlights the signs emerging by 1997 to suggest the process was beginning to settle into a phase of growth through delegation.

Whilst the founder was (for tax reasons) completing tasks consistent with 'passing the baton' stage, emotionally and managerially he and the siblings were at least one stage behind. Depending on the issue, the siblings were sometimes locking horns on the nitty gritty of 'working together' in order to organise themselves around the demands of the business and the strong will of the founder in a sort of "unite against a common enemy" approach. Other times, mini-alliances formed and re-formed between the father and one or more siblings in a process of politicising the siblings, who then adapted as best they could in each scenario under the iron hand of the father.

Sometimes they gathered their resources in a collaborative, consensual fashion, and other times they capitulated to the founder's unilateralism and withdrew to lick their wounds by creating a coherent rationale for their capitulation. The huge amount of data collected during this phase has been organised around three key questions to illustrate the impact of family dynamics on this challenging phase of business growth:

- (i) How do we decide what business we are really in?
- (ii) How do we structure ourselves?
- (iii) How do our values and principles guide our ownership and leadership transition activities?

6.3.6.3 What Business Are We Really In?

Over the years, and despite the founder's questionable record with diversifications, it was clear that he had free rein (a rubber-stamp board) to determine into what, and to what extent, the money generated from the new venture would be invested. A battle went on over the years about how much should be spent on R&D (the siblings and non family directors pushing for more investment and more growth) and how much should be spent by the founder who was continually on the lookout for properties worthy of his

attention. The financial policy (albeit implicit) was described by S1 in his MBA dissertation as follows:

- The chairman will not allow us to have cash credits arguing that we should be able to make more profit within the company than is provided by banks.
- We will not lease anything, paying cash for all capital purchases as cash becomes available (we purchased a phone system through a leasing arrangement). We do not factor invoices.
- Term loans are taken when required to purchase property. The value of the loan is the minimum subject to staying within our overdraft limit. We may ask for an increase in the overdraft to permit purchase of property. Four properties have been purchased without term loans.
- Growth should be by internally generated cash flow. Excess cash within the business should be retained to reduce debt and increase stable income. We aim to match regular income and fixed overheads.
- Our chairman will not obtain, nor attempt to obtain, a stock market listing. [B2/D6/p6].

If the new venture were to be regarded as the founder's business investment "laboratory", his investment "experiments" had some interesting protocols attached. For example, each new experiment usually had to feed off the last one: the hotel chain diversification was born out of their experience running the previous family business; office software (a departure from the core product) provided the opportunity to "lock-in" customers as early as 1983; the serial acquisition of properties generally generated cash for expansion from rentals and these were also used as the family home or to locate the business; the USA branch was to be an outlet for what they already produce. Financiers appraising the business could challenge the founder's propensity to risk everything the family had in the new venture of 1997 and subsequent "experiments", and to encourage a policy of wider investment with different exposure perhaps in pensions, bonds or the money markets. The founder has a low opinion of pensions, and appears to draw the line at risking other people's money. Although the non-family senior managers were sceptical about his forays after the failure of the hotel chain, no one could argue that over the long term, and when compared with the firm they regard as their closest UK competitor, his policy and protocols of generating self-sustaining wealth were paying off (Table 6.3.3):

Table 6.3.3 B2: Industry and Competitor Analysis

Note: in 1996, the UK industry was made up of firms as follows:

<u>Sales (£)</u>	<u># firms</u>	
£10-25m	6	(-<closest competitor 4 th with £12.4m)
£5-9.9m	7	
£1-4.9m	9	(-< New venture 14 th position with £4.8m)
£500-999K	8	
£100-499K	23	
£30-99K	9	

<u>Relative Position in Industry</u>						
<u>New Venture:</u>			<u>Closest Competitor</u>			
<u>'94</u>	<u>'95</u>	<u>'96</u>	<u>'94</u>	<u>'95</u>	<u>'96</u>	
Sales		15 th				4 th
Pre-Tax Profits		4 th	1st	5th		1 st
Fixed Assets	3 rd	2 nd	1 st	15 th	12 th	17 th
ROI(%)		23d				11th

[B2/D10] Market Analysis Report, Published July 1997.

But at what price? Over the years the struggle for funds for sales staff, and for R&D investment intensified as the siblings became more adept at using the founder's own preference for arguments based on figures showing how to save money, or to make assets earn money. This was how the siblings approached the management control issue in 1996-7 to do with traceability (to identify and track the movement of equipment provided under contract) and also how S1's idea for an in-house related diversification [#4] was put to the founder .

The investment criteria for property to provide multiple uses created an enviable balance sheet (although at the mercy of accurate valuations and recession). However it also led to a false sense of security for the owner-directors (most of whom are generally unfamiliar with financial control mechanisms), and created a "degree of freedom" exploited by the founder to allow the ad hoc purchase of further property. Of particular relevance to the on-going power struggle between the founder and the management for funds in R&D and staff was the lumpiness, or unpredictability of his

spending habits because they left little room for strategic approaches to be taken towards the growth and development of the business. This meant that there was an ongoing and intensifying struggle between the generations to clarify what business they were in.

6.3 6.4 Diversification #4: the Leisure Club

In 1996, the founder broke the pattern of purchasing property that offered a related business benefit when, out of the blue, he spent £1m on a struggling leisure club with adjoining land fairly close to the office in England and to the founder & spouse's home. This acquisition left everyone in the system exasperated. It did, however, present a particularly exquisite opportunity to observe the dynamics and the reactivity unleashed in the systems around this event. This was the most important of all the diversifications the founder made, because it provided the means he had been waiting for to put the main pieces in his succession jig-saw puzzle into place.

In March 1996, feelings throughout the system were running very high about the acquisition as these extracts show. Over time, however, the founder broke down the strong alliance that formed against him on this matter. When it finally came to a head at a board meeting, it was taken to a vote (this was exceptional), and at that stage, even though the siblings were against it, only the non-family directors voted their opposition.

NF2: The [leisure club] thing I think is a complete aberration... Is it going to be another disaster, another throw away of a £1,000,000.. I've been here before with [the hotel chain] before and we didn't put enough store by it - not cash wise. But we didn't look far enough ahead at the market, what it was doing then. I strongly feel we should do now and I know S1 and S3 agree with me and NF3. [B2/V4/NF2/1/p16]

NF4 (the consultant) was more phlegmatic about it, having learnt that the founder will go his own way whatever the opposition raised:

S1, in particular, put a very in-depth logical case against why it wasn't a sensible commercial venture. They had a meeting and all the other members of the board agreed with S1 that it really was bad for the business and [the founder] overruled them all and said - we're doing it - and it went ahead. [B2/V10/NF4/2 /p6]

Although the mother had strong feelings about how this acquisition may affect her, she was resigned to it and had started getting her own workload passed on to others in the office:

...I was against the [leisure club] because I knew that the administration side of the golf-club would fall on me because there is nobody to do it and I didn't want to take any more work on.. I'll be overseeing the administration at night, because somebody's (inaudible), we've got to look for what's happening on a regular basis and I'm the only one available to do it. [B2/V6/M1/p17]

What manoeuvring took place to shift the rest of the family's position, (especially S1 who had built a financial business case against it), from aversion to the acquisition to voting for it despite supporting dissent of the non-family directors? Between February and May '96 S1 had changed his position against the founder and had come round to accepting the situation, but the event led to the scab being picked off the 1990 wound around the issue of the other directors' limited understanding and ability to appreciate the financial dimension of the business:

S1: The attitude is that basically that [the founder] wanted to buy that and he was really interested in it. Well good luck to him. [The founder] would ideally like to have a particular consensus from the family (inaudible) and when he didn't then I don't think he was very happy about that... We made the decision we are going to do it after we worked out we *could* do it [buy it from the cash flow].. ... I think there is maybe a bit of suspicion of myself, concerning some of it. "We have made enormous profit and we can afford it can't we"? Now that is really, from my view not acceptable standard of financial development. And people actually made that assumption on the finance, because you can't sit down and make a decision based on that sort of lack of knowledge, it is not acceptable...we had a board meeting, which decided that and after the board meeting, we went to dinner at the [grand hotel] and sat down and discussed the matter and that was it.
[B2/V5/S1/3/p11]

A non family director was astounded at what happened at the board meeting as he had expected to see the sibling unite in a common voice against it. It seems as if the two siblings in Scotland had formed an alliance with the non family directors and advisers whilst the siblings based in England either supported the founder or avoided taking a side. Afterwards, they licked their collective wounds and came up with a rationale for going along with the decision:

S2: In general the [leisure club] thing we've - the 4 of us came to the conclusion that if he really wanted to do it then he was the one that's made the company what it is so we let him go and do it. It's not going to be an out and out disaster but it's got the potential to be okay, the other 2 non-family directors were very much against it, but we said "Well fair enough if that's what you want to do then do it". He's going to do it anyway cause he'd pull the

shareholder's card and he would put it through so that's - he was the one that drove it and pushed it forward and again it's because he want something else to do.[B2/V6/S2/1/p8] [

Looking back on the event, the mother came to the conclusion that the siblings had rationalised the leisure club purchase as a legitimate "other interest" for retirement : "he might start golf and it would give him an interest". [B2/V6/M1/p20]. Asked for the background to his decision to buy the leisure club, the founder explained:

Founder: Because when you get to 70 or 75 [he was 66] your ideas are a bit outmoded and I suppose I've got to recognise that they're going to have ideas and I do listen to them but some of them are stupid. They can't see the wood for the trees. They can't see opportunities when they rear themselves enormously as far as I'm concerned in front of their heads. They don't see it as an opportunity.

Interviewer: Have you an example?

Founder: The [leisure club] is one. Nobody wanted to buy it but it'll make a fortune.[B2/V6/F1/p1]

This diversification was the clearest example so far of the power struggle taking place between the generations: it led everyone to recall the 1990 hotel chain failure and lasting effect of the drain on cash flow in the firm. This diversification, though, came seven years later when S1 in particular was much stronger as a manager and as a son attempting to become his own man. Yet he was unable to mobilise enough support from the system to override the family compliance code, and the founder won the day.

6.3.6.5 Transferring Ownership and Coming to Terms With Mortality

There are connections to be made between the purchase of this club (with the founder putting the siblings and directors through what seemed to them an outrageous process) and the founder's growing realisation of his own mortality. During a chat in the car, he wistfully mentioned that he had been thinking about some tree planting going on at the leisure club and that he'd realised he wouldn't be around to see them grown and how that was saddening for him. Perhaps he hoped the would be his legacy as he regarded the new venture to be in a fickle industry where skill was needed to keep out of the way of the "big boys". If he hoped that the club would be seen as the founder's way of leaving something that would guarantee wealth for his family and to be there after his death, it seemed by 1997 that he had developed mixed feelings

about it and everyone's reactions to it. The acquisition had raised issues about the tax consequences it created, and led to a decision to address estate planning urgently.

This was a topic that had not been regarded as having any great priority at that time. Within a few months, the founder rushed to create a trust to pass his wealth to the siblings in order to avoid inheritance taxes: having realised that he did not qualify for business property relief he had to act quickly to preserve the wealth. The club was part of £12m gifted to the siblings by the founder and his wife by way of a trust which he then controlled. Although he retained control, there was a sense that the whole episode of the acquisition had backfired on him, as he felt he'd lost the land and had to give up what his Dream was about:

Founder: To any other people it doesn't make any difference and I could do what I like at the [leisure club]. I could spend money and put lakes in, as far as anybody is concerned I'm still the owner but in my heart of hearts I know I'm not. I think when I go they might decide to sell it because it's too much of a pain, I don't know. I would have thought it would be a bit of a pension for the kids.[B2/V10/F&M/1p28].

The founder had therefore controlled what business they were in to date, and technically, through his control of the trust, would continue to do so until his death or in the event of insanity. However his experience with this particular acquisition has served to remind him of the price to be paid for absolute control: it raised issues that he had been able to either dominate or to get around over the years - yet these were issues that had never gone away satisfactorily. He was still using a business venture as the axis for his marital relationship and his spouse was still unhappy and powerless to influence it; his sharpness and skill as a decision maker has been seriously questioned and in a much more professional way by those he is accustomed to assuming would acquiesce; his Dream has been brought to an abrupt halt as the need to preserve, not create, wealth takes priority to serve tax purposes. Finally, he has had to give over the land which he was developing to be a beautiful and lasting reminder of his success - but would not live to see - to his offspring before his death. They in turn regarded the whole affair as a tedious diversion of management time and cash

resources, and they regarded their defeat on the issue as a worthy one if it gets the founder out of their way in the business.

6.6 Diversification #5: S1's Attempt at Related Diversification

The founder did not easily relent against the strengthening generational push from below, nor against the internal reminders he felt reminding of late adulthood. If he was getting an escape route in place for when he would be less able to keep his grip on the levers of control, he was by no means ready to let anyone test the waters in 1996-7. This was made evident by the strength of his negative response to S1's proposal for the firm to make a related diversification. S1 had been nurturing his own plans (part of his Dream?) for the firm for some years. In 1996 he said

I think yes, I think if you look at the, where the opportunities for investment in the companies are, we have, I have on my little list, probably 10 million pounds of investment that I believe we can produce spectacular returns from. Now that's probably above the companies capacity to manage.....but my attitude is - I'd like to go and start on these things and see if, given the start, whether or not we generate the funds to actually take the next stage forward.[B2/V4/S1/2/p3]

In 1996, S1 found an essential aspect of the production which caused a process bottleneck for those in the computer assembly business. He wrote a business plan to open a facility on their premises which others in the industry could rent during its downtime; then for national coverage which would mean setting up 10 sites. In visits during February - May 1996 there was a lot of excitement around internally about this from those who worked in Scotland. By May '96 one person had been interviewed for the position of manager of the facility but did not get the job. Meanwhile, S1 was working with NF2 and NF3 on the details of advertising the facility. S1 had estimated it could sustainably generate £3-4m profit from rentals a year if it was expanded at the rate of one site a month. This was an interesting example of a potential business venture meeting all the usual criteria the founder would set, in effect taking the founder on at his own game. If he sanctioned the investment: it would be a further creative business use for their existing premises and since it was part of the production process for their existing products, it allowed them to avoid "buying-in" or getting

caught in the assembly bottlenecks industry-wide. And it was a proving ground for the next generation's ability to originate and implement new business development ideas. S1's logic was presented as "we're doing it anyway - lets make a business opportunity out of it. All we need to do is stimulate demand and let the industry know where to come to use our facilities". Asked in a telephone interview if he had the backing of the family, S1 replied

"Yes. But when it comes to the crunch I'm not so sure about [the founder]. It would mean frightening liabilities. He questions some of my ideas and ways of going about things. It would be a very highly geared operation if we opened one a month for 15 months" [B2/T1/S1/p2 April 96].

Clearly there had been discussions about it at the southern office. S2's indicated in June 96 that after much deliberation, the siblings would be likely to unite on the decision one way or another. The way in which the founder influenced decision was illustrated by this issue:

...[the founder's] quite anti it, he can't see the managing of it on separate locations would work properly... that we would discuss it informally at a separate little meeting and [the founder] would just come and sit and chat with me for half an hour and he'd do the same with all the others and I suspect I'd have a chat or a phone call with the other 3 to decide how we're going to approach it and we'd either agree or disagree and then we'd come to board meeting united, so we'd actually make our minds up and discuss it prior to the meeting. We tend to have a lot of evening telephone contact between the 4 of us.[B2/V6/S2/1/p9].

By June 96 the founder's mind was made up: it was too risky on two fronts. Firstly, to go national with the concept straight away was too risky for him and secondly, he was not willing to provide the funds to let the project get to the market research stage. To do so would have lessened his authoritarian hold over the use and application of R&D funds in the business, and therefore his ability to constrain the firm's growth. It also posed a risk that one of the sons (the academic one) may prove to be more entrepreneurial than was previously thought, and was able to clarify what business they were in. During a joint interview with S1 and the founder, he thought that the sons had ample opportunity to learn from mistakes in the firm:

Interviewer: Do you foresee a time when you'll say "I'll give them their head"?

Founder: Well, I'm doing that, yes.

Interviewer: For example to expand this over the country.

Founder: But I do give them their head to do things. They can make their own mistakes. And when they've made a mistake we sit down to analyse it and

say well why was it a mistake? Why did we do this? And then they say "Well you said it was all right " you know.

Whether the venture was a sound one or not is not the issue here, but the pattern of how the family dealt with the prospect of a change in its pattern of coerced consensus. It illustrates what happens when attempts to personally differentiate from the founder are made by a son, here in the context of clarifying the nature and scope of their business. This was risky for S1 because if it backfired, it might be on the basis that the idea was unsound and therefore reinforce the dominant story that his ideas are academic and therefore unreliable. Whilst the founder "hammered through" the leisure club deal, at the same time in the firm he ensured that S1's diversification could not get beyond the planning stage, by conferring his views privately to others and building up with them a case for consensus against it. By the summer of '96 the project needed the founder's approval for £14,000 to go forward to the next stage, but this was denied.

At a the joint interview with the founder and S1 in February 1997 (when the founder was 66 and S1 was 43), the founder was questioned generally about the development of his sons as his successors as a precursor to questions about the diversification idea. S1 then became increasingly uncomfortable during the dialogue; he lost his enthusiasm for the discussion and appeared demoralised by the end, looking pale and slumped:

Founder: It is a tricky issue and it's something I've got to think very seriously over the next few years before I give up the rights because when I do, I know that there's gonna be a few problems. How I sort it out I don't know. I'm willing to listen and over the next two or three years I think everyone can mature into their jobs anyhow and then we'll find out. If you've got the maturity then you haven't got the problem, it's immaturity that gives you the problem... they all should be getting towards their prime but they've been mollycoddled a bit because they know whatever they do they've got to satisfy the old man and I have more grey hairs. No hairs!

Interviewer: Have you ever or have you considered running an experiment where you provide the conditions so that you would see how this would play itself out.

Founder: It wouldn't work...Because I would be there....I couldn't do it. If I see them doing something absolutely wrong I wouldn't let them carry on doing it. I just hope over the next few years, while I'm still here, everyone gains the maturity and confidence because I certainly am letting go the right. To do that lots of people will have to make lots of decisions...

At this point, S1 became visibly uncomfortable and intervened to change the tack of questioning. Later, the questions returned to how S1's diversification idea had developed? The founder rejoined with some aggression:

Founder: That was a wally idea and I said it was a wally idea.

Interviewer: So would that be an example of you letting them dabble, make some mistakes, we'll see what happens and then you say No?

Founder: Yes, I did because it was something that S1 only gave lip service to it without really thinking about it. That's true isn't it?

Interviewer: Would you agree with that?

S1: [addressing the founder] Well, in the end you basically felt well, no its not something we want to get involved in, we might do later on I don't know.

Interviewer: Is it something you could have got somebody else in to handle and let them take the responsibility for running it?

Founder: I think it wasn't founded properly. The idea wasn't properly thought through.

Interviewer [to S1]: What's your thinking?

S1: If it had been better run then I think we could have done better on it but we didn't do the homework first in terms of what was required because what's required we need to spend another £14k

Founder: Well it's not just that... If we do succeed the returns are very high and the risk is very high and I would rather buy [next property acquisition] because I know from that I will get a return and it also has a lot of impact on [the firm].

Interviewer: So if they were to be given something to dabble with and see if they are able to make the consensus method work, it would have to be a project that was relatively low risk for you to feel comfortable enough to keep hands off. That was an example that was just too high risk for you.

Founder: I think basically it was that we didn't do our homework properly.

S1: I think the problem really comes down to myself, NF2 and [other staff] not doing the work properly that's what I think the problem was... for instance, we got the equipment and we were ages before we set it up and got it running and when we went in and did the testing we got some other people that came in and used it and they said - Yes it's fine but it needs this particular thing - and then that was the end of it... because we hadn't got the money to spend this additional money on -

Founder: [interrupts] I don't think that's true. We have got the money to spend - the additional money - but whether it's the right thing to do at that time is another matter. You've got to set your financial priorities right, we spent £1.5m last year on the [leisure club] and the [next acquisition] properties coming up and I think that stretched us a bit. [B2/V9/F&S1/1/p22-24]

The "homework" and "the funds" are smokescreens for the founder to keep S1's idea at bay, so that he can focus on his own mission. The founder's tendency to use put-downs was noted throughout the research, especially in relation to his wife. There is a cultural tendency for males in the south east of England to use derogatory terms when addressing females, but it was clear to another observer who noted S1 being badly affected by the founder's his comments:

...he gets under a lot of pressure, he shows the signs of stress on an ongoing basis actually because he does take the brunt of a lot of it, more so than the other sons....He gets stressed and he comes and discusses with me sometimes some of the problems he has. I try to calm him and advise him how to take a steady line

through it and not to get too upset about it but he's learned to cope with it over the years, to be honest, because he's always been the butt, really of [the founder's] - anger and fun and so on. I mean a for instance, I had a meeting with the architects quite recently to discuss a development we have in the property side of the business and [the founder] was so rude about S1 to this complete stranger, it was totally unnecessary and I could see this architect looking at [the founder] as much as to say what is this about? ...It was very much, putting S1 down and making fun of him. Now S1, for him to get respect from other people in a business like this, people take a lead from someone like [the founder] who push him down and I thought it was very poor and I did mention to [the founder] that I thought it was disgraceful. It didn't make any difference. [B2/V7/NFX/p2].

S1's attempt at diversification showed how interconnected the strands of family, ownership and business can become, and how easily personal boundaries can be violated when everyone is around each other so much, and when everyone has so much at stake. Whether S1 was testing his father's and his brothers' capacities to support other ventures is not known, but whatever the issue, S1 had chosen to take his father on at something that exposed their lack of clear business focus, and the reactive way that the siblings and non family directors politically manoeuvred around to identify how and where to position their views.

Posing the question of "what business are we in" should help those in the business to work through the crisis of autonomy and towards its next life-cycle phase of growth through delegation. It is clear from the above accounts of the reaction to the leisure club acquisition, the related diversification idea and ongoing acquisition of more property, all of which were happening in the context of major transfers of wealth happening without any transfer of power to the siblings for tax purposes, that the founder alone decides what business they are in, and it appears to be the business of personal wealth generation through opportunistic property acquisition / development funded by cash generated through organic growth in a very narrow and defined niche of the [computer] industry. More importantly the founder, who is aware of how "tricky" it will be to have the siblings work this out after he has passed on, does not want to experience the tension or pain that would be around as the siblings learned to share power and control, and how they identified their preferred leadership style. For him it is more risky to hand over some control and to deal with the emotional consequences of engaging in an adult - adult relationships than it is to retain control and keep his family

in a relatively disempowered position. Whether this becomes a “poison pill” succession plan is the subject of discussion in the final section below. The next section illustrates how pervasive the politicisation process became as the struggle to create a structure to underpin their growth unfolded.

6.3.6.6 The Politics of Organisational Structure

During 1993-98 the sales turnover of the firm grew from £1.7m to over £6m per annum. The firm was receiving major orders from national chains who expected the firm as their supplier to grow on the back of their planned expansion across the country. To this end, the founder negotiated a loan of £292K from a customer to finance the production and development of sufficient product for 300 outlets. Although the firm had come through a crisis of autonomy during 1988-91 into growth through direction in the early 1990s when the founder won these orders, there was still some major unfinished pieces of business to be dealt with from that phase of growth, and from that period of the succession. Re-framed in family business terms, the problem was that despite the ongoing influence of the controlling owner, the siblings still needed access to the experience that would teach them how to work out their own approach to shared decision making and problem solving. They needed this in order to create a working sibling partnership capable of governing the business and of sharing the power and responsibilities of ownership and directorship. Finally, they needed the experience of working in power together from which to design and implement a structure that they have tested and know to be fit to support growth in the future.

However, they were prevented from doing this because the founder was entrenched in the controlling owner role and is willing to create only enough scope in their roles for marginal adult and management development. He was also intent on recreating some form of continued controlling ownership, by positioning one of the siblings in what was supposed to be a “first among equals” role that was gradually imposed upon, rather than agreed by, the siblings (i.e. a pseudo-parental leader). The process by which this was imposed on the siblings led to their becoming politicised, with alliances forming

and breaking depending on the issue, often with them rallying against the founder as the common enemy but always retrenching when it came to the crunch.

These problems manifested themselves as tensions and irritability between the siblings and the non-family managers, especially around attempts by S1 to introduce more formality in the company's structure and the way people went about their work. Whether this was another form of resistance to the influence of the eldest for being the eldest, or for being the "academic" (he had just completed a MBA) is not known for sure, but the resistance was evident because whilst everyone agreed that more formal organisational structures were needed, few people helped them become a reality. In the internal communications by video-conference, silences, "asides" and sarcastic comments were observed; these were routinely lightened S2 who had cultivated distancing himself from these tensions at meetings by using humour, and for whom the nature of his work in the business kept him physically distant from the company's offices.

All the problems in the business subsystem eliciting these reactions during this fast growth phase had a major feature in common: they created predictable patterns of emotional reactivity in and amongst the people affected by the issues by activating unhealthy emotional triangles. When this happened, dyad alliances distanced or isolated one or more siblings depending on the issue. The triangles interlocked regularly by means of evening phone calls between siblings and their private meetings with the founder. The founder became the emotional switchboard and information regulator, and so the effect of people working from partial bits of information led to the siblings becoming politicised. Under such conditions, those bound up in these emotional processes faced the challenge drawing upon whatever resources they could in order to address the underlying and fundamental issue enabling the triangling process to continue: their relationship with the founder as a father independent from their relationship from him as their boss. Some examples of these processes in the context of business tasks are given below, followed by a brief discussion of the

differing personal strategies the non-family managers used in their dealings with the founder. The business tasks included:

- a) attempts by the siblings (S1 and S4, both based in the North) to create a "traceability" system to log all movements of equipment owned by the firm but assigned to contracts with customers. S1 was frustrated about the lack of co-operation about report writing and paperwork, S4 was responsible for quality and the firm was aiming for an ISO award; both were keen to introduce the system and used "opportunity cost" analysis to bring the founder round to the cost of a software package to manage traceability.
- b) related to a) above, the fact that there were split sites exacerbated long standing conflicts between non family and family members, and meant that rivalries existed between the sites; communication was not satisfactory and there was a feeling that the successor was not visible or accessible enough;
- c) S3, then the "successor elect" had made an change to the company structure without going through the usual telephone-around channels, informing the other directors by memo; this had a profound and long lasting effect on the relationship between S1 and S3 and was also contributed to the tension in a) above;
- d) the process of how a non executive director (NED) was chosen and integrated into the business led to reactivity between sites and in particular between S1 and S3;
- e) the development of formality in the board of directors.

The founder's role in all of this as architect of the politicising process was described in one interview outlining what happened when S3 made the structural changes:

NF4 [S3's] very energetic, as they all are but he's not thinking management at all. And when he does he gets it all wrong. He just made a decision recently to restructure his area and promote people without any discussion with the rest of the directors or management of the business. It was the knock-on effect it had (inaudible) and also for S1 to operate the financial package and finance it and so on. The first they knew about it was a general memo that had gone to the people who had been promoted.

The non-family managers were aware that the siblings were having to tough it out amongst themselves, rather than have the benefit of coaching or mentoring from their father:

... The thing is that [the founder] should have sided with S3 and said "OK you've done that but you can't do it again. You really must discuss issues of this nature with the Board of Directors. I think it probably was the thing to do but everybody at least had to be aware of it and think down the line, how people are being affected by it . How are you going to placate them, motivate them with the loss of their input?"

Interviewer How do these things work themselves out?

NF4: Even his younger brother [S4] is really not bad because he has been organising all the [customer support area] and is doing a very good job. I might

say really applied himself well to it but nobody has given it time for his efforts to materialise. In came S3 and wiped it all out and put somebody else in and S4 was devastated by it. Although he hasn't said much I can tell speaking to him, his confidence is knocked. [The founder] supported S3 and was aggressive with S1 who had taken him to task on it because of the ramifications, instead of seeing how he'll come on. [The founder's] hopes and expectations are that S3 will come out like him and have his qualities because he wants that to happen. S3's his favourite son and so on and he wants to see this happen. And it's not going to happen.

That this was a key issue affecting relationships was corroborated by S1:

S1:...But the person brought in to do that was taken on by S3 and that person was taken on and whilst we knew that it was something - everybody knew that it was an ongoing issue - he was taken on and the first time I knew about it was after he was already employed. I think I was extremely angry. It showed we need a little bit more structure. And this is one of the areas in terms of financial control that we are looking at. We need to say 'right what are your plans for the next period' to actually get a little more control into the area.[B2/V5/S1/3/p6].

Working together on the traceability initiative, S1 and S4 had found that the founder is on this occasion willing to listen to arguments backed by financial logic. Their task was to implement the system to achieve the financial gains and the personal credibility at stake for each of them. However, when they tried to do so, it raised an unresolved issue the mother (in the south) and a non family manager (in the north), as well as bringing the "re-structure-by-memo" affair to a head again:

S1: At the moment we have got half a service dept. in [south] and half a one in [north] and I can't see how you can actually get a persistent traceability having split offices. This is a major area. The systems that we have weren't adequate for tracing the equipment and maybe there wasn't the management control there should have been. Nobody fills in any paperwork in this company at all and so it's not been perceived as an important task..There's also an issue - there will be a member of staff in [south] who will be made redundant, now that is something which probably has a far greater management impact decision than one might believe. [B2/V5/S1/3P3]

S1 is alluding to the successor's changing of his sales team without informing anyone first, as well as the issue of their mother being eased out of the business and into the leisure club.

S1: My mother's role would be - there would be a change because what we would like to do is put bigger emphasis on sales and support from the office in [south] and I think that how that should be done is something , whether its agreement at the moment, but I think that's probably the biggest single area where there isn't agreement within the organisation. I don't think the issues have been clearly thought through and understood by anybody in the company. B2/V5/S1/3/p4]

Making changes to company structures, reporting requirements and roles is inevitably leading to some resistance from those whose lives are affected by it. Although all accept the need in the organisation to professionalise to meet such rapid growth, the entanglement of family and business agendas means the key players have their attention and energy diverted from the task at hand into handling the emotional reactivity generated when family issues pop up in the business arena.

The "split-site" conflict and review of functions also activated a long established but unresolved issue between a non family manager in the north and the mother in the south. It flared up at the time the traceability system was introduced and set off a pattern of reactive behaviour to contain it as follows. There was a disagreement between the mother in the south and the non family manager in the north over the phone about a component. The father phoned S1 to get him to smooth it over and calm the non family manager down; recognising this, the non family manager walked out of the meeting and out of the firm with S1, who then called on other non family managers to help talk him round. The situation was finally calmed a few days later by a phone call from the founder. At the same time as this incident, the introduction of the traceability system by S1 called for a re-organisation of work in the mother's and S3's domain, evoking established turf issues about the "Scottish mafia" taking over and bringing to a head the issue of how to deal with the mother's role. For the mother, it stirred up unresolved (i.e. smoothed over) issues from about 9 years ago when problems had emerged with one of NF2's staff about booking the holiday flat owned by the family and made available to staff

The task of organising themselves into a business entity capable of supporting the growth they were taking on has therefore activated an important emotional triangle between the Mother - NF manager (who carries his history of underpayment from the early days close to the surface) and the founder as this extract shows:

Founder: They've both got a problem with me and [the mother] because that's Mum and Dad you know and it's difficult... There's inefficiencies in the company 'cause of the problems and [the mother] is inefficient at times and

so's [non family manager]. They blame one another rather than sort the problem out.

Interviewer: Where does all that come from?

Founder: I think it's...[the mother] is not a director of the company and she's not been in the job all that long - 6 -7 years and he has always had the feeling that she got the job because she's my wife. And that really is the truth. Because [the mother] in her own way - she has no foresight - she pays a great deal of attention to detail and without that detail we couldn't run it but she has no foresight and no political skills for dealing with people. It either is or it isn't - you know. She's very good at picking up the wrong end of the stick. And so's he. B2/V6/F1/p5].

By February 1997, about nine months into her new role as leisure club overseer, the founder reported that she was doing well in the leisure club. To deal with his anxiety over the issue, the founder in turn activates his own triangle by recruiting S1 to smooth things over. This places S1 in a potentially difficult position when he pushes for implementation of his traceability system, in which the implications about the mother's role are exposed and need to be addressed. Bearing in mind the mother's strongly worded views on wanting to retire and to have more time to be with her spouse and the grandchildren, the actual result from this re-structuring was that her situation and the founder's situation relative to her remained the same. The only thing that changed was the location of the office in which she now worked. Deflecting her into the leisure club achieved a number of purposes: it kept her emotionally connected in the business context; it ensured the founder's ongoing control over his emotional availability (control of closeness-distance) to her, and it distanced her from the conflict taking place in the new venture.

This incident illustrates the founder's propensity to use the business as an emotional regulator. It is also indicative of S1's capacity to attempt to promote change by preparing and pushing his case for the re-structuring, and being ready to take on the pressure he anticipates from the reaction by others in the family system to his attempt to implement change.

6.3.6.7 The Non-Executive Director Decision

The family were facing problems of increasing intensity: the business needed more formal structures and processes to accommodate growth, but the enmeshment of

family and business agendas has created a latticework of issues whereby one issue affects the next and so on. The ineffectiveness of the board prevented this escalation because none of the board members could separate their role as son or “pseudo-son” from their role as director, and the board had a rubber stamp culture and function. Although the appointment of a non-executive (NED) director should bring hopes of there being more objectivity on the board, in fact the blurring of his role from the outset ensured this would not happen. The way in which his appointment took place provides a good illustration of this role enmeshment.

In a manner reminiscent of S3's re-structure-by-memo incident, S1 chose the first research interview (a joint interview with S1, S3, NF4 and NF5 of the USA branch present) to mention to his peers that a NED – namely his MBA dissertation supervisor - was being considered and was likely to be appointed. There was a silence, and looks exchanged between S3 and NF5 implying “over my dead body”. S1 explained that he had introduced their father to him, and that their father was on board with the idea. It soured the tone of the meeting, and caused S1 to become very agitated, getting up and down to walk around a lot. After the meeting, when asked about his brother's reaction S1 became more nervous, deflecting the questions.

S1 had taken the opportunity to find the ally he needed at board level if professionalisation of the business was to be implemented. This was timely for him because no one else was bothered about finding suitable NED candidates. However the NED to suit S1 would have to meet his certain criteria, the most important of which was create an emotional triangle to alleviate the anxiety in his relationship with his father. He needed someone credible that the founder would accept if challenged, and for whom there would be respect; someone who could be a mentor to S1 and could screen then support his proposals by affirming the thinking behind them and the quality of analysis; and someone his siblings might come to respect in time, especially if the benefits brought by the person were undeniable, despite their inevitable

suspicions of bias if it was someone from an academic background. Such a list would be expected to make up a major part of the founder's job description for dealing with successor development during the later stages of leadership succession. The positioning of his MBA supervisor into this role in such a way as to by-pass the sibling approval process was a calculated risk on S1's part given the political current around at the time to do with S3's handling of the structure issues and the anxious climate about the founder's purchase of the leisure club. Given the founder's refusal to support S1's diversification idea, it may seem odd that the founder agreed to S1's idea and invited the NED to join the firm. Since the board functioned as a rubber stamp board, it is unlikely that the founder thought the NED could threaten his control of power.

Founder: He's [NED] in S1's camp. I'm a bit concerned about the academia. Because I'm not an academic...He's probably too academic and we've got enough academics in the...S3's got reservations...S3's anti at the moment. Because of his academic background. But yes, I've talked to him and we're going to give him a try in the autumn.

Interviewer: This is interesting about decision-making. S3's not there yet you say you'll give him - the NED - a try. If you weren't around - how would they go about that?

Founder: S3 would give him a limited role. He would. The thing is, we all have different ideas but we all have the same aim. And you've just got to have the right aim. But I mean the aim is the important thing - as long as it's not all - so S1 gets some executive that he wouldn't get otherwise. But we don't see that at all.[B2/V6/F1/P5].

A non family managers welcomed the appointment but knew it would make waves amongst S1 and S3:

NF3 I knew him quite well, [from the MBA course... pretty shrewd when it comes down to it, whether he would be nasty enough to deal with us lot, I think you need someone who is pretty acerbic, I think, to deal with us lot. When he looked round the place I introduced him to everybody as prospective non-executive director and everybody looked completely aghast. I sort of looked at S1 and S1 looked at me as if he were snarling... ...[B2/V5/NF3p12].

These extracts show how the NED described his introduction to the company and how he perceived his role at the outset.

I think if I'm openly honest I think [the founder] , I think, would like me to keep an eye on S1 and be a sort of mentor for S1; I think he feels that S1 has got credibility but perhaps needs someone with him to back him up. I think he thinks that S1 might do one or two things half prepared. He's the one with the numbers and he's the one who can see whether the company really can afford it. I think S1 (inaudible) likes to have someone to sound his ideas out with and just wants someone to talk things through. Because, I think the point is with the board, there's a lot of talent there, but there's no one who's taking a big overview from an intellectual point of view. They've all got a good grasp of business (inaudible) I think he just feels it's good for him to have someone

else to talk to and relate to. He's relatively independent. I think there might be one or two misgivings. I don't know yet, but I think the younger one [S4] might be a little bit unsure. [B2/V1/NED/2/p3]

The interview questions alerted him to the ongoing politics in the firm and the danger of him in his role not being seen to be neutral in the current climate of tension, especially between S1 and S3. A year later in 1997, he had visited the firm a number of times and had attended some board meetings. He had also worked on some internal financial reporting systems and recommended that S1 undertake a formal accounting qualification. He alerted [the founder] to the severe inheritance tax consequences of his property acquisition strategy especially if the expected change of government came about, and he provided a contact in a "Big 6" accounting firm to approach for advice. That led to the creation of a tax efficient technical solution resulting in the transfer of £12m wealth divided equally in a trust to the siblings, all within a few months. Asked to reflect on the experience, he described how his role was evolving more as a consultant rather than as a NED, and he emphasised a lot how important it was to keep a respectful connection going with the founder:

What I've done has been specific things I could have done as a consultant. But from a NED standpoint and board issues - S1 & I chat a lot and he rings me up a lot or I'll ring him. I've got a sort of working role but in terms of party to family discussions about the future of the company, these are discussions that take place in the evening with [the founder] as well. Its a kind of tension between whether I should be NED operating in conjunction with the board, or whether my role is in conjunction with friend of S1 and [the founder]; that kind of isolates me a bit from the rest of the board....I wasn't invited to the whole of the [strategy review meeting in June 97] and thought maybe they don't want me to play the role of fully fledged NED... I think they think there's a role there for me as a sounding board - someone to test their ideas as well as to hear mine and I think that's an important useful role [ibidp3].

[on the estate plan] Its driven primarily by tax rather than any serious thoughts about succession. S3 had been made MD of [new venture: UK]. I have a lot of questions but its not something they seem to ask my view on. Its not something I would volunteer unless asked by [the founder]. Its partly because of the way I've come into the company, through S1. Em, [long pause] I feel that, if down the line I play a role that is more of a NED role then I will have to have the confidence of people like S3 as he'd probably be the main man. I've had very little contact with him. [B2/V10/NED/2/p6]

Asked about whether he had expected to get involved in governance of the family business, he said that he did not have that role; he saw himself as a conduit between

the founder, the siblings and the board, such as when he was asked to put a word in with [the founder]:

... sometimes I feel that I'm a referee between S1 and the rest of the board. There is a role there - there are obvious tensions between [the founder] and perhaps S1 in particular and perhaps other members of the board in terms of the direction of the company and these issues. And sometimes I feel that without getting too partisan about it, there's a role to fill. You have to try and show the way forward [ibid. p4]

...the difficulty is you get the impression he [the founder] won't get involved in the day-to-day stuff but above that he'll say "that's rubbish, we shouldn't do that" and that will be problematic, and that's undermining, especially if he does it with S3. I wouldn't put it past [the founder] if he thinks something is the wrong move he will unpick it and he won't be very sensitive to the people he's undermining. [ibid.p9]

Although the NED had become a valued conduit to the founder, his role, along with the roles of other non family directors and advisers was blurred from the outset and this marginalised his effectiveness.

6.3.6.8 Non-Family Directors' Interface with Family System

How, and with what effectiveness the non family managers and consultants handle themselves with the founder and the situations they find themselves was interesting to observe, considering the history of cut-off from the early days of the new venture when anyone stood their ground with the founder. The consultant who wrote the 1990 sales and marketing strategy report used a businesslike approach supported by rational and economic business arguments to push for implementation of a traditional hierarchical structure and reporting lines. He became very frustrated when his plans were thwarted, gave up, and eventually settled into the role of confidante for the family and of director of the property side of the business. He is not invited to attend board meetings. The two non family directors had opposite strategies: one used sarcasm to vent his frustration and sometimes threatened to leave, and the other realised that losing his temper did not pay off, and had come round to a much more easy going approach:

NF3: ...it used to be very frustrating actually, I used to loose my temper somewhat spectacularly with [the founder] every now and again, but you sort of realise - you look back and you say well OK - you realise that quite a lot of things *do* happen, they just never happen as fast as you want. But then you get used to being knocked back and often if you are a lot more laid back, its

less - I try and to use the techniques that they teach you on how to motivate your workforce - actually works both directions. You try to plant the ideas below you and you try to enthuse them and you can enthuse upwards in the same way. [B2/V/NF3/1/p7].

The NED's role was different, but it required some skill to manage his position in the triangles which had clearly developed between father-son(s) and NED once the siblings recognised a potential conduit for influence over their father. To the extent this was achieved at all, the NED explained his approach:

...carefully. A little bit politically - in the sense - I'm careful not to disagree with [the founder] all the time, so that - there have been specific issues where I've said "that looks the way to go and there's not that much time" but on other occasions I've picked my moment and said to [the founder] "look, there is a problem here, and I think you should consider this". [ibid p4].

The binding of family members' energy around these issues in the business sub-system, rather than on working out their own strategies getting access to power and control, serves a function in the family sub-system. It keeps the founder preoccupied with his sons and important business matters rather than dealing with his impending late adulthood; this also has a delaying effect on the siblings' development into autonomous young / middle adults. The rigidity of the emotional triangles in the system (no one individual could create enough flexibility to change the outcome the founder wants) led those in the system into a sense of being "stuck". For the mother, this meant she was channelled into yet another family business rather than have the time she would prefer to engage in family life. The siblings were recruited into dyadic alliances with the founder to be brought round to his way of thinking; and non family managers had to find their own way of getting by, in the above case through flare-ups, exercising patience and by methods of diplomacy. There was a timeliness of the NED's arrival on the scene in terms of the competing life-cycle demands in the family, business and ownership sub-systems. This, and his style of action (especially the effectiveness of the tax advice, even though it ignored the succession issues) may have generated some slack for those affected by the ongoing politics concerning the structure issues, and the ever-present tensions about the strategic direction of the business.

The internal push for personal and management development and for development of the business moves on over time regardless of attempts to frustrate it, and whilst for the siblings some issues could not be moved, others were tackled from different angles. S1 and NF3 decided to do the MBA qualification. It provided them with new models, ideas and contacts and each gained access to a different type of personal resourcefulness to use when attempting to push for their wishes in the business. How the board as a group and as a process developed between 1995-98 is an example of this. In the business domain, working on the leading edge with competitive and challenging customers brought the need to deliver the goods and to be seen to be a worthy supplier. S1 outlined the pressures emanating from the business environment on the firm to become more professional and to have leading edge products:

S1: Well there is a crisis at the moment. But it doesn't mean there aren't changes occurring. And some of them are quite significant changes and I do think that one of things that has occurred this year is this tremendous feeling that the company is under pressure. Now the company has grown by 50%. The Profits are up two and half times. We are getting a satisfactory return on investment. We don't really feel in the everyday sense as though we're a company in crisis. But yes, there is a very strong feeling that we are in crisis, we do need to develop our company faster than we have done in the past and I think that this feeling of requirement to do more, is actually driving a lot of the other aspects of it. Instead of it being to survive, there's a new motor other than fear which actually driving the business.[B2/V8/S1/5p12]

The forces for change are building internally in the new venture with accompanying pressure from the changing competitive environments creating further growth opportunities for their key customers. The opposing force to change is sited in the family system: the senior generation's requirement to mould, before it is too late, a replica of the founder's controlling owner success model including the entrenchment of relationship patterns with family and "pseudo-family" to keep control over the levers of power:

My biggest worry is having someone with a strong enough character to control the staff. To control someone like NF2 and NF3 who need a very firm hand on the rudder otherwise they take control and it would be - They haven't got the business acumen to make the sort of decisions they try to make. You really need - it's just my one worry is that. And S3's obviously getting a lot more experience. And I think he's hard enough or he will be, he's getting there. [B2/V6/M1/p20]

How the founder has gone about this process was described by a non family manager:

I think there is more of a family preference [for S3] , like the thing that happens in families, that they have a member of the family that both mum and dad have a special fondness for and I think there is something of that nature involved in this. There was a competitive stage at the moment where [the founder] was putting one against the other, in terms of politics in the business, I tried to understand his motives at the time and thought maybe he was trying to match them to see what they were made of, to see how they would respond. I'm just not clear whether it was more of a divide and rule for the situation I'm still not quite sure ...[B2/V7NFX/p3]

This approach to cultivate a "top dog" amongst the siblings is at the expense of the development of team-ship and collaboration which the siblings will need to sustain relations in the business and the family when the founder and the mother are no longer there. In this case it was apparent that the siblings are all highly intelligent and committed people with the stamina to stay with and resolve issues, but they are habitually undermined by situations triggering off patterns of emotional reactivity. With such natural resources to draw on, they might well have made an unbeatable team, (even without an accomplished entrepreneur) if they had the opportunity to establish amongst themselves a common enough vision to sustain the existing business. But a vision of anything other than a replication of the founder's own model for constrained organic growth and property acquisition would be blocked by the founder, and it was clear that the siblings wanted to how to make their own mark by generating as much growth as they could themselves.

Whether this is the case is unlikely to be known until after the founder relinquishes control in the event of death or insanity and the other parent has passed on too. The danger is that by then, when the siblings' will be between 45 and 55, the politicisation process and rigid emotional triangles may be so entrenched that they are more interested in either extracting wealth for their branch, or for positioning their own family branch for power in the next generation.

6.3.6.9 The Influence of Values and Principles on Ownership and Leadership Transition Activities

In 1995, when they joined in the research, the senior family members had a view of succession that it was the second generation's problems to sort out something that

would be workable for the third generation (the G2 to G3 arrangements), which it was expected would be made up of various cousins. This distracted attention from the work of the G1 to G2 transition: the parents said they did not expect it to be a problem the sons would be equal owners, they were paid equally and they all got on very well. Their only concerns were that their daughters-in-law were making things awkward by wanting better lifestyles and bigger homes. This was an interesting repetition of the founders' own situation in the 1950s when the mother had, with her mother-in-law, problems justifying the size of house they needed for the young family and the resources they needed to raise their young families.

The founder passed on the responsibility for finding out about transferring ownership to S1 who then looked into the creation of trusts but took it no further. At the introductory research meeting, all the family members present mentioned a TV programme about Clark's, a well known UK family business in which there were hundreds of working shareholders but the business was not competitive enough to generate a satisfactory return on investment for them. They seemed to think that as long as they had policies in place to avoid problems with the cousins, that this would suffice.

However it seems that the parents had, in fact, started looking into making arrangements for the G1 to G2 transfer, and had had a terrifying glimpse of some of the complexity involved. Having just emerged from the Crisis of Autonomy and feeling the business was again on the growth curve, the founder, who had just turned 65, started looking into the legal aspects of ownership transfer. The founder concluded that giving up ownership may mean giving up control, and the mother concluded that it was too complicated to deal with just yet and so no progress had been made. The founder explained that he simply did not feel ready to take the step of forming a trust:

Founder: ...We have a firm of tax advisers in to advise us and we are talking about setting up trusts and things. But from the succession point of view - I'm not very clever about this but we all think we're a bit immortal don't we? I mean in 5 years time I'll be 70. And if I'm 70 I won't have any sort of sharp mind. I might be... if I'm able to sit down and when they come and want to ask me questions I'll give them my opinion - that would be lovely if I could do that but I don't know if I can. I'd like to... but I don't feel any different to you -

you're 30 odd and I don't feel any different now than I did then...
...I'm sure you're very much aware of this but if you're going to transfer your assets to your kids at this stage to save tax you've actually got to give up control. And maybe that's been a problem. I really don't think I'd have any trouble with my sons but I don't know. S1 wasn't all that keen. But we'll probably leave it too late with inheritance tax just now [B2/V6/F/1/p2].

Asked to describe his preference for ownership transfer, he appeared to have an outline plan in which "equality" was to be engineered by mixing ownership and work compensation :

Founder: I think they should be relatively equal. Where the balance comes is that somebody's the Managing Director or the top dog then he can get another £10,000 a year on salary on top but share equally in the business. I suppose the problem with dead equal is you've got two of them say one thing and two say another and you've got a stalemate. So it will probably be adjusted. I haven't thought it through.[ibid. p4].

Pressure to Formalise Ownership Transfer

In 1996 and 1997, the estate planning exercise initiated by the NED to minimise tax exposure accelerated the spouses thinking on these matters and required some decisions to be made. Prior to meeting the tax adviser, the founder had already decided equal ownership in the future was non-negotiable. In one interview, with S1 present he made a point of stressing forcefully this would mean that S1 would be getting less when it was being transferred because he already had more than the others (he joined the business at the outset as a 10% owner). This implies S1 may have been under the illusion that the first in, or longest serving family member may end up with more, or that he felt aggrieved that this was not to be the case. This brings into question the conversations that took place around the time the sons entered the business: S1 chose not to complete his doctorate and joined the firm as a 10% owner who worked there and did not take a salary for two years. Apparently he had sent funds home from his student grant to supplement the firm before he joined.

When these conversations took place, obviously nobody was thinking about it becoming a sibling partnership with equal ownership someday. After the interview he mentioned a customer in which the firstborn had been inheritor / successor for over one hundred years, and that S1 would like that to be the case here, but it would not.

This implied S1 had been labelled as greedy, and the tone of the father during the interview was very critical. The founder was having difficulty matching the tactics used over the years to attract family members and to grow the business with the principle of equality of ownership to ensure that the sons share equally in the wealth and that the "pesudo-sons" are included in the plan, but to a much smaller degree:

Interviewer: ... what led to the way that it's structured at the moment, the 10, 6, 4 or 5% they have -

Founder: I think it was. if you think about it, it was age because S1 was first in and then S2 and then the other two were schoolboys and they came in later on.

Interviewer: What made you change from 10 to 6 and so on as they grew up and came in?

Founder: I think it was shares that were available at that time because I did a deal with other people that had shares in the early days of the company and as I did a deal I put them for the kids, but they were only kids at the time, we didn't know if they were coming in but they are all in now and they are all equal [B2/V6/F/1/p.7-8].

The founder used the research interview as an opportunity to press home his policy of equality, using his power as a parent and as the controlling owner to make it clear that any other expectations have been superceded.

The estate planning exercise also raised issues about other policies to do with family involvement in the business after the founder's day. The family had regarded gathering information on succession planning as an academic exercise, and had therefore left it to S1 and paid little attention to his ideas. Now that estate planning was taking place, S1 tried to ensure that even if he was unable to influence the G1 to G2 transition, he intended to take a more active line on the G2 to G3 transition, especially in relation to how family members get to work in the firm. The founder had realised how much was at stake in terms of wealth preservation from the tax man as well preserving his total power over the firm. This meant S1's apparent superior knowledge on the subject appears to have been interpreted by the founder as if it were a threat to his personal power. From the tone that developed at this meeting, it seems the founder did not want S1 taking a leadership role in the decision making process on these matters, and that this was another manifestation of the power struggle taking place between the two. The more S1 sought out ways to carve out and develop his

own area of expertise and become his own man, the more it seems his father felt threatened and acted to undermine these efforts.

At the prospect of a change of government brought with it the threat for the founder that his wealth, so carefully built and preserved in bricks and mortar, could be significantly eroded by a new tax regime. To avoid tax, the technical solutions the founder employed were not congruous with his values about wealth in the family and how to get access to it: he had to give it away in order to preserve it.

On the one hand, he needed to transfer the wealth to his sons and pseudosons, yet at the same time he was not ready to give them access to the wealth either through the ownership sub-system or the compensation system in the business. Rather, the sons came to know that to get access to more wealth, they were expected to use the family sub-system to ask for perks and gifts. This effectively prevented the sons, and the systems from maturing and growing up (i.e. separating) into responsible, independent adults able to make their own decisions. The founder's dilemma was that he had to go along with the legal requirements for transfer of wealth, yet somehow still retain total control of both the business and his sons' access to wealth and their independence of their father's paternalistic influence. The trust, as a container for the wealth transferred, allowed the founder keep all his control mechanisms as they were, and therefore did not upset any of his structures, other than to be a reminder of decline and mortality.

This parenting aspect of these transactions also contained a dilemma: if he let his sons grow up and make their own decisions while he was still alive, his task would then be to face up to a late adulthood in which there was almost no life structure in place to support such a life. Also as a parent, the founder and his wife both had upbringings in which family business money was used to keep everyone connected. Those who broke away became cut off. The siblings' access to wealth was a double-edged sword: eventually it would bring power, and the parents feared that the siblings would embark

on accelerated growth in the business with the result that their lives would be overcome with business pressures rather than a balanced life, and they feared that their thrifty values would be discarded: "you can only wear one suit". The equality principle seems to be the parents' best hope for equal treatment of their sons, and for ensuring debate amongst the siblings before any major decisions are taken.

There was a great deal of evidence to suggest that the siblings and non-family directors were quite concerned about getting more value out of the business in the form of compensation in the short term. Although the founder insisted that all directors were on higher than market salaries and that "...the total package outside, they couldn't match" [B2/V6/F/1p3], in fact the directors emoluments in the company's annual reports show that director's salaries are relatively low and there is no pension or health insurance in their terms. His working philosophy that "you get your jam tomorrow" meant access to cash was restricted, but some day you would be well off.

After the estate plan was finalised, and he had transferred £12m to his family, he said,

Founder: I think basically we have always worked on the basis you'll get your jam tomorrow and tomorrow never seems to come, but it has come now, it's certainly come for me. It's also come for the boys because their salaries are much more competitive. They, they earn what they deserve now.

Interviewer: So have the salaries increased significantly over the past years?

Fonder: Oh yes, every director of the company are on exactly the same salary which sounds a bit funny but it's right because they weren't, they were all spread over with NF2 at the top ... [B2/V10/M&F/1p10]

Although they were now equal, this did not mean it compared with the norm for their industry. The NED, however, considered the directors' compensation in the firm to be relatively low and was concerned at what would happen in the future, now the siblings were "wealthy":

How will they take out more from the company? And I see another tension - between the millionaire sons and NF2 and NF3 and several other very important people in this company. I mean NF3 in particular is the key on the software side along with other people and I see problems being once the sons want to start living much more, er, extravagant or opulent lifestyle, the others who won't be as wealthy and who certainly put as much into the company will be hacked off. In terms of contribution, they're probably more important than the four boys. [B2/V10/NF4/2/p13].

The founder had not yet found an answer to the issue of current and future liquidity for owners other than this method of using the family sub-system of gifts and perks as a

wealth regulator. He did not want people to sell their shares, ever, yet realised that some people may want their money out. The pseudo-sons' reward is a good example of this: clearly these people are expecting liquidity, and also expecting their loyalty to be rewarded in some way. It is unlikely that the minority holdings provided in the trust arrangements will meet these expectations. This was taken up with the founder and S1 in an interview:

Interviewer: So you seem are happy to go with the assumption that nobody will ever want to sell their shares?

Founder: Yes

Interviewer: Is that something that you [asks S1] would feel comfortable with as an assumption? I mean a lot can happen in the future to people -

S1: In the short term, and by short term I mean 5-10 years, I'm sure that's correct. But the next generation down 20-30 years time I don't think that is or will necessarily be the case...

S1 did not want to speculate in front of his father on what would happen if a sibling wanted to sell rather than pass shares on.

Founder: I think that's the biggest problem, trying to get the shares through not to this generation but the next lot.

S1: That's I think the reason for doing the purchase of shares is that in the next generation down, the people that are interested and want to work in the business, then they work in the business and others have an exit so you don't finish up with a lot of passive shareholders that are....

Founder: [interrupts] I really don't know how that's gonna work, I mean our shares are not worth a lot because we don't have dividends and if you don't have dividends - if one of your daughters marries a drug addict that wants some money for his drugs and we don't issue a dividend he isn't gonna be very happy is he? especially if your daughter's become a hippy and turns out (inaudible) in the outback with him.

S1: That's the sort of reason why you want to get people like that out of the company.

At this point in the interview, the father retorted sharply to S1's implication that the current way of doing things was not good enough:

Founder: Well that's the next generation's problem I think

Interviewer: Are we talking about people working in the business or owning shares in the business?

Founder: I think we are talking about both. I feel that some of my grandchildren will want to come into the business and some of them definitely won't want to come in to the business and if you're not in the business and you've got a wealth in the family company I want some of that wealth from the people outside and how we handle that I don't know. I think (inaudible) I mean you can always change the conditions.

S1: I think you set conditions down that you intend to last for a long time.

Founder: The way I would like to see this is that nobody sells their shares or if they do sell them they sell back to the company [ibid.p10]

It is clear from the approach taken to leadership succession that he was relying on his own values about keeping costs under control rubbing of onto S3 in particular. A major value for the founder and his wife was “don’t spoil the kids with money”, but the estate planning process was beginning to threaten this and created a dilemma about liquidity because he could not be in control of the rationing process after death. The passage above shows the founder backing off at the thought of there being qualifying conditions in the future for family members to be connected to the business, and the fuzziness of his understanding about ownership. Since this would be an inevitable and uncontrollable departure from his own multigenerational pattern, he is keen to pass such problems onto others. Although the founder is attempting to apply the same control on the emerging constitutional issues mentioned above, he was being reminded by S1 that he is running out of time, and can not expect to dictate terms from beyond the grave. The founder’s text suggests he is stuck on the matter - on the one hand he wants to ensure that they continue his credo but on the other hand, he dare not get into the process of negotiating this firstly because there has been no history of mature debate amongst founder and siblings on serious issues in the business context in which his views were not always upheld, and secondly because if they did engage in the debate about how wealth and power should be decided upon, and there was no collusion with him, where might it all end up? The family’s values about limiting access to wealth and power, and the dilemmas they had living them in the context of a growing family and business became more critical as the estate planning process unfolded.

6.3.6.10 Testing the Future Ownership and Leadership Structures

The prospect of a change of government and the tax regime accelerated the family’s exposure to questions and issues that not all family members were emotionally and developmentally ready to get into. For example, the founder’s wish for his sons to be custodians of the wealth he created was not explored, because there was evidence around that some of the sons, and the pseudosons would want liquidity for their immediate and ongoing financial needs. Did the siblings really share their parents’

custodial values or were they waiting to work out their own values once they had the power to decide for themselves? This gets to the core of two key issues threading through the life cycle of the new venture and contributing significantly to its strategic drift: what business are they in and what are they in business for? This was explored with the founder:

Founder: I don't mind people who are in the family keeping them but unless we change our view on dividends, which we probably will in time, then I can't see any point in having shares if you don't get dividends. It's all right for the wealth to grow but if you don't see it there's no point.

Interviewer: Does it depend on what you're in business for? If you're in business to create something that's going to last for the next generation then people may not mind it always being ploughed back in, but if you're in business to create a return better than you would get on the markets then you want the payback.

Founder: Yes that's not what we're in it for.

Interviewer: What are you in business for?

Founder: We're in it for growing the business at this stage but we've got a long way to go and I think the investment in America is gonna be quite significant and I think the returns in America will be quite significant that's where the real future lies. And of course [NF5]'s gonna have one fifth of that company. [ibid.p10].

However, rather like adolescent children (who often want to do the opposite of what their parents think is good for them) the comments given by the siblings suggested that they, and the non family directors really wanted to grow the business at a significantly faster rate than the founder had in mind – even if it would entail raising funds externally (this would violate the founder's finance policy). The founder kept an iron grip on R&D spending and staffing, and used cash flow to fund property acquisitions to choke the growth of the firm over the years. He did not want the firm "running away" with the growth offered in the industry, and did not want his sons' lives to be affected by the pressures he envisaged outside investors would bring. The siblings were therefore having to make more sophisticated and credible arguments when they pushed for growth in the firm, especially given the advanced requirements of the US market. In terms of the "what business are we in?" question, it appears from these insights that the siblings' view could be written as "its dad's business to do with what he wants and what he can get away with, for as long as he has the control. Then we'll be in the business of faster growth in this niche and get more value-out". The

NED had started to think about this issue of what the family were actually in business for:

NED: That's interesting because I think - [the founder] in a way, values the family thing, maybe more than the four boys do, the family concept is important to him because they don't get a great deal of income. They get a reasonable income, but they're not living on a company director level, so it's all been built up for them but they can't get at it. And that's going to be increasingly a frustration.[B2/NF4/2/p6].

To what extent might the family values and principles currently espoused by the founders (which will become their legacy) guide the actions of the directors when it truly becomes a sibling partnership? If the NED's view that the founder "values the family thing more than the boys do" is right, to what extent will the founder's attempts to mould in S3 a replica of himself (a pseudo-parental lead sibling) assure the continuity of his style and values, and foster family cohesion around creating and sharing wealth (with restrictions)? Would any of S3's siblings (as an equal owner and co-director) be willing to put up with their sibling asserting his power to continue restricting growth, staffing for the sales function and R&D - when alternative power sharing methods could be attempted by the board? S3's attempt in 1995 to assert his position as "MD - elect" by making a major structural change in the business by memo was met with reactivity and resistance and may be prophetic of the future under his leadership. It is clear that the parents are worried about this, and that they oscillate between the "top dog" leadership model for which S3 is being groomed, and the "all equal requiring consensus" model.

The mother, for example, said S3 would have to be hard enough to control the non-family directors who in her view did not have the acumen to guide the business. Asked how they might foresee a major decision being processed by the siblings in the future such as whether to raise capital for business expansion, the founders struggled to predict what would happen:

Founder: You do need there to be someone to show the way.

Mother: [interrupts] You do need somebody, you can't...

Founder: [interrupts] doing everything by committee is not on.

Mother: You've got to have somebody who makes decisions and says that's what we're doing and go for it. [B2/V10/M&F/1/p15].

Interviewer: I suppose the question I'm really asking is - the sons as you know them, will there be factions - a tendency for certain ones to support others, how do you see that panning out -

Founder: No they don't. the one with the most push is S3 and S3 will need to work very closely with S1. S1 is as crafty as a monkey sometimes.

Interviewer: So if those two can work it out amongst themselves then their task is to sell their ideas to the others.

Mother: They have been...

As was the case in other interviews, the parents deny that there may be problems with their "model", reiterating the bit from their model that is missing in the next generation:

Founder: [interrupts] I don't think we've got any problems....

Interviewer: It would be interesting to see how they as a team would go about dealing with a situation like that - "should we change the rule for this and see where it takes us?" - how would you think they would handle a conversation like that?

Founder: It depends what sort of teacher I am over the next few years because they then have the responsibilities to make their own mistakes and I think I'll teach them right. They would probably have the same attitude [as the founder]. Entrepreneurial spirit doesn't exist. Maybe S3 might have a bit. [ibid. p20].

Regarding the testing of the future ownership and leadership structures for the transfer from G1 to G2, the founder is resting his hopes on ensuring he can institutionalise his pattern of thinking. As an insurance, he selected S3 and began the process of passing on his method:

I am teaching S3 to know what to look for but he is building his own respect, he's quite hard [ibid. p12].

The mother, in turn, hopes that the values they used as parents have become institutionalised:

I think there's a whole attitude to life - not how much money they've got but how they can fund the life style they've got. None of them have excessive life styles, they're just not that sort of people and as long as they've got enough so that they can live in the way that they want to then I don't think they'll bother.

Interviewer: So it comes back to the values discussion we were talking about before - where you've got the cushion of wealth, a reasonable standard of living and nobody's really bothered about it after that? You're convinced that that would endure?

Mother I'm positive.

Interviewer: What do you think [to the founder]?

Founder: I don't think there's any problems, the only problems you've got is the wives and if the wives think

Mother: [interrupts] If the wives think they want a bigger house then that might a problem but I think

Founder: [interrupts] No - we're going through that at the moment. S3 wants to move and he needs some help and I'm helping him.[ibid.p21].

The founder and his wife are therefore gambling in the succession that their hopes will be realised, and that the siblings will continue to live by replicating their model: i.e. by

upholding the goals, structures and values introduced by their parents, rather than work out their own structures when they have the freedom to do so. The founder was of the views that as he was getting older, he was becoming less autocratic:

Founder: Yes we've gotta hand over a bit quicker, I mean everybody's said that throughout my stewardship I've been autocratic... and I'm not as autocratic as I used to be. I am giving other people responsibilities to do their own thing.

Interviewer: [to his wife] Would you say he's not as autocratic as he used to be?

Mother [Long silence. She does not reply]

Founder: [asks his wife] Do you think I'm autocratic?

Mother: [quietly] I don't know, I'm not saying anything . [B2/V10/M&F/p12-14].

Whether he is still as autocratic as he ever was probably depends on who in the system is asked the question; what may be more meaningful would be to examine the way in which the founder and others see his role changing, rather than his style. In absolute terms, there is no doubt that despite the transfer of the MD title to S3, and the transfer of wealth to the trust, there has been no transfer of power. However there was a shift in the founder's approach with the siblings in that he was beginning to see the inevitability of certain aspects of passing the baton.

After a year of being around the business, the NED commented that he saw the founder's role being one of counter-balancing the siblings' and other directors' actions. This took the form of challenging them to look at it his way and forcing them to through his own (proven) system of checks and balances. The culture engendered by the founder up until 1996 looked like see-saw which is overloaded at the founder's end. In 1996, triggered by the purchase of the leisure club, this began to shift and by 1997 it may be the case that the sibling's end of a see-saw may be just starting to leave the ground, but perhaps no more than that. The founder's counterbalancing approach is described by the founder as "I have less hands on, less day to day responsibilities... I think my job is to be the miserable old bugger and knock their heads together". [B2/V10/M&F1/p13]. How he does this can be seen in action in Appendix B2.1b, which is an extract of his comments as they were noted directly from the Minutes of the strategy review meeting a month earlier, in July 1997. The founder's statements show how he keeps their feet on the ground by asking the cost-related questions and having

them justify to him why additional funds should be spent anywhere. At the meeting, a he made a bargain: they got the extra staff but they did not get the wage review through.

By 1997, it was evident that this pace of change in the business environment was testing the founders' values about wealth and power, and this was causing tensions between and within the generations. There are glimpses evident that the siblings may not espouse their parents values at all, seeking fewer restrictions on their access to wealth and power. The absence of a process to work out what values the siblings wish to preserve denies them the opportunity to learn what their own sibling partnership constitution should contain to serve the duration of their ownership. There has been no precedent reported throughout the case of a truly negotiated consensual decision making process. The founder's hope is that his counterbalancing approach, which sometimes forces the siblings to fight against him as if towards a common enemy, will strengthen their resolve to agree on what to do with the business. As this offers no guarantee to the continuity of his leadership style and finance strategy, he and the mother have decided that to the extent they keep it all contained during their lifetimes, they have achieved the part of the Dream they shared.

6.3.7 Conclusion

The notable features of this case are:

a) *the parents' faith and reliance on their assumption that replicating the model that worked for them in the past will work for the siblings in the future.* Their "model" included positioning S3 as the next autocratic leader who would continue to prevent growth for the sake of it and keep the same approaches to cost control in place; restricting access to wealth from ownership by limiting exit and dividends, and sustaining the family pattern that linked membership of the family to membership of the business (and thereby the adherence to the above rules) with the unspoken threat of being cut-off if perceived as being disloyal. Although their model provides the next generation with strong incentives to continue conforming with the parents' model, to do

so would mean their continued compliance to rules that were out of touch with their emotional and developmental needs.

a) *The influence of multigenerational patterns of behaviour and reactivity:* the experiences of the founder and his wife in their families of origin whereby family members were cut off from emotional and financial resources if they violated membership rules led this family to upholding the rule rigidly. This led to anxiety being bound in the families around a fear of poverty (in the sense of being either financially and / or emotionally short of resources to cope with life). The founder and his wife also extended these rules (and transmitted this fear and anxiety) to family members and beyond to the pseudo-sons to ensure the skills the family and the business needed could be retained without expectations of power. Despite the many crises the business faced, no one in the business and family sub-systems was willing to forfeit their careers and access to ownership by refusing to comply with the founder's expectations of loyalty, after they saw that those who did transgress became isolated (NF1, and the sales manager who resigned in 1990).

b) *The business marriage and its impact on parenting:* the balance of power in the parents' marriage changed when they took on the rural hotel, such that the business became the central focal point of their lives, rather than their marriage. When the founder focused his energies on the business, rather than the marriage, it distanced his wife, affecting her own functioning (depression) and meant their parenting together was enacted in the context of the needs of the business to survive. This effectively arrested the development of the sons at their adolescent stage, when they were trying to establish an identity separate from their family of origin and its family business. All the sons heeded the family call to re-connect when they diverted their own plans for career development and entrusted their careers to their father in the new venture when they entered the business. The frustrations felt by the sons during their adult development periods since then imply that the unfinished work on this process of achieving identity formation and separation (emotionally and financially) from the family of origin may resume after the parents' deaths.

c) *The prevalence of emotional triangles being activated to handle the founder's*

unitary control in their lives: Everyone affected by the founder's need to keep total control over the business and the family (and pseudo-family) members needed a means whereby they could cope with the reality of subordinating their lives to the founder. The emotional triangles described below show how the system coped with having to function around this application of power:

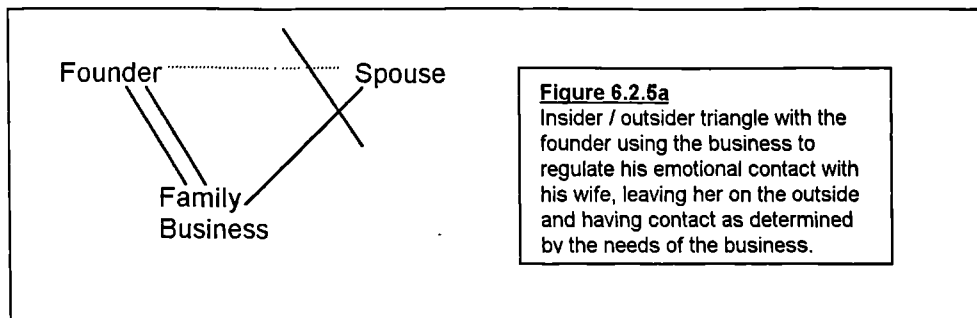
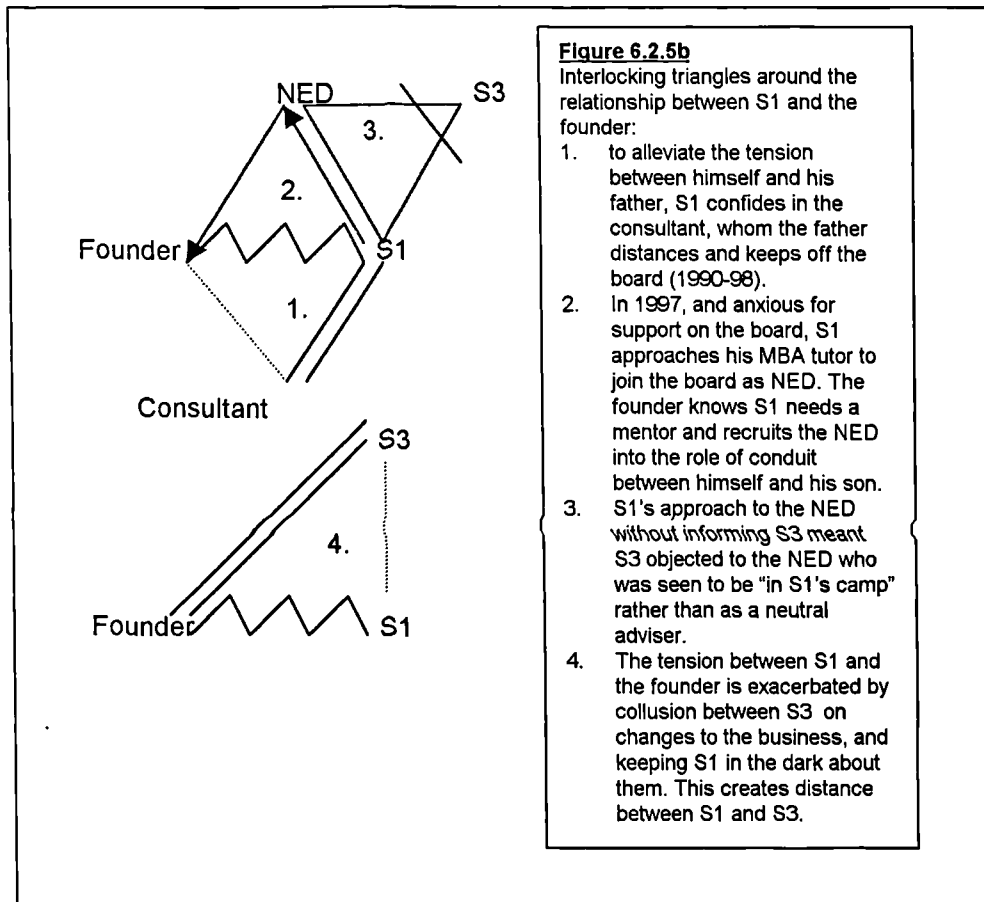


Figure 6.2.5 Triangling patterns in Case B2

Figure 6.2.5a shows how the founder's wife became distanced and emotionally isolated when the founder channelled all his energies into getting the rural hotel to work, then to get the new venture going so that they could get out of the rural hotel. Feeling emotionally isolated and unable to influence their situation, the founder's spouse became depressed and unhappy with the quality of their family life. This led the founder to work even harder and so the cycle was sustained. Finally, she found interests of her own outwith the marriage, then moved their home back to England where she could be closer to some of her grandchildren.

Figure 6.2.5b below shows the way in which S1 (the eldest brother) and S3 (the second youngest brother & successor) handled the tension between them over the years. S1 chose to leave his doctoral studies to join the firm as a 10% shareholder. His shareholding was evened out when the trust was set up, ending any expectations he may have held about reward for the early support of the new venture. S3 did not give up a career as such to join the firm, and became a director and shareholder ten years after S1. Over the years, S1 was labelled as academic and lacked credibility in his ideas. This meant he met with resistance from the system when trying to push his ideas, and he recruited supporters to back his cause (consultant, NED). In so doing he

also created distance between S3, with whom his father was colluding on changes to the structure of the firm. This did not create a good basis from which to share power as a sibling partnership in the future.



e) *The Subtlety of the Shift from Working Together to Passing the Baton in the Business Family.* In this case, the founder gave only a few signals that any change was taking place that could be interpreted as shifting the succession from the Working Together stage to the Passing the Baton stage. The transfer of the title of MD and the transfer of the wealth into the trust did not lead to any transfer of power; in fact these affirmed the founder's intention to hold on to power until death or insanity prevented him doing so. The most noticeable changes were subtle: the acquisition of the leisure club as his legacy when he was 66, and the acceptance at that time that he could no longer deal firsthand with some sales negotiations led him to adjust the system to accommodate the decline he expected (his father died at the age of 66).

CHAPTER SEVEN

THE JOURNEY THROUGH THE GENERATIONAL TRANSITION: DEVELOPMENTAL INFLUENCES ON TRANSITION TASK ACTIVITY

7.1 Introduction

The first research objective identified the tasks and issues to be addressed by the key constituents in family enterprises in order to complete their generational transitions. This objective employed a review of the relevant literatures and was dealt with in Chapter Two and Chapter Three. It was shown that the context of a generational transition was made up of three key dimensions: emotional, structural and situational. Change taking place in the situational domain is a function of the emotional and structural change brought about when the family enterprise system changes its overall governance archetype. Like pressing a master switch, change at the whole system level triggers change in the constituent subsystems whose internal structures are organised under the whole system archetype to allow the entity to exchange resources with the environment.

The tasks involved in achieving this level of change depend on what structure the family enterprise system and its constituent subsystems are moving away from and what structure is being moved towards and is likely to be adopted for the next stage in its life-cycle. The nature of governance archetype change was described in Chapter 2.5 (p.47). The tasks relating to this level of change were shown in Table 3.4a, 3.4b and 3.4c (pp.86-88) and were discussed in Chapter 3.7 (p.81).

The literature review therefore highlighted the best practices prescribed by seminal works in the field at the level of the task environment in generational transitions and at the overall process level for structural change in generational transitions. When the literature was organised into the context for generational transition and the three key dimensions of this context, it suggested that the nature of the work required to make change happen (i.e. the transition tasks) could be defined by at least three factors. The first factor is the type of structural change needed to either get the system back into balance again (whether to adjust the existing structure or re-

create a new balanced structure). The second factor relates to the emotional capability of individuals and of their families as an emotional unit to carry out the negotiation required to change relationship patterns. The final factor is situational and refers to the stage in individual, family and family-business life-cycle that each subsystem is moving away from and the next stage that each is moving towards. Chapter Three described the tasks associated with structural change at each of these levels in the family enterprise system, and at the level of the whole family enterprise system.

The extent to which work gets carried out on structural change is known to be influenced by the emotional context in which the work is being attempted. This is to do with the ability of individuals, families and groups to adjust or change their functioning to adapt to different circumstances in their environment. A change in one part of the system (such as a structural change in power and hierarchical relationships in the family and the business during the transition) requires an adjustment to be made in the system to keep the system in balance. If this is not possible, anxiety escalates and has to be managed to avoid the system breaking up. Managing anxiety can take the form of a minor modification in relationships to cope with the change, or a transformation of relationships creating a new order in the system. Chapter 2 (section 2.3, p.14 and section 2.4.3.1, p.33) examines the emotional tasks facing individuals and families when changes take place in the structure of their systems.

Objective two examines the approaches taken by different families to the steps along the pathway of their generational transition. It examines how they go through the stages in the transition process when the endpoint is a new governance archetype (as in a CO-SP transition) and when the endpoint is a recycling of the existing governance archetype (as in a CO-CO transition). This chapter deals with the findings of this objective and is in three parts, moving from a wide lens to a narrow lens perspective.

- *Building a succession "map"*: It starts by taking a wide lens view using Hollander's (1983, p.198) terms in which "succession is a piece of the management work which requires planning and thought" to investigate how they went about the overall process and what the

main stages were. It identifies the critical path or “map” used by the case studies to navigate their journey and the main regions to be crossed to get to the destination.

- *Dealing with the terrain:* The cases are compared and contrasted to take the analysis into more depth. It identifies how each family managed their way across the transition journey, that is, how they dealt with the terrain in each region of the succession journey. This uncovered the work being done by individuals, families and their whole family enterprise systems on sustaining or breaking down the deep structure holding together the infrastructures of their lives and organisations. Each family was seen to pass through a “transition cycle” containing a characteristic sequence of stages to be traversed. Embarking on the transition cycle was triggered by prevailing conditions and events in the system during the *build up to the generational transition*.
- *Getting to the destination:* Further analysis of the case study material was carried out to identify factors that lead to or prevent progress being made toward the destination. More progress was seen when individuals and families were able to manage their anxiety when they carried out the deconstruction and reconstruction work of structural change. The most progress was made by those crossing the terrain when completing the tasks required fulfilled two objectives for those involved simultaneously: the solutions being presented were feasible for the succession and they fit with individuals' adult development needs at that time.

Objective three investigates what factors influence individuals and their families to either promote or prevent work being carried out on the tasks associated with their generational transition. The analysis for this objective is dealt with in this chapter and continues in Chapter Eight, where the analysis shifts from macro to micro analysis. Chapter Eight investigates the influence of emotional dynamics amongst individuals and family members on decision-making and task activity during these specific life-cycle periods when ownership and leadership were in transition.

The second research objective was refined into the following sub-objectives:

- 2.1 To examine the chosen critical path taken by family-business systems through the succession journey and to identify the succession outcomes achieved.
- 2.2 To investigate the processes used by key individuals and by families to manage the structural change required throughout their systems during ownership and leadership transition.
- 2.3 To identify and investigate the influence of specific life-cycle developmental pressures upon decision making and task activity by key individuals and families during the change in ownership and leadership of their family enterprise system.

7.2 Sub-Objective 1: To examine the chosen critical path taken by family-business systems through the succession journey and to identify the succession outcomes achieved.

This section presents an analysis of the critical pathway taken through the ownership and leadership transition period by the five family-business systems studied. The choices made by the systems in the cases studied at each stage in their succession journey are recorded as coordinates on a “transition map” so that comparisons can be drawn between this research and best practice described in the literature (p.63).

The concept presented here from the macro level analysis is that of a transition map which sets out the main regions to be crossed during the succession journey from one form of ownership / leadership to another. The regions correspond to the stages and transitions model first presented by Desjardins et.al., (1998). The transition map plots the timing and sequence of choices and task activity carried out over time. This allows comparisons to be made of the systems observed and a comparison of the emerging pattern of activity in the cases with best practice described by these authors, and by Lansberg (1999) and Ward (1987).

As described in the literature review, firms demonstrating best practice in their approach to ownership transition should go purposively through the following phases (Fig 7.9a). The journey may not be necessarily linear, as there may be some backwards and forwards movement between phases, but the general direction taken follows the sequence below.

1. building developmental readiness

2. the trigger
3. disengaging with the old structures, dismantling old ways of doing things
4. exploring the Dream and exploring the feasibility of options for future structures in a circular process until the most likely structure to be adopted starts to emerge
5. making a choice about the structures to be adopted for the future
6. making a commitment to the chosen structure; moving on under the new regime.

Under this model, the system emerges intact at the end of the process because it has found a way of balancing the resistance to change with the push or impetus for change. This occurs when the adult development needs of both generations are in alignment, and the family are able to cope with the iterative process of learning and re-defining how their system will work in the future. When these factors are in place, the individuals concerned are committed to the new structure because they have evidence and experience that it is feasible, and the transition process is able to achieve closure. This is shown diagrammatically in Figure 7.1.1 below.

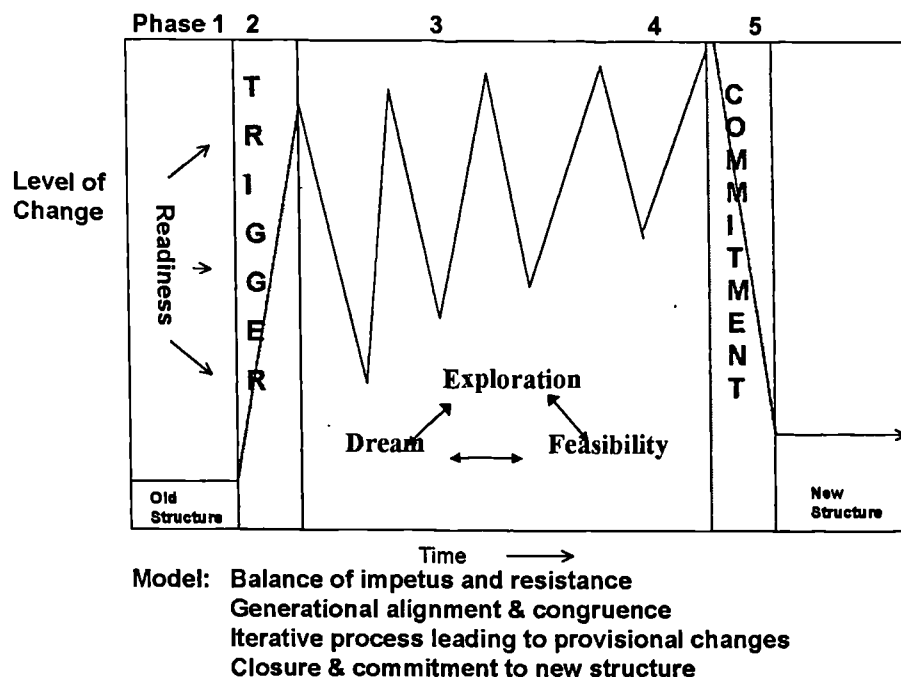
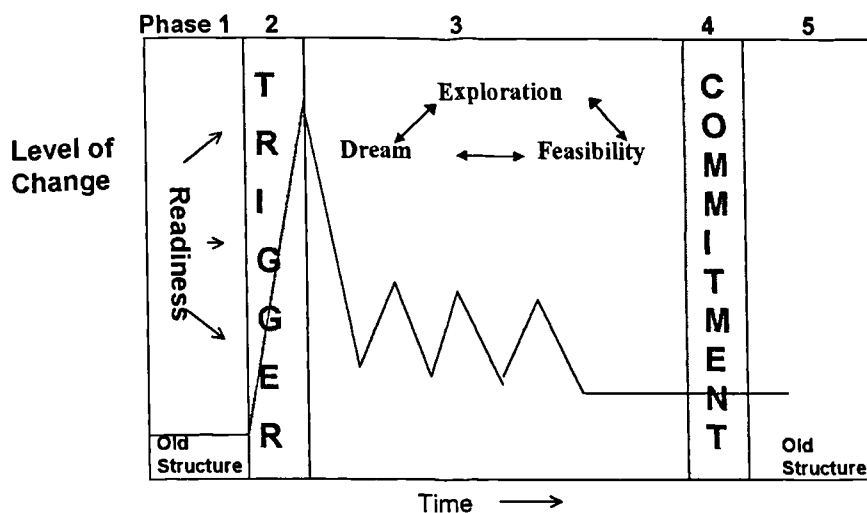


Figure 7.1.1 Critical Path Model for the Transition Journey.

It is well known that some successions go awry. The model predicts that this may take one of two forms, shown in Figure 7.1.2 and 7.1.3. Figure 7.1.2 demonstrates a system in which there is too much resistance relative to the developmental pressure within the system for change. This occurs when there is misalignment of adult development agendas. If those in power continue to resist, others have no choice (unless they leave) but to acquiesce to the choice of structure that has been made. This choice is premature (there has been no exploration of whether it fits with the Dream of those who will govern the system in the future), so the commitment is false and the system is likely to disintegrate in the future.

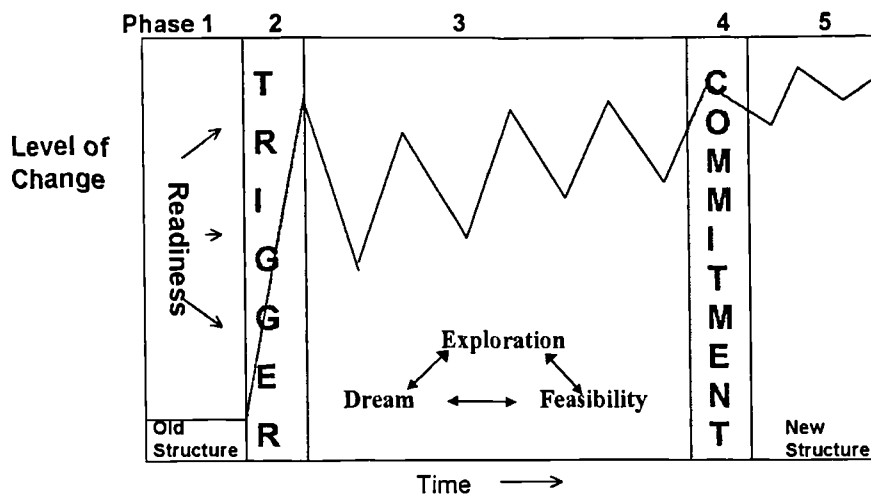


Model Showing Imbalance:
 Resistance overwhelms impetus for change
 Generational misalignment
 Premature choice \ False commitment\ Disintegration.

Figure 7.1.2 Critical Path Model When Resistance Overwhelms The Pressure for Change

The model also predicts an alternative journey to possible succession failure (Figure 7.1.3) In this case, exploration goes on too long, possibly because no structure can be agreed that would fit with the Dreams and aspirations of those involved. This would be the case when adult development agendas are misaligned. Here, there is no commitment and therefore no closure,

so the old, unsuitable structure continues. This is not feasible for the long term and the system is likely to break down.



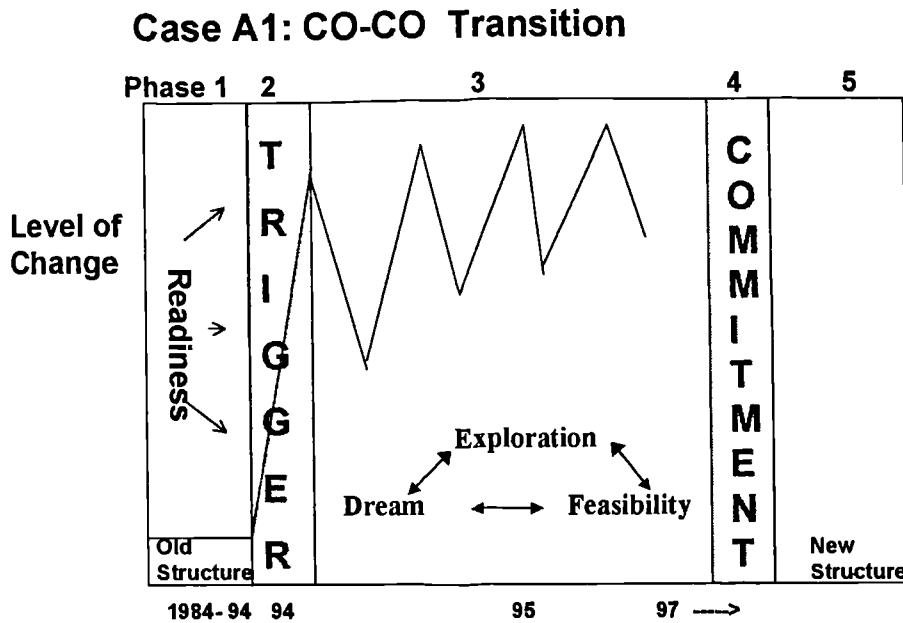
Model Showing Imbalance:
 No commitment to new structure.
 No closure of the transition - likely disintegration
 Generational Misalignment \ Incompatibility of Dreams
 Resistance overwhelms impetus for change.

Figure 7.1.3 Critical Path Model With No Commitment or Closure In the Transition

The key finding to emerge from the analysis of these cases is the consistent pattern of deviation taken from phase 3 in the transition map above by all the family-business systems in the cases studied (Figure 7.1.4 - 7.1.8). The best practice model (Figure 7.1.1 above) implies that the trigger should lead into a period in which the old system is dismantled (disengagement). This gives way to a period in which the individual and collective Dreams of those involved are explored to allow feasible options for a new structure to be tested. However it is clear that a very different route in the transition journey was taken in all the cases studied in this project. Whether the goal was a CO-CO or CO-SP transition, all cases went into the stage of choice *first* rather than last. The Choice stage took place at the same time as the trigger (cases A1, A2, A3 and B2) or in the case of B2, where a choice was made even though readiness was not yet sufficiently in place. The critical pathways taken by each of the cases is discussed below.

Case A1

Figure 7.1.4 shows the journey that is still underway in Case A1 during the second CO-CO transition. It is clear that no choice has been finalised and no commitment has been made yet to the structure proposed by the father of joint ownership between the sons, because the successor does not want to have his brother as an inactive owner in the system. This has been going on for over two years, so there is a danger that this system could drift into disintegration (Figure 7.1.3) if the task of ownership transfer is not settled between the father and the successor.

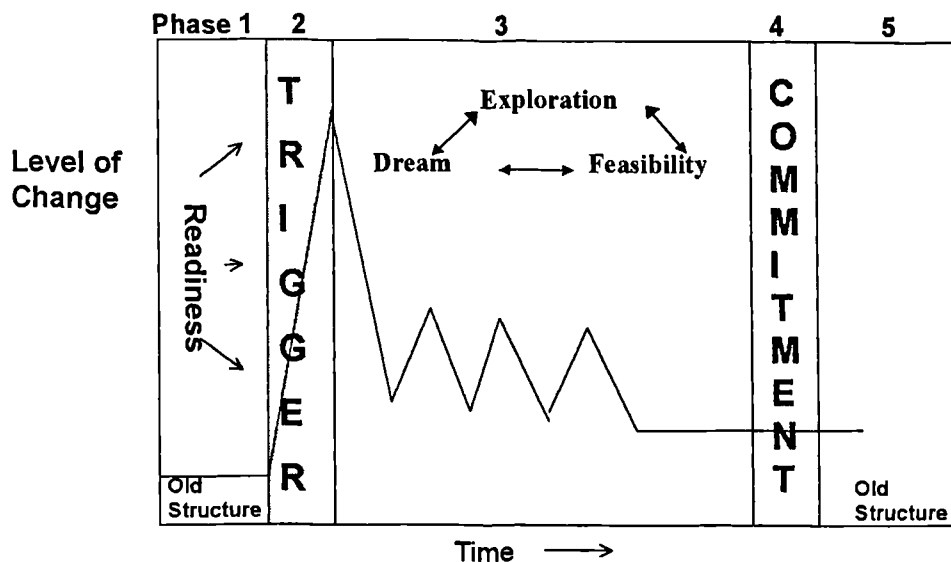


A1: **Balance of Resistance and Impetus for Change**
Generational Alignment
Choices provisional, no commitment yet.

Figure 7.1.4 Case A1: Critical Path of Succession Journey: No Commitment Yet to a New Structure

Case A2:

Unlike Case A1, Case A2 illustrates a failed succession. (Figure 7.1.5) Although the successor was assured of total ownership (confirmed in the will) and leadership of the business, he came to realise that he wanted a more satisfactory career, social and family life than was possible under his father's authoritarian regime. When he realised that his father's resistance to his need to explore how the family business could help him achieve his Dream was too strong (for the father and the board it was too risky to give up power), it became clear that he could not commit to the Choice made by the father and the succession failed when he left.



Model Showing Imbalance:
Resistance overwhelms impetus for change
Generational misalignment
Premature choice \ False commitment\ Disintegration.

Figure 7.1.5 Case A2: Critical Path of Succession Journey of Failed Succession

Case A3:

Case A3 (Figure 7.1.6 below) appears to have reached the point that was a danger for Case A1. The Dreams of father and son seem incompatible, and the system has been unable to achieve closure because no feasible structure has yet been found to which the family can commit itself. Ownership and leadership are still undecided, and the founder's fear of retirement is hidden beneath the concerns held by the family about the successor following his accident in 1994. The founder has put back his retirement another five years.

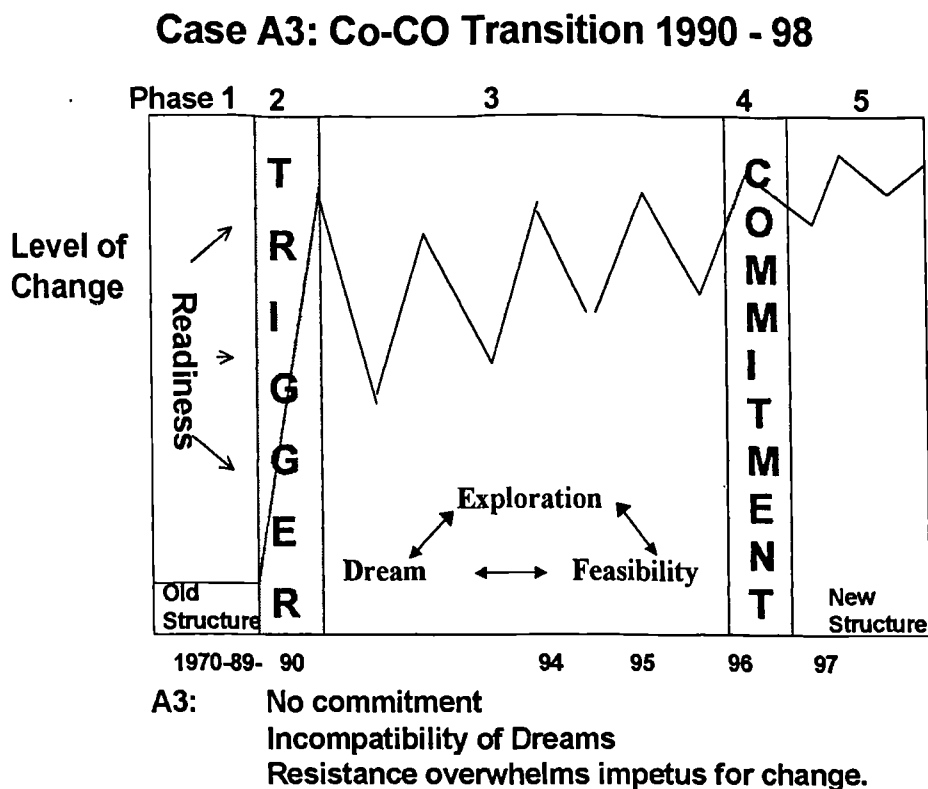
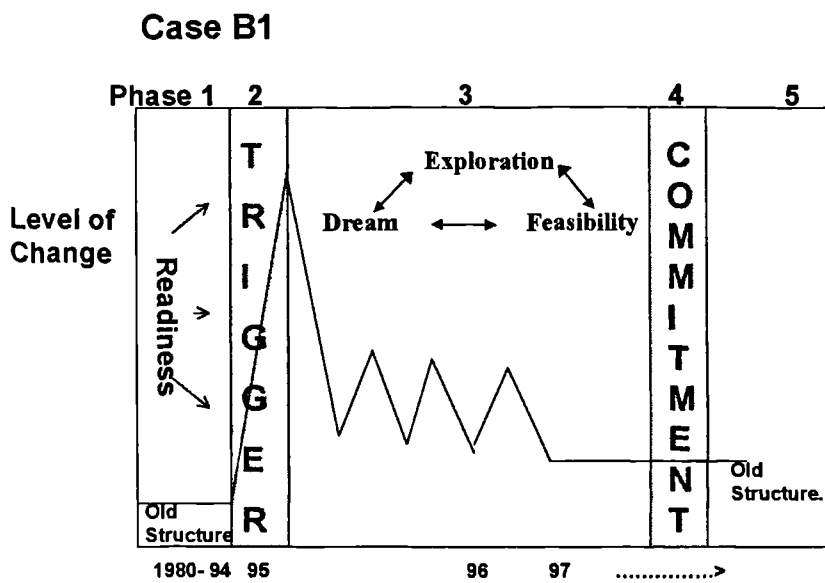


Figure 7.1.6 Case A3: Critical Path of Succession Journey With Ongoing Lack of Commitment to New Structure.

Case B1

Case B1 (Figure 7.1.7 below) is a CO-SP transition showing a similar pattern to A2. In B1, the father made a premature Choice of early retirement and transfer to his son as controlling owner. However as his daughters came into the business and committed themselves to successful careers in the business, it became clear that the father's choice was not feasible for a sibling partnership. Realising that he did not have an identity or a satisfactory life outside the business, and that his chosen structure was not workable for a sibling partnership, he put off retirement indefinitely. In adult development terms, the generations were out of alignment. The developmental pressure coming from the next generation could not match or surpass the resistance from their father which he focused on keeping the structure intact. The old structure was still firmly in place three years after the stated retirement date. Whereas the successor left in A2, at this stage in their journey, the next generation siblings in B1 still feel confident that the rapid growth of the business will bring the opportunities they seek to fulfill their aspirations in the family business.



B1: Resistance overwhelms impetus for change
 Generational misalignment
 Premature choice \ False commitment.

Figure 7.1.7 Case B1: Critical Path of Succession Journey With Premature Commitment to New Structure.

Case B2

Case B2 is a more advanced case of the premature commitment to the founder's choice than was seen in B1, but none of the succeeding generation members have left the family business yet, as was the case in A2. The founder's firm resistance to any change in the structure he had chosen (other than minor adjustments to assist with the logistics of the business) could not be matched by the developmental pressure coming from the next generation and the non-family directors. This being so, there was false commitment to the founder's structure, taking the form of political in-fighting and intense sibling rivalry. The siblings have not had the opportunity to explore whether, and / or the extent to which their own aspirations for life could be met by owning the family business and working in it together. There was talk of the siblings growing the business even more rapidly after the founder had gone, suggesting that his structure would be quickly broken down. The critical path model predicts this may lead to disintegration of the system because there has been no prior exploration and testing of the feasibility of their way of structuring and running the system.

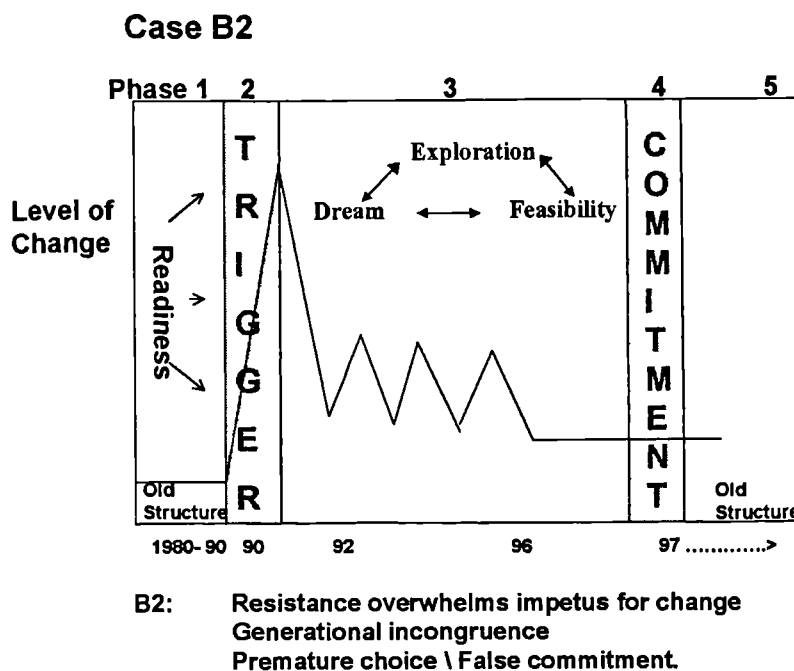


Figure 7.1.8 Case B2: Critical Path of Succession Journey With Premature Commitment to New Structure.

Figures 7.1.4 – 7.1.8 all show that the founders imposed their structure on the system at the time the trigger initiated the transition, thereby choosing the succession destination without going through the work of re-structuring and testing the feasibility of system under the new leadership and ownership governance archetype. What happened after the trigger to bring about a short-circuit in the prescribed succession journey? In order to explore what would lead the entire research sample to consistently deviate from the path of best practice, two questions are asked:

- i. what kind of pressure was building in the system causing the trigger; and
- ii. what was happening to the deep structure of the system during this period of situational change in the generational transition?

Question ii above will be explored under sub-objective two in section 7.3 below, To answer the first question, further analysis took place on the events and issues triggering the generational transitions in each case (Table 7.1).

Table 7.1 Temporal and Environmental Triggers

Case	Temporal Influences	Environmental Influences
A1	G3 joins the firm (1984) General Election (1979)	
A1		Angina attack (1994) MD Title transferred to G3 (1997)
A2	Resolution to start a family(1996)	Heart attacks (1990) Offer of sale fails (1997)
A3	Age 60 transition (1989-91) Trust dissolves (1990)	Road accident (1994)
B1	50 th Birthday (1992) 55 th Birthday (1997)	
B2	Spouse depression (1975)	Father's death (1968) Cash flow crisis (1990) Purchase leisure club (1996)

The table shows that transition task activity is mostly triggered either in response to the impact of unanticipated events affecting the family (illness, accidents) or to issues taking place in the lives of individuals (significant birthdays, adult development transitions requiring personal issues to be addressed). Time-limited temporal events such as general elections and the timing of a trust deed dissolving also triggered action, but only when allied to the undeniable pressure

for adult development work for which the individuals concerned were sufficiently ready to respond. In case A2, for example, the combination of the successor's wish to create a home and family life independent of the family business and the offer of sale of the business falling through collectively triggered his resolve to leave the firm.

These results suggest that a system's jump from the readiness stage straight to the choice stage (without first going through the process of disengagement and identifying feasible options for the future) is a normal reactive response to the anxiety created by the circumstances around the trigger event. It leads to a temporary alleviation of anxiety (a period of relative calm) in which the system is relieved that the senior generation in ownership and control has made a decisive response to the situation and once again asserted their authority. However, this relief was short lived because the exploration phase either did not happen, or it did not lead to disengagement and assessment of the feasibility of the new structure, much to the consternation of those in the system who were truly ready for change.

The exploration phases observed in the cases (described in section 7.3 below) were fragile because other constituents in the systems came to see that their hopes and expectations for change would not be realised unless the senior generation members were willing to shift their views and begin a true transfer of power and leadership. The choices made by all the controlling owners in the cases after the triggers that initiated the transition amounted to an emergency tactical response to alleviate anxiety and to get the system back under their control. It was not a strategic response in so far as it did not lead to the kind of work being done which would seek out feasible options for future structures. Whether strategic or reactive, it was a consistent phenomenon in these cases and is worthy of further study.

It is clear from the analysis of succession activity using transition maps for the case studies that when the seniors collectively rushed into the choice stage of the transition process, the whole process experienced a false start and was setback either permanently (A2), or temporarily (all other cases). The time remaining in which to achieve the best possible succession outcome was now diminished. Since the rush to make a choice, is evidently a relatively common

approach made by controlling owners, and since the consequences of this approach are severe, further analysis at a micro level was required to explore the emotional basis underlying the seniors' anxious reactivity to the trigger events and circumstances (Chapter Eight).

7.3 Sub-Objective 2.2: To investigate the processes used by key individuals and by families to manage the structural change required throughout their systems during ownership and leadership transition.

Sticking to the metaphor of the "succession map" for the journey to be taken by families through their generational transition, section 7.2 above identified the regions contained in the succession map and the families' approach to navigating the map. In navigational terms, Case A2 went off course as the succession failed, and the other cases showed signs of variation from incomplete exploration to drifting, both of which threaten to take the systems off course in the future. If the navigational error is made at the time of the trigger, it seems the generational transition may be knocked off course at this early stage in the process. Whatever course they were on, the impact of time moving on meant that the transition continued to unfold and take its course.

This section moves on to investigate how the family enterprise systems dealt with the terrain in the regions of the succession journey. This means how key individuals in the systems and the families *managed* themselves as they did the work of each phase or region in the metaphor, then moved from one phase of activity (region) to another. The analysis investigated the work being done by individuals, families and their whole family enterprise systems to manage the structural change required throughout their systems during the transition. This work was focused on sustaining or breaking down the deep structure holding together the infrastructures of their lives and organisations.

One of the methodological issues emerging from the use of a longitudinal study with a systems approach was where to set some boundaries and limits on data collection. Family systems

theory regards the functioning patterns of previous generations as a prime indicator of current and future functioning in the present generation, so it was necessary in the interviews to gather family histories where possible, and to explore the patterns of family and business decision making in the past. Analysis of general systems behaviour requires data to be collected about those who occupy constituent positions in a system and on the performance of the system as an entity itself in relation to its environment. To accommodate this need to record data on the activities of sub-systems and constituents over long time frames, a timeline was constructed for each case in order to plot the timings of events arising throughout the life-cycles of each system.

There are two key findings to emerge from the analysis and presentation of the data using timeline-histories of the life-cycles of families in business:

1. at the level of the entire family-business system, there is an observable sequence of alternating periods of stability and change in the deep structures throughout the life cycle so far in every system studied. This has been named "the transition cycle".
2. there are qualitative differences between these eras of stability and change in the whole system that influence when and how work was carried out in the task environment, and therefore influenced the outcome and direction of the succession period so far.

These findings will be discussed below. First, an analysis is given of what took place in the cases in overall process terms. Then, a wide lens view is used with Cases A1, A2 and B2 to illustrate the overall process at the entire family-business system level. The three cases are representative of the variety of transition activity taking place in the whole sample. They show the common pathway taken by the all the cases studied through the transition and illustrate the very different outcomes achieved. A1 and A2 were CO-CO transitions in which A1 completed the leadership transition but was not able to make progress with the decisions required for ownership transfer. Case A2 had made the decisions required for ownership transfer but was unable to make progress with the transfer of leadership and control, and the succession failed. Case B2 was a CO-SP transition; it demonstrates how this type of succession is much more

complex than the CO-CO type in which there are no other siblings to bring into the discussions or the decisions. B2 shows how the transfer of leadership brings in all the issues seen in the CO-CO cases about the difficulties the senior generation can face when transferring power, with the added issues of how the power is shared amongst siblings, and how they function politically as well as operationally when working together. It is apparent that the transfer of ownership is more complex too when there are more people in the system inside and outside of the family group, and there are also concerns to face about what may happen if there is further ownership dilution if or when the business is passed to the cousins. All three cases demonstrate the powerful impact of each family's culture on the decisions made and the outcomes achieved. They provide examples of the stability-transition sequence experienced in all five cases and of the factors influencing the shift from one to the other. Having highlighted these sequences, an overview of their occurrence in all five cases is presented in tabular form.

7.3.1 The Transition Cycle: Process Analysis at the Family Enterprise System Level

This section describes (in structural terms) the stages that the case study firms were seen to go through in their journey during the generational transition process: what they did to deal with the type of terrain to be crossed. Details from the cases to support these findings are presented in the case study illustrations in section 7.4 below.

7.3.1.1 Stability

As mentioned in the literature review (Chapter 3.2.1, p.57), "stability", in developmental terms, is regarded as a time when the system is relatively calm because work is being done to build and strengthen the structures that were chosen to serve the system for its next period of existence. In family enterprise systems, stability was shown to mean that the chosen strategies for business growth are actively pursued in the business subsystem, that the chosen organisational structures of power, hierarchy, function and communication in the family subsystem are kept intact, and in the ownership subsystem, the current ownership / leadership model is left alone. The transition literature also pointed out that changes continually taking place in the environment eventually mean that the structure holding the system together eventually becomes outmoded, and unsuited to the current reality. The findings from the cases

in this study confirm that natural developmental pressures continued to build up in the lives of all the constituents and in the environment, moving the existing structure towards obsolescence. Development pressures pushed the system irresistibly towards the time when it would again have to modify or change the structures holding it together to survive in the next stage of existence.

Pressures Building During Stability Phases

In the case studies, individuals in subsystems accumulated learning during the stability stage about how effectively their own life structure and the structures around them in the family and business were serving them as time went on. Pressure came from a number of sources to consider changing these structures. It came from their own learning about what was workable and what was wasteful, from the changes continually taking place in the social and business environment and from their own maturation, whereby the relative importance given to issues in their lives changed in significance.

Resistance to Pressure to Break Down the Structure

Successors, for example, came to regard the task of achieving credibility as managers and directors as a significant one: its time had come and they were ready to see change in the structure to shift the dynamics of power with the senior generation. However, varying degrees of resistance by the senior generation to this pressure to change the chosen structure was evident in the cases. This was seen when the senior generation denied the need to transfer power, or when delaying tactics were employed. In Case B1, the acquisition re-invigorated the senior generation, who had already ignored two retirement dates. Unlike Case B1, the senior generation in Case A1 used the acquisition as a learning vehicle for his son. Here, the father's resistance to changing the prevailing structure operated at the ownership level.

At the start of the stability phase, pressures for change were small because the structure had been recently formed to match the environment. In Case A2, for example, when the successor joined the firm, even though he had the title of finance director and successor, he did not push for power on the board. Five years later though, when the son was ready to assume more

responsibility and wanted support to diversify the firm's interests from its heavy reliance on a weather dependent market, the power struggle between father and son and between the son and the board was intense. The father, and his allies on the board were holding onto the structure the father created, but since it could not deliver the son's aspirations, he pushed hard for change, effectively chipping away at the structure to break it down. It became harder for the father to resist as the stability period ran its course, because life (his and his son's own learning, maturation and the impact of environmental changes) had moved on.

Unlike Case A2, the successor in the second CO-CO transition in Case A1 had a less stressful stability period: the pressure for change gradually built in line with the successor's development as a leader and his father's apparent willingness to transfer power.

7.3.1.2 Triggers Initiating Breakdown of the Structure

Systemic resistance to developmental pressures endured in the cases only until such a time when something (a temporal or environmental event) triggered off a response whereby some or all of the system moved into a period of transition because the old structures were no longer serving the system well. From the perspective of adult and group development theory, the purpose entering a transition period is to provide the opportunity for change or modifications to be made to the structures that were chosen during the last transition time by the system to serve it throughout its next developmental phase.

The systemic changes that took place in the cases in response to such pressures served either to maintain equilibrium in the system or to "punctuate" the equilibrium and engender fundamental change. In Case B2, a turbulent equilibrium was maintained in the system until 1997, when the change of government triggered change. By contrast, the equilibrium was maintained in Case A3 until the founder's 60th birthday, which brought about some adjustments to their structure as it influenced the successor's entry to the business. Table 7.1 above examined the sources of trigger events and pressures noted in these cases.

7.3.1.3 Evolutionary and Revolutionary Development Activity Types in Family Enterprise Systems

From the findings in this project, two types of developmental activity at the level of the whole family enterprise system became evident. What type of activity a given system was engaged in depended on the nature of the developmental work carried out during the transition and the outcome for the whole system. Evolutionary developmental work involved minor adjustments and building on the chosen structure. Revolutionary development work involved re-construction of the old structure to create a new structure. Evolutionary and revolutionary activities were found take place at specific stages in the transition period after the trigger.

7.3.1.3.1 Evolutionary Developmental Activity and the Resting Period

In evolutionary developmental activity, incremental change such as personnel changes or minor modifications in the deep structure of the system took place, often amidst high levels of anxiety and distress during crises in the business or in the family sub systems. Despite the often acute levels of anxiety and distress which prevailed, the work carried out and the outcome achieved for the system amounted to no fundamental changes to the deep structure of the system or subsystems being made. That is, a choice was made by the system to continue with the way in which it was organised to exchange resources with the environment. These were fundamentally kept the same as they were before the trigger and its aftermath led the system into transition and raised expectations of change. For the senior generation people in all the cases, their anxiety level after being triggered into a transition period where there was a lot of energy focussed on change was so high that they acted in a way which would reduce their anxiety: by re-connecting with the old structure in which they felt secure and in control. Then, as the post-trigger period unfolded, it inevitably became obvious that the old structure was no longer tenable. The post-trigger period was therefore like a hiatus or temporary resting point for the system as a whole.

7.3.1.3.2 Revolutionary Developmental Activity

In *revolutionary developmental activity*, the structures that served the entire system in the past were re-appraised and to a greater or lesser extent dismantled. New structures were tested and

chosen by key individuals in the system. In cases where revolutionary development activity took place, the family-business system was substantively different at the end of the transfer of ownership and leadership transfer in terms of its deep structure and functioning than it had been at the beginning. Revolutionary development activity was not completed in the case studies other than in Case A2 although this could be due to the data collection period ending before the cases completed their ownership and leadership transition periods. Families found themselves experimenting with revolutionary activity in Case A3 (where the founder had to decide if his son should succeed him or not), in Case B1 (where the father had to consider re-configuring his succession plan to incorporate his daughters) and in Case B2, (where the purchase of the leisure club outraged the board, yet signaled the onset of some sharing of power). Revolutionary development activity came about when the emotional functioning of family systems was able to cope with embarking on the re-negotiation of family relationship patterns and hierarchies. This is explored in detail in Chapter Eight.

False Starts

The evolutionary periods observed in the cases did not result in alternative ways of functioning or succession outcomes that were substantively different to those evident prior to the transition. To the extent that no progress was made after the trigger event towards change in the structures of subsystems, evolutionary activity appeared in each system to function at least on the surface as a “false start” or resting period in the ownership / leadership transition period. Unless the desired outcome of the entire system was a structural and functional continuation of the system as it was prior to the transition (as shown in the first CO-CO transition below) then at some stage later in the entire transition process, the systems observed had to come back to the point again where the resting period ended and something else triggered off another phase in which they made a second attempt to do the work required. In Case A1, during the first CO-CO transition, the change of government led the founder to announce his retirement “for tax reasons”. However, he was not emotionally ready to retire and continued as before in the business after the retirement date. His son, who was by now in his mid forties, had raised expectations of power and had to come to terms with his disappointment at the false start. In case B2, a sales crisis and other difficulties led the autocratic founder to commission a report

that recommended professionalisation. The sons and non-family managers welcomed the findings as they were ready for change, but the founder refused to take on the recommendations. Nothing substantive changed for nearly five years, and those in the system had to absorb the anger and frustration that came about when their excitement and enthusiasm for change was soured.

The function of the “false start” or resting period appeared to be to alert the system to the prospect of forthcoming structural change, perhaps revolutionary change, so that those individuals involved could assess and prioritise their developmental imperatives. In each case, entropy (in the form of pent up frustration) was released from those whose eagerness for change was not matched by the timing of it. The false start showed that despite the initial trigger event, there was still not a critical mass (in the form of sufficient “readiness” to do developmental work) in the system to push it towards the next stage in the journey. This would require key individuals to undertake exploration of alternative structures and systems, depending on whether the transition would involve evolutionary or revolutionary work.

At this point, those in the system with high expectations and readiness for change were found to be crushingly disappointed with the lack of personal gain for the effort they had invested in their pursuit of change. Individuals were seen to retrench and to consider their own developmental agenda and to come to terms with the consequences of whether or not it could feasibly be achieved in the family business. This period of retrenchment became for them a dissatisfying resting period in which those concerned buckled down to the work at hand before the transition resumed again. Their tasks for this period were concerned with a tentative testing of alternatives to parts of the deep structure whilst waiting for the resistance to exploration of these to reduce.

7.3.1.4 Choice, Commitment and Closure

None of the cases were seen to go through the prescribed route of best practice in which exploration would take place and the feasibility of a new or modified structure would be tested. Although the phases of choice, commitment and closure existed as regions to be crossed in

their transition maps, only Case A2 did this, and only then because the succession failed. For Case A2, the choice of structure (governance archetype, ownership, business and family structure) was decided unilaterally by the father during his illness. Premature commitment enforced the choice on the system and led to premature closure. Since the successor still had developmental work to do, despite the prevailing structure, in order to structure a satisfactory life for himself, this was untenable and he left. All the successors in the other cases were struggling with the terrain in some shape or form like the struggle that had taken place in A2. Either they had not been able to resolve it, and were drifting (possibly A1 and Case A3), or they were simply acquiescing to a structure to which they were not committed in the hope that the future would bring other opportunities to test an alternative structure, and in the hope that it would not be too late then to make it work (Cases B1 and B2).

7.3.2 Deviations from the Best Practice Succession Journey

The alternating and sequential changes from eras of stability to transition, and the qualitative differences between these periods found consistently in all the case studies are both consistent with the findings of Levinson (1978) at the level of the individual, Gersick (1988 and 1991) at the level of groups and Desjardins et. al., (1998) at the level of the family enterprise (Chapter Three). The findings integrate and expand on these theories by providing a macro level (entire family-business system) perspective that explores the progression between CO-CO and CO-SP transition period phases in more detail than has been reported before, and the results relate the activities within the constituent subsystems to their succession outcomes.

It is apparent from these cases that families in business do not often follow the model of best practice through the succession process (Figure 3.1, p.53). These findings suggest that the systems in the cases observed initially sought a route of least resistance through the succession process. This led them into a "transition cycle" initiated by a trigger then leading to a resting phase, then to a second period of developmental activity (evolutionary or revolutionary) to complete the transition. Having to undertake the work of exploration during the second period rather than the first meant that more work was created by the need to backtrack. This was most often the case where the adult development life stages of key individuals were not in

alignment and this is explored in depth in section 7.4 below. Having to backtrack meant the work was being addressed often under conditions where anxieties were higher because time has been lost and may be felt to be running out. This seems evident from the consistency of the "transition cycle" that was followed in all the cases (Figure 7.2 below).

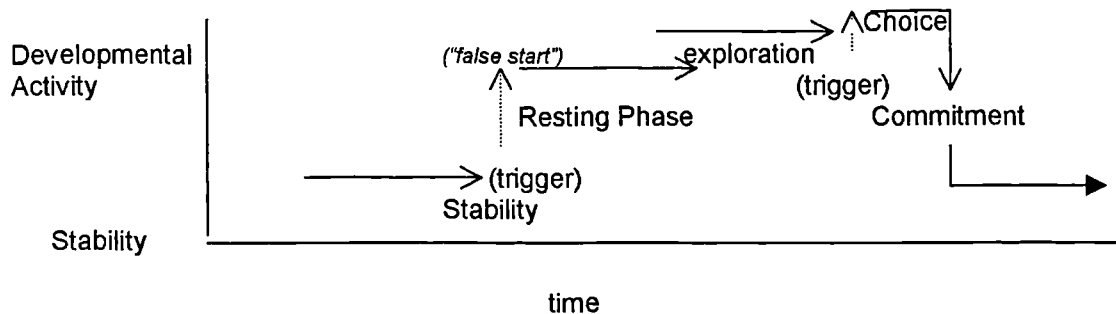


Figure 7.2 The Transition Cycle.

The emotional basis for this circuitous approach to the journey through ownership and leadership transition is explored in the next chapter. The rest of this chapter contains detailed accounts from some of the cases chosen to give a representative illustration of the alternating periods of stability and transition over the life cycle, and the general process observed throughout the whole research sample. The cases illustrate the influence of developmental factors on the choices being made by systems about their preferred destination and their influence on the type of journey made to reach their destination.

7.4 Sub-Objective 3: The Influence of Specific Life Cycle Developmental Pressures Within Family-Business Systems on Decision Making and on Task Activity During Transition Periods: Case Study Illustrations

7.4.1 Case A1: Dealing with 2 qualitatively different succession transitions:

- (I) A CO-CO transition and
- (II) A CO-CO or CO-SP transition?

Figure 7.3 and 7.4 contains the timelines for the two successions that have taken place in the history of Case A1. They illustrate the periods or eras of stability and transition over the life

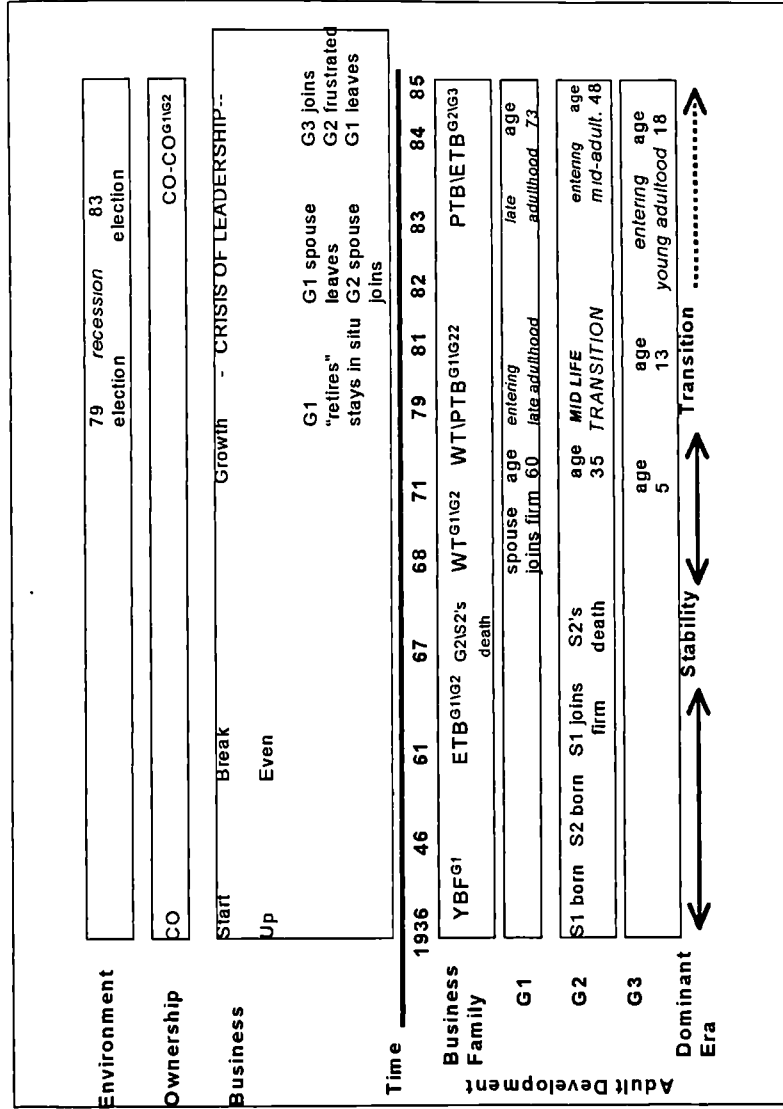


Figure 7.3 Case A1: Events & Life Cycle Stages in the Family-Business System & Subsystems Leading to the First CO-CO Transition

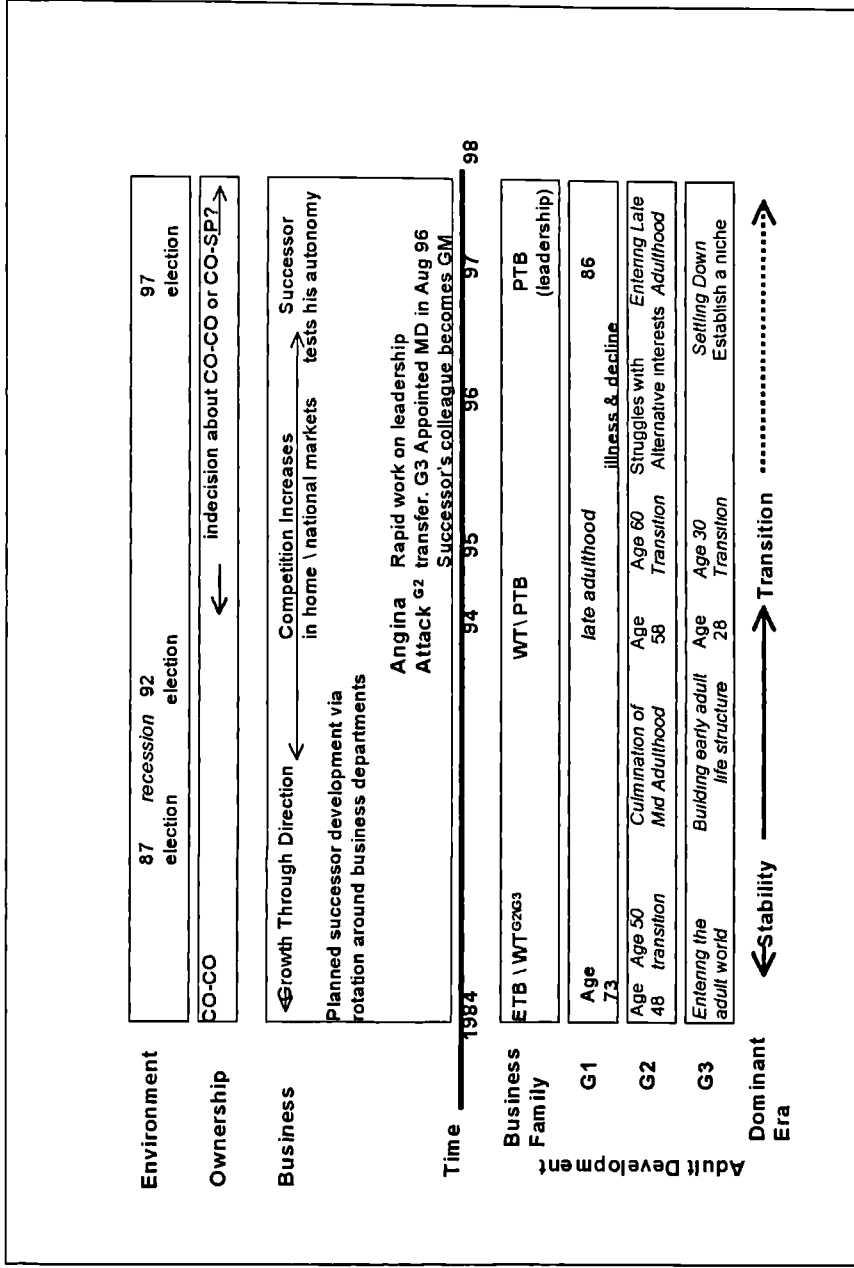


Figure 7.4 Case A1: Events & Life Cycle Stages in the Family-Business System & Subsystems Leading to the Second CO-CO Transition

cycle of the business so far. The diagrams show how each of the sub-system constituents has its own life cycle and they map these against each other over time to explore the timing of developmental activity in the transition period. In its entirety, Case A1 illustrates the shift of an entire system from a period of stability from its inception into the transition cycle (triggered in 1979). The choice of structure for the next phase was quickly made, then a resting period took place between 1979-1983 during which time the founder resisted work being done to implement the stated choice. A lot of activity then took place rapidly in 1983 before completion of the ownership and leadership transfer in 1984. Between 1984 and 1994 there was a long period of settled stability followed by the same transition cycle sequence. This was triggered in 1994 when the choice of structure was quickly made, followed by a resting period between 1994-95. Since then, activity was focussed on exploratory testing of the chosen structure until the transfer of the title in 1997 (Figure 7.5 below).

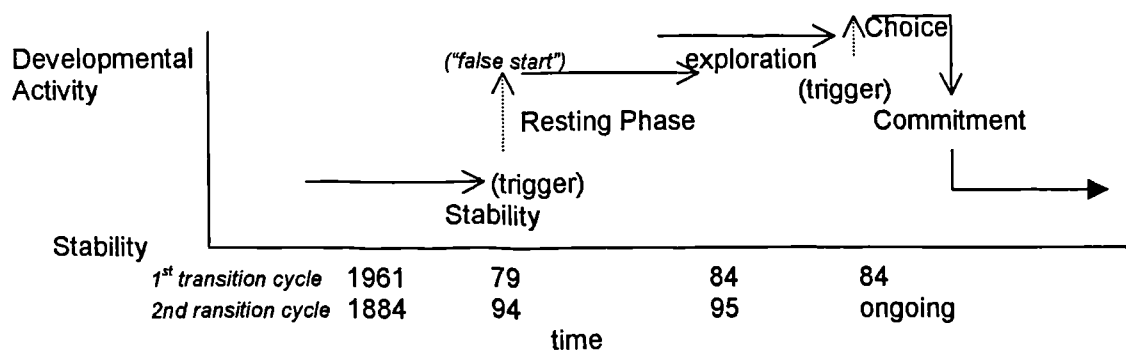


Figure 7.5 Case A1: Transition Cycles.

At the level of the *business* subsystem, the timelines show that the business system went through its own period of “evolution and revolution” (in the Greinerian sense), largely following opportunities and threats from the economic environment. As an entire family-business system, Case A1 was hit by two periods of crisis during a twenty year period (1978-1998). Both crises were preceded by the incremental build up of pressure for change emanating from each of the constituent sub-systems: i.e. from the *business* life cycle, from the *family* life cycle and from the life cycles of *individual* family members. Both crises are also characterised by changes in the business environment requiring responses (continued loss of growth opportunity due to stagnation of leadership in the first crisis and the need for a swift decisive competitive response

to competition in the second). However, neither of these business subsystem factors were sufficient to bring about the readiness for change of sufficient magnitude to push the entire system from a period of stability into one of transition.

7.4.1.1 First CO-CO Transition

The general context for this generational transition and the significant events taking place in it were described in the Case Study in Chapter 5, section 5.2.2.3 (p.144-148). This analysis of the adult development activity taking place in the situational dimension of the transition requires an overview of the way in which the adult development life-stages for both generations intersect (Figure 7.6 below)

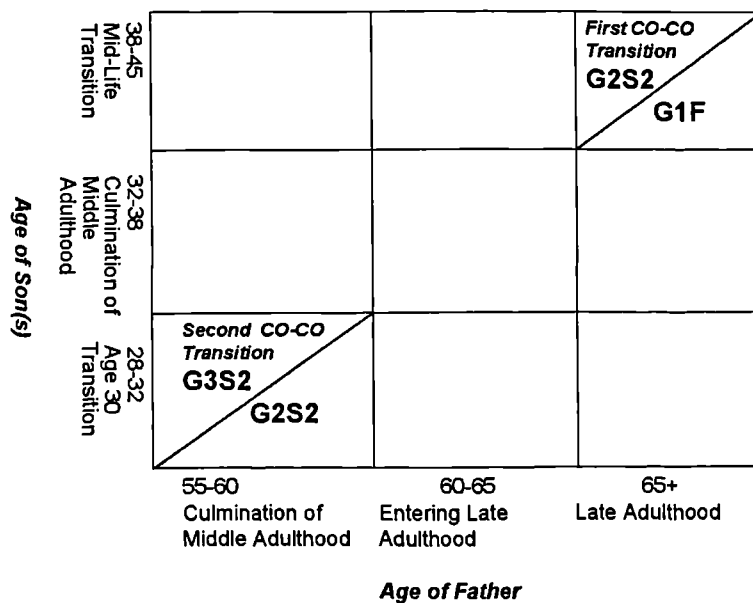


Figure 7.6 Case A1: Life-Stage Intersect of Father and Son in First and Second CO-CO Transitions

The trigger for the first transition cycle of 1979-84 was environmental in origin: a change of government in 1979 led the founder (G1) to announce his retirement for tax reasons. However, he remained in situ and there were no changes to the structures of the constituent systems at all (a false start). A resting period ensued in which G1 remained connected to his own life

structure and resisted any exploration of his chosen structure for G2 (the son) and the business. However, developmental pressure continued to build up between 1979 and 1984 in the other sub-systems: by 1984 G2 was 48 years old and had been humiliated and undermined by his father for a number of years. He had been waiting a long time to make his mark in the business. In terms of his own development, he was now entering middle adulthood without having completed satisfactory work on *Becoming His Own Man* in his late 30s and early 40s, and without having resolved the dilemmas he had during his mid life transition about the unsatisfactory progress of his career structure.

Between 1979 and 1984 there was a pulling and tugging for power taking place between G1 and G2 whereby G1 hung on to his position, influence and power, and G2 had to work out what to do. Two structures were competing with each other in the same space and time. G2 was struggling to reconcile that the achievement of his own individuation and with it the space to be creative in the business would come at the price of pushing for his father's decline and may accelerate his death. To cope with his frustration, he paced himself and resolved to sit it out rather than engage in the conflict that would be the consequence of trying to push his father out. This waiting period came to an end when in 1984, his father could no longer deny the reality of his passage into late adulthood: all his peers had retired or died, his spouse had left the business and retired, and with his allies gone, he was becoming isolated. Although he had officially retired, the founder was emotionally "unretired" (in denial of retirement). He was being forced to face up to the fact that physically he had entered the post-retirement stage and could no longer keep the system going in this out-of-sync structure.

These results confirm Davis's (1989) findings that the quality of work relationship between fathers and sons with this life stage intersect (late adulthood (G1F) versus mid-life transition – middle adulthood (G2S2)) is mixed or poor. Davis (ibid. p53.) describes Levinson's (1978) theory of adult development relating to men of 48 years of age: "... less competitive, less controlled by external stimuli, placing less emphasis on possessions and being more objective, philosophical and better able to respond to the developmental needs of their children... It is in this period that men have both the experience and the inclination to teach younger people. It is

here they are more likely to become effective mentors.”. However, for G2S2 in this case, he has been unable to get access to this experience because his own father was unable to create the managerial and developmental space for him to do so.

The entry of G3S2 into the system, though, created the developmental push to move the founder irrevocably on to late adulthood. The additional pressure on the founder of there now being two generations below him became too much to sustain. G2 was ready to mentor his son, but was not being given the space to do so because of the domination of his own father. When the founder finally left in 1984, there was a rapid discharge of all the pent-up energy in the system: G2 took over, he created his own senior management team and set a course for growth. In the same year, he also designed and implemented a successor development plan for G3. Despite the high levels of anxiety, this entire transition was an evolutionary one. The net result was that the equilibrium in the family and the business was preserved by keeping the deep structure (controlling family ownership) intact through making a personnel change supported by the same type of legal and technical structures.

7.4.1.2 Case A1: Second CO-CO transition

The second CO-CO transition in this business family (Chapter Five, Section 5.3.2 p.148) was expedited by an unanticipated event in 1994. There was a period of stability in the entire system between 1984 and 1994 when the business enjoyed good growth under the continued CO structure that had now been in place since G1 started the firm. In the business subsystem, the next successor (G3) had worked his way round the planned departmental rotation programme his father designed. The sequences of the transition cycle were obvious:

- **Trigger:** In 1994, G2 had a severe angina attack at the age of 58. This event, like the election of '79 in the first transition, became the trigger for the transition cycle and a rush of succession task activity that was effectively a false start.
- **Choice:** Fearing relapse and decline, the leader quickly made his choice of structure for the next generation then expedited the final stage of his successor's development programme and set a deadline of his 60th birthday for the handover of the title – less than two years

away. He encouraged the successor's wife to join the firm to support her spouse as his wife had done during the first transition.

- Resting Phase: The choice made, G2 then settled into a resting phase of about one year when life resumed as before and the successor waited to receive the title and controlling ownership; during this time their work focus was to defend their market share from the ongoing escalation in competition.
- The Exploration Phase of the transition (1995 onwards) brought this family considerable difficulty because G3 had been in disagreement since the illness about the prospect of the company becoming a sibling partnership. The successor was not in favour of co-ownership with his brother and having a non-working co-owner. Between 1994 and 1997 both generations were unable to make a settlement on this issue. They had so far been unable to learn from this experience that more exploration (i.e. to seek out options, have conversations, process their own data) was necessary to resolve the matter. This was as far as the family were able to go in the transition cycle.

When G2 had his illness in 1994 and started working on ways of transferring ownership to his two sons, he hit upon the task which was a revolutionary in terms of the deep structure of the system. Dividing the ownership of the business was leading the family and the business into uncharted waters, where for the first time in their experience as family entrepreneurs, there would be power sharing and a division between ownership and leadership. This was the real work of a revolutionary transition and although it logically followed the false start in the transition cycle, no progress was made with this. When the title of Managing Director was transferred to G3 on schedule, he became very agitated about the lack of confirmation of his future as the next generation CO with total control through total ownership, and said he was not willing to build a business for the benefit of an inactive business partner. In a business culture where conflict avoidance was the prevailing pattern (G2 instituted this to avoid humiliation from his father), such agitation and anxiety was uncharacteristic of this family's way of being. The successor's vociferousness triggered the final phase of the transition cycle and led them into

more overt exploration of the feasibility of their chosen structure. The family had not made any progress on this when the data collection period ended.

The life-stage intersects of father and son in the second transition are shown in Figure 7.3 above. The figure shows how different the developmental stages were facing the dyad in this transition when compared to the first transition. The results in this case support Davis's (1898) findings that this life-stage intersect corresponds with a good quality work experience for both fathers and sons when fathers are in their 50s, but that this decreases in quality if the father are in their 60s. In Levinsonian terms, the father is enjoying the culmination of middle adulthood, and then entering late adulthood. G2's health problems shortened his period of middle adulthood and led him to prepare earnestly in line with the late adult transition. This was very timely for the successor, who was in his age thirty transition, where "...men feel some urgency to focus their lives and settle in, but have difficulty making these changes...[it is a] period for re-appraising the past and considering the future...a man usually makes a lasting occupational choice and has begun to commit to some choices for a new life structure."(ibid.,p.53). The generational alignment in this case created developmental space for the successor and led to a seamless leadership transition.

Evolutionary or Revolutionary Change?

What qualitatively differentiates the transitions of 1979-84 and 1994-97 is that the structures holding the sub-systems together are fundamentally changing during the second transition. In the first transition from CO to CO, there is no change in the form of ownership and the holding of power in the hands of the owner, so only *the person in the combined role of owner and leader* changes. This is not revolutionary change at the whole system level, or at the level of the family or business system. It is however a major systemic adjustment in the family subsystem because the leadership of the family has changed and significantly affects the roles and positions people occupy in the family subsystem. The net result in this case is that the adult child began parenting his parents, who have acknowledged retirement and decline. The family subsystem therefore had to deal with these role changes and their consequences on peoples' feelings, identity and status whilst the senior generation was still alive and clearly in

decline. This came about only after the family and business system had been buckling under the pressure for change for some time. G1's resistance to exploring the feasibility of his chosen structure may have been for emotional reasons as well as developmental reasons: these would encompass denial of mortality by G1 and the inability of the family system to change its communication pattern, and these ultimately held up the tasks of succession.

In the second transition cycle (1994-97) the whole system struggled with revolutionary change because the parents wanted to see ownership shift from CO-SP even though the successor wanted the transition to be a repeat of the evolutionary CO-CO transition pattern requiring only a change in personnel. The successor's elder brother was not available for interview, but his mother, his father and the successor all said separately that he did not want ownership of the business. However, whilst his parents felt he would regret giving up this potential wealth in later years when he had wife and family, the successor did not want him to be given such an open ended access to ownership. What prevented G2 from choosing a CO-CO structure rather than a CO-SP structure (when apparently everyone else in the system other than G2 prefer a CO-CO structure) makes this case an enigma. The family were unable to explore and agree together ways of settling on an outcome. Prior to the first transition cycle, the death of G2's only brother in 1967 meant that there was now no other contender to consider for the role of leader in both the family and the business and so the choice of CO-CO transition was relatively easy to make, although clearly very difficult to implement. Perhaps G2 still carried some sense of guilt and loss for his brother and wanted to rectify this by ensuring an equal inheritance for both his own sons. In the second transition, where the CO had two offspring to consider, progress stalled even though G2's youngest son was appointed MD in 1997 because the parents were struggling to make decisions for which they had no precedent. Whilst the first transition cycle was characterised by resistance to accede to developmental pressure (evolutionary developmental activity), the second was characterised by the family system having to contend with decisions which amounted to unprecedented structural change in their family and business subsystems (revolutionary developmental activity).

The two transitions in Case A1 are also differentiated by their state of pre-trigger readiness: in the first transition cycle, the system was near bursting point as a consequence of the G2's pent-up frustration following developmental periods in which for him, unsatisfactory outcomes were achieved. The adult development stages of G1 and G2 were not in alignment, and G1's denial of entering late adulthood held up G2's midlife transition work (as long as he factored the family business into his development plans) on exploring structures to serve him during his middle adulthood years. In the second transition cycle, triggered by the angina attack, G2 and G3 were equally ready to do the work required to build and test out the structures they would need respectively for the entry into late adulthood and for the remainder of early adulthood. Consequently, the business leadership transition went smoothly, even though the ownership transition became stuck.

In terms of the succession outcomes, this issue of developmental alignment of both generations appears to be an indicator of the potential for both generations to do satisfactory work on their transition tasks. This conforms with Davis's (1982 and 1989) findings. Whether the potential for both generations is achieved appears to depend in part on whether the task itself requires merely to sustain the existing structure, or whether the structure has to be dismantled, and whether the readiness is there to allow the work to progress. In the first transition cycle, G1 had experienced difficulty facing up to entering late adulthood in his mid 60s and now found late adulthood being forced upon him; his son was struggling because his own development was held back at the mid-life transition and again, as he was entering middle adulthood in his mid to late 40s. This succession involved sustaining the structure from one CO to the next CO rather than it being dismantled; nevertheless it was a fight almost until the managerial death for father and son. Here the founder, unable to face mortality and therefore not yet ready to carry out his own late adulthood developmental tasks, used his hierarchical family power and ownership power to keep his son from succeeding him and in so doing preventing his achieving his own middle adulthood developmental tasks within the constraints of the family business. The CO structure was simply being sustained rather than dismantled, but the readiness (emotional fitness) was not there to allow the work to progress, and so the potential for progress supported by adult development alignment could not be achieved.

The alignment was very different in the second transition: G2 had his heart problems at the time of his culmination of middle adulthood and the start of the onset of his late adult transition. The early reminder of mortality made him very anxious to do what work he could to put his affairs in order and to prepare for late adulthood. This coincided with G3's early adult transition around age 30, when he needed to check that the strands of his chosen life structure for young adulthood were workable or not for the next phase. His father's development process therefore provided him with data to support his view that the career dimension of his life was working well and likely to help him achieve his Dream of being the next family leader to make his mark in the firm. Unlike the 1979-84 transition, the second transition involved a major change to the structure: i.e. dismantling the ownership control structure by considering equal sibling ownership, yet leaving the leadership control intact in the hands of the successor. Neither G2 and his wife, nor G3 had anticipated having to deal for the first time with the structural issues of ownership transfer to siblings rather than a recycled CO transition. This prospect of this work creating disharmony led the family to avoid the work required in the exploration phase which made it difficult to make substantive progress with the task. They were all able to take care of the business system during this time, but at the end of the research period, tensions were starting to spill over into the business arena from the successor. He had begun to express his concerns regarding his expectations (still unfulfilled) of becoming a controlling owner and was privately worried about the impact this would have on his own life structure.

Although there was generational alignment in terms of the timeliness for both generations to do satisfactory work on their own personal transitions (hence the successful leadership transfer), they failed to achieve the full potential this offered because there was not enough readiness (emotional fitness) to take on the issue of disharmony between the brothers on the ownership issue, and also to dismantle the CO ownership structure that had worked in the past and to make preparations for a possible SP structure.

To summarise:

- a) Analysis of this case shows that the family traversed a distinct sequence of phases of stability and transition in their ownership / transfer process.
- b) It demonstrates the extent to which an entire system continued to resist the pressure building for change until some event or series of coincidences triggers the system into action.
- c) In this case, evolutionary pressures in the business system took the form of persistent stagnation of leadership in the firm and of increased competitive rivalry.
- d) Although these were serious issues requiring attention, they were not of themselves sufficient to push the system into transition. Only when key individuals could come to recognise and accept that the existing structures holding the system together were no longer workable, could the need for change be acknowledged. This shifted the equilibrium in the system and created the potential or opportunity for change and led them into transition.
- e) It was when key individuals could no longer procrastinate with the need to address the tasks of adult development pertaining to life-cycle transitions that they were willing to explore the whole situation and find a solution. Generational misalignment of adult development stages prevented progress being made in a timely manner.
- f) Having acknowledged the need to address the whole situation (family, business and ownership), the type and quality of outcome achieved from the transition period then depended on the functioning ability of key individuals in the system and of the system as a whole to solve their problems. These will be addressed in a later section.

7.4.2 Case A2: A CO-CO transition never recovers from a false start.

Moving now to Case A2, the timeline in Figure 7.7 illustrates the shift this firm made from a period of somewhat turbulent stability into the transition cycle:

- **Turbulent stability:** The severe cash flow crisis of 1984 when the father (G2) used his own financial resources to re-finance the business gave way to a period of settled stability and

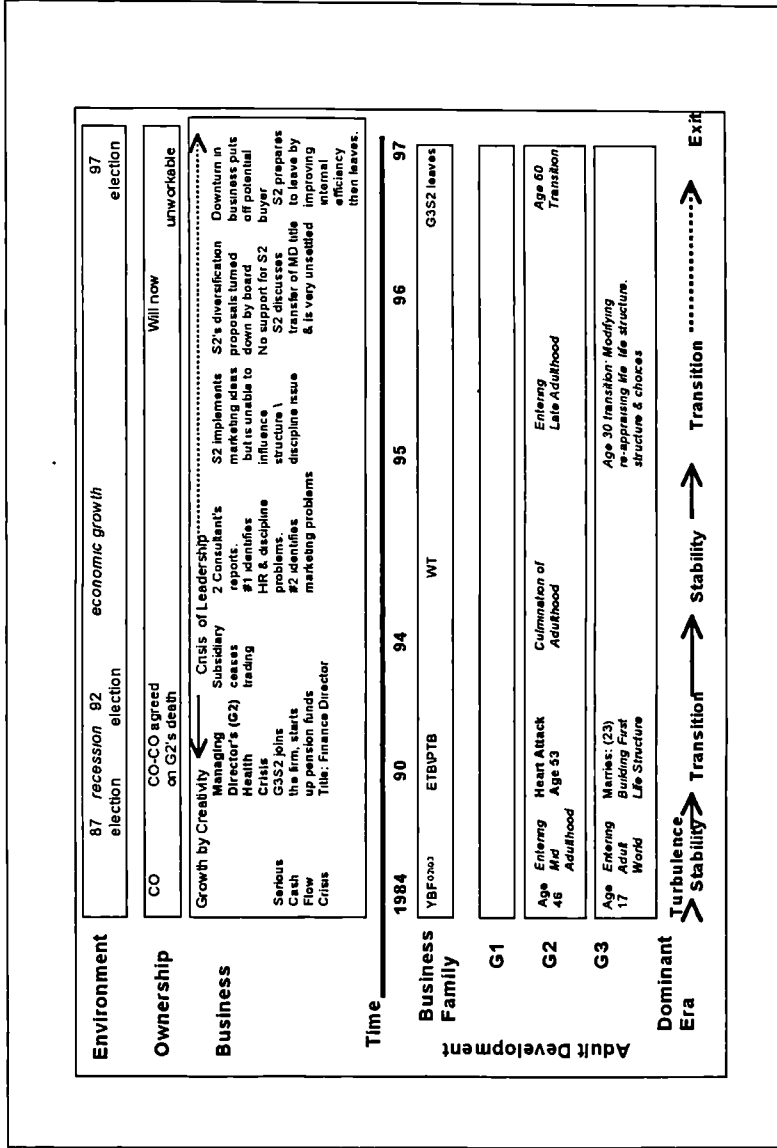


Figure 7.7 Case A2: Events & Life Cycle Stages in the Family-Business System & Subsystems Leading to the CO-CO Transition

growth between 1984 and 1990.

- **The Trigger:** This was followed by a transition cycle between 1990-98 that was triggered by G2's heart attacks.
- **The Choice:** The health crisis was a false start even though the key ownership and leadership choice was very quickly made during the father's recovery period after the health crisis, because father and son were unable to do the exploratory work required to test the choice and to transfer power.
- **Resting Period:** After the trigger and when his health was restored, G2 managed his anxiety by re-connecting with his old structure in which he was controlling owner with total power and control. A resting period therefore ensued in which G2 re-asserted his power and influence and G3 began his period of learning the business.
- **Exploration Phase:** It is not known when the resting period became unsettled and the exploration period began, but by 1995 when the research period got underway, the successor began to show at the interviews that he was disaffected with his career in the family business. At some moment around or before the onset of the research, he had analysed his life structure and recognised the need to make changes in his career strand.
- **The Trigger for revolutionary change:** The period of exploration, where the power struggles took place, came to an end in 1997 when the work of revolutionary change began. The successor realised his Dream could not be achieved in the family business as long as his father was alive; wanting to get on with his life and to get the Dream back on track, the successor capitalised on the window of opportunity brought by the offer made for the firm and after suitable preparation, he left.

Case A2 illustrates the shift of an entire system through the transition cycle phases until the succession failed in 1997. It is described in the Case Study (section 5.3, pp.171-204). The system carried out evolutionary development activity in 1990 after the illness trigger, and then underwent revolutionary development activity in 1997. It also illustrates decisions being made in the business domain that have their origins in the respective life cycle stages of father and

son. As each faces up to major life structure choices, the business becomes the medium in which these choices are played out. Figure 7.8 illustrates the transition cycle in Case A2.

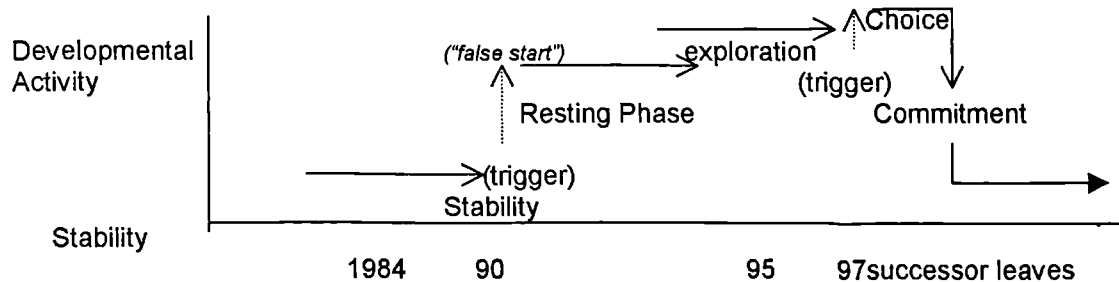


Figure 7.8 Case A2: The Transition Cycle.

Stability and Transition Activity

There are qualitative differences between the periods of stability and transition taking place in the family and the business prior to and around the heart attacks and afterwards when the successor joined the firm and became established. The heart attacks triggered off a period of intense evolutionary development activity around securing a successor. This was a false start because despite the severity of the crisis, and even though the preferred successor was now secured and installed, no work took place to engender the required structural and systemic changes in the family or the business subsystems. The same controlling owner still held the same powers in the family and the business. When G2 was assured that his old structure was still intact and that the successor was learning the business, the resting phase was underway, giving rise to the exploration phase where the successor learned that G2's chosen structure was unlikely to yield any power or control, and was therefore unlikely to foster his own Dream.

During the phase of evolutionary development activity (the resting period), the successor had joined the firm as a young chartered accountant of 23 leaving his first post-qualifying position to join the firm in the roles of Finance Director, successor and future owner (1990-1991). The successor's attraction into the business took the form of an urgent reaction in response to the worry surrounding his father's health crisis. After G2 re-financed the business in 1984, he and his wife then relied on the business for their income for the rest of their lives. Their wealth was

relatively illiquid and since they would not contemplate external finance, cash could only be extracted as income via various forms of compensation. In the period between the cash flow crisis of 1984 and the health crisis of 1990, the business had enjoyed a settled period of growth and stability but this was built on fragile foundations because it was entirely dependent on the health and leadership of G2. In 1990, G2's health cracked under the strain. Attracting the successor to the business was mutually attractive to all of the constituent subsystems. The business got a potentially competent successor in place to ensure continuity, G2 as a couple got their income for late adulthood secured, and for the successor ("S2") the prospect of a fast track to his Dream was there for the taking. The job brought him the chance to complete his early adult life structure and to have it all (almost instantaneously at 23 and with little of the effort, exploration and frustration with which most young people would have to engage). He chose to marry in the same week he joined the business, so in his new life structure there would be a wife and hopefully a family in time, his own business in which he could apply his qualification as a chartered accountant, and expectations of personal autonomy in his life and in his work.

To affirm S2's access to controlling ownership in the future, G2 changed his will during his recovery period leaving his estate including the ownership of the business to his wife; after her death, S2 would become controlling owner and the rest of the estate would go to their daughter (S1) in an unequal division of the estate. Assured of future ownership and leadership, S2 joined the firm six months after his father's heart attacks with the key parts of the life structure he had built for early adulthood firmly in place, although the making of such choices in this novice phase of young adulthood at the age of 23 may seem rather premature.

Between 1990 and 1994, father and son shifted from the Entering the Business family-life cycle stage to the Working Together stage. This coincided with the resting period and then the exploration phase in the transition sequence. In practical terms, this was not as seamless as either had expected: it relied on the successor playing a subordinate role and waiting in the wings until his father was ready to hand over power. G2 would not tolerate sharing with his successor the real power and control of the use and risk of the business's resources. There

was a power struggle between father and son in a family sense and in the business subsystem. S2 was learning from his own experience that his father's chosen structure was not feasible if the transition was to be a success. In the role of finance director, S2 took on the board several times and tried to implement efficiencies and improvements with limited success.

The firm's core business was in a declining industry which was weather dependent and so S2, under the illusion that he had permission to manage the firm's expansion, began to look for ways of using the high net worth of the business to finance a diversification into other more reliable business arenas. Although the firm's stated strategy was one of expansion, all his suggestions were turned down by the board and it soon became clear to him that the board were not interested in taking on any other form of risk or investment. He was also unable to shift his father or the board on some long-standing human resource matters of middle management discipline. After having limited success with a marketing strategy, the successor then came to realise that his Dream had a flaw in its timescale. It relied on the family business being the place and the structure where it could be enacted now; yet there would be no access to the power or influence needed to enact the Dream as long as the father was in power or as long as the successor stayed with the firm. In early 1996 the successor said he felt trapped. He was fearful that if he left to pursue the Dream elsewhere, the stress of running the firm that would be felt by the father may bring on another heart attack. The successor had dabbled with one job interview recently but realised he was not ready to face the burden of guilt if his leaving made his father ill. But if he stayed in the firm, he was stifled and would pay the price of subordinating his Dream.

The exploration phase was brought to an end by a number of coinciding events which collectively triggered the shifting of the system into a revolutionary transition. In the family domain, the successor and his wife were keen to start a family but had set a deadline by which S2 and his wife should be out of their respective family businesses and away from the worry and binds felt by the young couple. In the business domain, when G2 was approached with an offer to buy the firm, he was flattered and asked the son his view. The son was emphatic that he should sell, and seized his moment to state his wish to leave. These developments triggered

the shift to the phase of choice in the transition cycle that finally led to commitment to S2's exit. Although the offer to buy the firm was withdrawn after a downturn in trading, S2 stuck to his decision. Unlike the evolutionary developmental activity that was triggered in 1990 and was a false start, the 1997 trigger was underpinned by major life choices being made at a key transitionary phase in G2's and S2's life-cycle. Now 30 and in his early adult transition, S2 was re-appraising some of the choices he made when building his early life structure at the age of 23 and taking advantage of the opportunity to modify them. He decided to affirm his love/marriage choices by deciding to settle down to start a family, and to modify his social life by getting back into socialising with people his own age. He also affirmed his intention to change his career direction. This significantly affected his resolve and the way he went about his task. Having assured his father of his wish to leave, he then set about doing so by doing the best he could to position the business for sale: by making overhead cuts and sorting out the long standing problems – so that he could “leave with a clear conscience”. S2 left the business in 1997 and his first child was born a few months later. This was a revolutionary change in this family-business system because it meant that new solutions had to be found for the life structures of both generations. In practical terms, it meant a new will and a new structure in the senior management of the business had to be organised.

In terms of the life-stage intersect of the father and son dyad (Figure 7.9 below), the mix of a father in the culmination of middle adulthood and moving towards the late adult transition with the son approaching the age 30 transition should have been a good predictor of working relationships in the business as in Case A1. However, in this case, events mitigated against this: the father's health problems created a fear of late adulthood and led him to deny the need to plan for this in his own family life, in the business and in terms of the governance of the family enterprise. The successor needed to do the same adult development work as the successor in Case A1, but was not given the developmental space to do so. Although he made many efforts to put the right career, social and family strands in place within the context of a life in the family business, he came to realise that there were too many constraints. When he left the business (and the structure imposed by his father), he was able to find more slack available: he established a different career and social life and started a family.

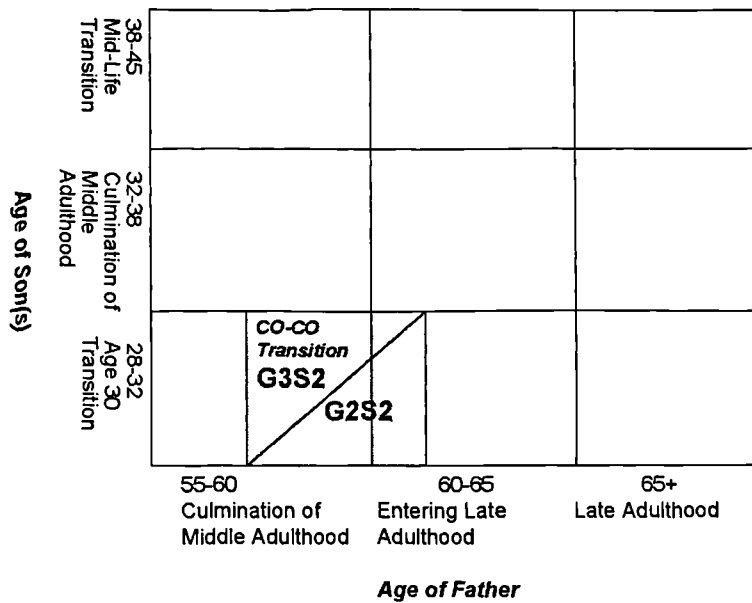


Figure 7.9 Case A2: Life Stage Intersect of Father and Son in CO-CO Transition

To summarise:

- a) the evolutionary development activity triggered in 1990 was a false start because a solution was hastily arrived at to calm everyone's anxieties about the mortality of the leader / father, but after the choice was made, nothing was done to create the context for the transfer of power to the successor;
- b) although G2 was himself relatively young when he had his health crisis (53) , it was a close brush with death and a reminder of mortality at a time when developmentally he was enjoying the fruits of middle adulthood and not expecting to have to face death and decline so soon. The revolutionary development activity that took place in 1997 brought about the opportunity to face up to these issues when each was more developmentally *ready* to do so. The outcome was that both generations in the family subsystem and those in the business subsystem had to establish a new deep structure and new ways of exchanging their resources with the environment;

- c) as with Case A1 above, although events in the business environment were potentially a strong trigger for punctuating the system's equilibrium and bringing about revolutionary development activity (it was a declining industry, there were internal inefficiencies and a crisis of leadership), these were in fact *not* of themselves sufficiently potent factors to shift the entire system into transition. The response by the board in the business system was to make incremental modifications to their strategies and actions whilst not rocking the boat and ensuring that their subsystem remained intact;
- d) it was the *timing* of these business factors with the major life choices being considered by the successor (during his age 30 transition - a significant period in his life in which the opportunity to change his flawed initial life structure was underway) and by his father (who was now faced with the real work of entering late adulthood minus his insurance policy). These tipped the system from its exploration phase into the choice and commitment phases in which they did their revolutionary development work. In 1990, the generations were out of alignment: G2 intended to pick up where he left off during his illness at the stage of his culmination of middle adulthood and was not willing to make changes to his life structure and to the business; S2 was completing his entry into young adulthood and saw promising signs that the family business could be the place to structure a career. In 1997, when G2 was age 60, he was starting to recognise that late adulthood was round the corner, and to face the reality that he had no successor. However, this recognition came too late for S2 who, at age 30 was actively working on his own transition to modify the structure he established for young adulthood. He had already gathered enough data that the family business was not the place for his future career.
- e) Although the structural dimension of the succession was simple (a repeat of the CO structure), they were unable to benefit from this and to achieve the potential to do satisfactory work together in part because their generational misalignment meant they were not ready (emotionally fit) to do the developmental work in a timely fashion. Up until 1997, the system did not have a critical mass of "readiness" to push for change. Then, when the succession failed, there was not enough resistance in the system to prevent the final phase in the transition cycle taking place.

7.4.2.1 Levels of Developmental Pressure: Individual and Family Pressures Taking Priority over Business Pressures

In Cases A1 and A2 above, serious events and crises took place in their business subsystems that had to be attended to: in A1, action was needed to protect the firm's market share and in A2 action was needed to ensure continuity of the business beyond the cash flow crisis. Despite the acute anxiety which accompanied these events and situations, at the macro level of the family-business (i.e as an entire system) these were still not themselves of sufficient magnitude to bring about a shift from an era of stability into one of transition from which an optimal solution for the business subsystem and the entire system may potentially be worked out.

In case A2, for example, bringing in external finance during the 1984 cash flow crisis would have eased the senior generation couple's exposure to personal risk. With an investor on the board, their business portfolio might have been more balanced too. However, this would have incurred changing, even temporarily, the controlling ownership archetype and its entrenched deep structure for the first time in the family's and business's history. The solution they chose, whereby G2 personally re-financed the business, ensured the continued controlling ownership of the firm and the board. It also kept the need for revolutionary development activity on their structure at bay: even though it put almost all the family's wealth at risk and contributed to G2's health crisis, the head of the family and the business had total control of the risk.

In Case A1, even though the business was stagnating under the continued leadership of G1 throughout his final leadership years (1979-84), G2 was unwilling to push the system any harder towards change lest this should hasten his father's death or create a rift in their relationship. In both cases above, it was only when the business subsystem situations coincided in a timely way with a transition in the life-stages of the key individuals in their constituent roles, that the entire system was able to shift from stability into transition. Even then, the changes that took place in the first phases of the transition cycle at the whole system level were incremental changes building on the existing deep structure, not structure-changing work.

7.4.3 Case B2: CO-SP Transition

Case B2 offers a different perspective on the same transition process. It illustrates what can happen to the system as a whole when key individuals have unfinished tasks, or flawed structures resulting from earlier adult developmental eras and these lead to the denial of a transition period or the inability to attend to the tasks it presents. It is an extreme example of a business subsystem crisis that coincided with the life cycle transition of the founder (G1F) entering late adulthood. The timing of these transitions and events is illustrated in the timeline in Figure 7.10 below. The business crisis and the life cycle transition together triggered off the transition cycle in 1990 (Figure 7.11) . However, the case shows that the founder / leader was unable to attend to the tasks of his personal transition in a timely way for various reasons. This set back the succession transition and the developmental timetable of the offspring.

- The trigger (1990): the coincidental timing of the founder's developmental (age 60) transition and the severe business crisis led to the founder asking a consultant-friend to carry out an analysis of sales in the firm. This triggered the end of the settled stability period and the start of the transition cycle (Figure 7.11).
- The Choice(1990-1992): the founder decided to ignore the consultant's recommendations for external successor candidates, and to keep non-family out of future senior management positions by getting his four sons in line for leadership, and trying to identify a successor from amongst them.
- Resting phase: (1992-1996) The family-business system then embarked on a period of evolutionary development activity in which no changes were made to the structure and no successor was earmarked for leadership yet.
- Exploration (1996-present) a phase of revolutionary development activity began in 1996 when the firm could no longer function under the old organisational and power structures. This led the family and the business into a period of exploring how to organise themselves differently, and to learn from some mistakes. This period was still ongoing after the research data collection period ended.
- Choice: The founder decided to adopt a "pseudo-parental" sibling partnership model and appointed S3 as successor in 1997. This was carried out even though there were signs from the exploration phase that this may not be feasible for the siblings.

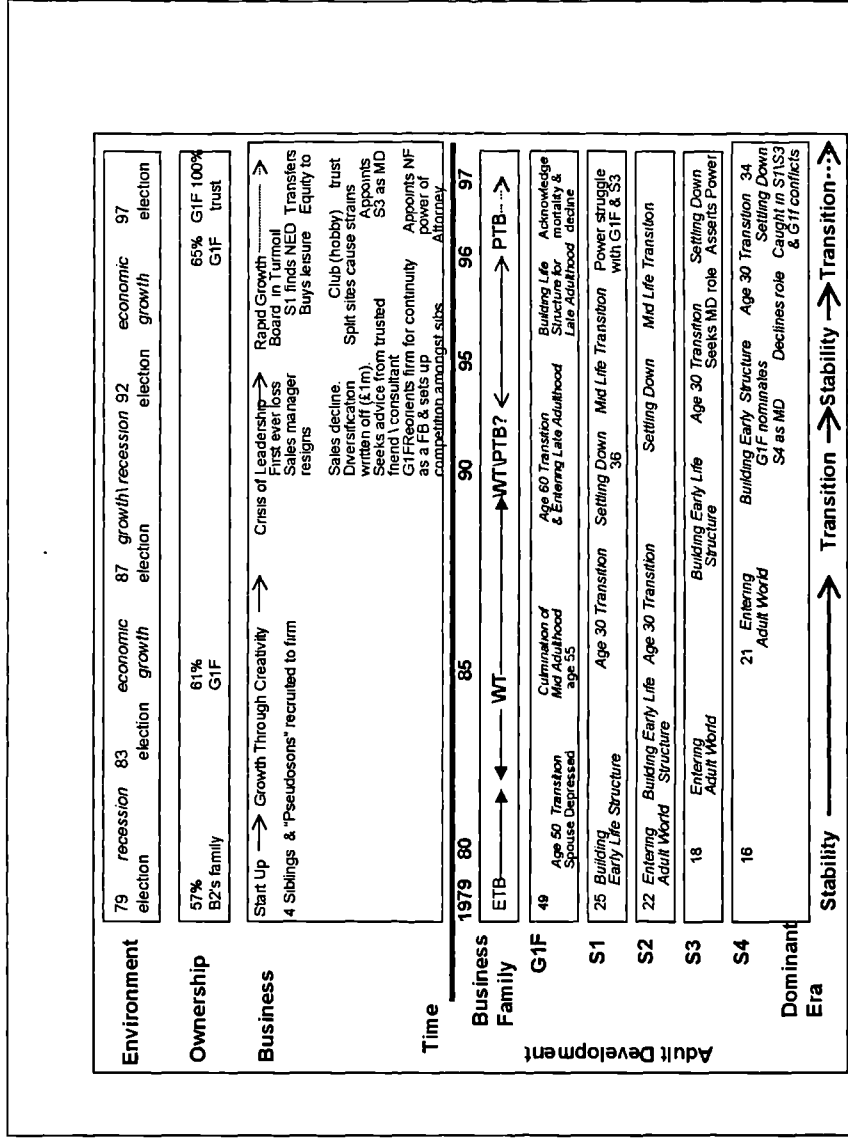


Figure 7.10 Case B2: Events & Life Cycle Stages in the Family-Business System & Subsystems Leading to the CO-SP Transition

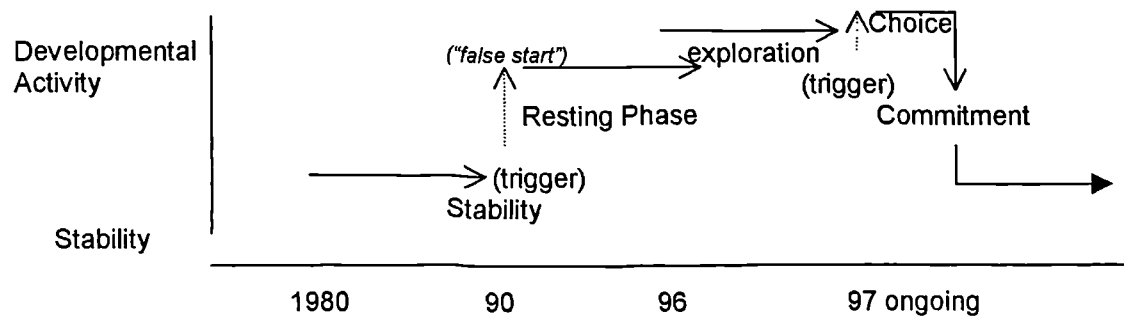


Figure 7.11 Case B2: CO-SP Transition Cycle.

Turbulent Stability in the Early Years

Between 1979 and 1989, the business subsystem experienced turbulent phases of start up and fast growth, interspersed with various diversifications and frenetic activity in product and market development. During this time, a deep structure based on controlling ownership, autocratic leadership and family compliance was achieved as the founder (G1F) systematically bought-out or paid off most of the original investors and loans from the launch period. Although there was a lot of turbulence in the business subsystem, from the entire system perspective it was an era of relative stability: a deep structure was formed and strengthened during this time.

Pressures Building for Change

In 1990, the system was shaken by the onset of two coinciding transitions: the age 60 transition (entering late adulthood) for G1F and a series of business events and crises coming to a head in 1990 just as the founder turned 60 years old. In the business subsystem, three serious events hit the new venture simultaneously. First, economic recession hit their key market segment and led to sales decline and the first ever trading loss. The resignation of a (non-family) sales manager followed apparently over the lack of access to ownership. Second, the property market collapsed and the balance sheet was seriously weakened overnight. When this happened, what had been a healthy business turned into a sick one. Third, the new venture took over the £1m loss from a failed diversification set up by G1F under separate ownership. The business subsystem was under intense pressure to change its financial structure, its

organisational structure and to define and approach its market more strategically. In short, it required formalisation and professionalisation. Although the board members had been pushing for this for some time, G1F had never been willing to initiate any changes in the firm's structures.

In the family subsystem, G1F devoted his energies to the business and largely left his wife (G1M) to work on creating for herself a satisfactory life structure in which her husband was not the main focal point. This followed a depression between 1975-84 and the empty nest phase. Although the nest emptied into the family business, she had been unhappy and felt guilty about the quality of parenting given to their offspring during their upbringing in the rural hotel. She eventually settled for a middle adulthood in which her energies were channeled into interests of her own, making herself available for the grandchildren, and into a part time job in the southern branch of the firm to sustain contact with her husband and some of her grandchildren.

This family was willing to provide much more usable data on their family history than the other families studied. By compiling the data using life-cycle criteria, it became apparent that since the age of 30, the onset of every decade in the founder's life coincided with major life decisions being made in the pursuit of his Dream: he saw for himself the opportunity to be a self made man who was so successful that he could secure independent wealth for his nuclear family, his family of origin and also to support his extended "pseudo" family. Table 7.1 summarises the coincidental timing of the major life structure decisions made by G1F affecting his family and their business activities, with the timing of birthdays at key developmental transition times. A pattern is evident from the actions taken at these times which is consistent with G1F undertaking a fundamental reappraisal of the status of his Dream at these times, and investing the energy afterwards to keep it in sight and to minimise the flaws:

- at age 30, he took over the running of his father's firm and began building homes to be sold privately;
- at age 40, after the death of his father at the age of 66, he sold the business, secured an income for his mother and announced his "retirement". However the hobby / business he

had lined up fell through; to keep the Dream alive and to ensure an income, he relocated his family to Scotland to run a rural hotel;

- at the age of 50, and with marital tension evident, achieving the Dream was looking more and more unlikely; at this time, he sold this business and raised funds to start the new venture in 1979/1980;
- in 1990, during the age 60 transition, the wealth he had amassed so far was reduced considerably in a short period of time so achieving the Dream once again looked unlikely. This time around, the stakes were much higher because he had relatively little time left and had given promises of wealth after his death to his sons and the “pseudosons” (compliant non family key employees).

The year of 1990 was therefore a time of personal and business crisis for G1F.

The Transition Cycle: The Trigger and The Resting Period

In 1990, the entire system was looking for change to the dysfunctional old structure. The trigger came when G1F asked an outsider (a trusted friend and consultant) to write a report on the situation and to make recommendations. Making the request for help effectively unleashed the pressure (frustrations) contained in the subsystems and also unleashed expectations of change towards professionalisation of the business on the part of individuals in the constituent subsystems (sons and pseudosons/directors). The four siblings in G2 at this time were aged between 36 and 26 and as with the parents, the family business was the axis around which their life structure revolved. S1 and S2 had been through their age 30 transitions and were Settling Down, strengthening their life structures by establishing their niches in the business and by starting their young families.

The combination of crises in 1990 came as a jolt to all because it seriously questioned the leadership ability of G1F, in whom everyone had put their faith. It also came at the time when he was turning 60 and therefore may not be able to pull off yet another turnaround as he had in

Table 7.2 Coincidental Individual, Family and Business Transitions

Individual Transition	Family Transition	Business Transition
Founder's age 30 transition: founder formalises Dream and develops sense of urgency to achieve it	1960- young business family ->growth through creativity couple with young children	buys the parents' business / properties @1960
Founder's mid-life transition: founder modified life structure: family moved to new location, new family business	1970 - young business family -> growth through creativity couple with adolescent children	sells parents' business & buys new business run by founder & spouse @ 1970-80.
Founder rekindles the Dream; modifies life structure; family moved to new location & new family business Spouse enters mid life transition & is depressed	1980 - entering the business -> growth through creativity couple launching children	sells family business to finance a new venture. Children attempt to create own life structure as novice adults but modify this to join the family business.@1980-1990
Founder: culmination of middle adulthood. Spouse settling into middle adulthood S1 - S4 modifying life structure for young / middle adulthood	1990 - working together -> Crisis of Leadership empty nest new nuclear fams. S1,S2,S3 marry. All focus career in family business	business enters financial crisis & sales crisis. Business cut back. Crisis of leadership @ 1990-93 Founder tests sons for successor role.
Founder & spouse entering late adulthood. Sort out estate planning. S1 in mid life transition. Attempts at becoming their own men made. S2-4 entering middle adulthood.	1996+ - working together / pass the baton/ crisis of autonomy Re-negotiate marital relationship - Couples with young Children Couples tension over resources	New business leads to fast growth. Strategic drift: property management or IT business? (but growth from both). Infrastructure strained by growth. Politicised siblings. Crisis of autonomy on top of unresolved crisis of leadership. NED joins; some growth through delegation. Successor given title; Siblings get ownership but no control. @1993-8

the past. When the consultant's report triggered the transition cycle, and when it recommended professionalisation, individual constituents were relieved. It made the choice of sticking with a life structure which was tied to the business less risky; it also allowed them to avoid the personal upheaval associated with addressing a flawed life structure and to avoid taking on the

consequences of being perceived as disloyal (i.e. non-compliant) to G1F. The report also documented the need for a clear succession agenda for the first time. Assuming, as the consultant did, that the CO model was to be the chosen model for the future under family ownership and leadership, he exposed the lack of an obvious successor to G1F. He suggested G1F should start looking to recruit some suitable non-family professional managers to enhance the pool of candidates for the post of MD. At this juncture, this recommendation was not well received by G1F and none of the suggestions were taken up in the form recommended by the consultant. The transition therefore became a false start. G1F's actions between 1990 and 1992 (amounting to slight modifications typical of evolutionary development activity work) were in effect symbolic of his resistance to learning from his own experience that his old structure was not feasible for the new reality. His behaviour infers that he found himself trapped in the transition and that the only way he could relieve his anxiety about the prospect of the new structure, which everyone else in the system was ready for except him, was to enforce a shut down of the transition process on others in the system. Meanwhile, his "choice" was made: to start to get his sons in line for succession at some unknown time in the future. During this "resting period", his focus became fixed on getting the business back into profit and getting the balance sheet restored. This took two years, and during this time, he began re-orienting the firm for continuity as a family business by positioning only his sons for the key roles. In this way, family control could be guaranteed over the decisions such as how business resources would be used and the risk to which the business should ever be exposed. He then set up the siblings in competition with each other in the hope that a leader would emerge from amongst them. To raise the stakes, he let it be known which of the siblings he currently favoured to be the next controlling owner. The developmental pressure that had developed from elsewhere in the system was unleashed by the trigger and became channeled into heightened frustration for all involved, because they saw no improvement or substantive change. Seeds of doubt that had been sown regarding G1F's leadership ability alternately grew and withered: he had considerable success with sales growth, yet the same structural problems persisted and worsened and G1F's unilateral management of the business's resources was unchanged.

The Shift into the Exploration Phase

Despite the magnitude of the problems and the degree of anxiety in the system now bound up in the form of frustration, the 1990 trigger had led the family-business system into evolutionary development activity, rather than revolutionary activity. G1F continued to control the system and to avoid being pressed into structural change. In his personal life, he was focused on salvaging his Dream once again rather than to look ahead to the prospect of mortality and decline. It is possible that at the age of 60 he made an assumption that he might die at the same age as his father, and so envisaged that he had six years left in which to achieve his Dream and sort out the future leadership and ownership of the firm. Although he did not work on the tasks of building his marital / social / occupational structures for late adulthood, he did in fact begin to reconcile the onset of late adulthood (this became explicit in 1996) with the need to reappraise the chances of achieving his Dream in the remaining time. He did this by re-orienting the new venture for continuity as a family business and starting to work on creating a legacy. Having made this decision, he now had to test out its feasibility.

Whatever the factors involved, he invested considerable energy in his business subsystem tasks as he saw them (generating new sales, re-building the balance sheet and identifying a successor), and became again the driving force in both the family and the business. The system had passed through a resting period and into the exploratory phase, when those in the system realised that the business was technically safe again, but that change was sorely needed in regard to the G1F's unilateral hold over the structure of the entire system. Between 1992-96, the exploration phase involved G1F working on strengthening his chosen but tentative CO model for the leadership of the next generation whilst allowing only minor modifications to the existing structures in the business. Meanwhile, the frustrations that were continually being vented by other members in the business and family subsystems in a bid to push for change could make no impact: he was personally invested in strengthening a chosen structure, not changing it. He was relatively more open to learning from some of his data, but not to exploring options other than those he was personally committed to.

Unfinished Business from Earlier Developmental Transitions

Looking back into the family history provides information on the prime importance of the Dream to G1F and how he attempted to structure his life in the pursuit of it. Both he and his wife came from backgrounds in which a hand to mouth existence was normal during the inter-war and post war years. Survival depended on family members' entrepreneurial abilities. There was a heavy reliance on extended family for access to resources, and this was strengthened when their small business ventures grew and the sharing of family business money kept everyone connected through loans and other forms of help. Both families of origin had distanced and cut off family members who at some stage had transgressed in ways deemed unacceptable to the families' value-systems (divorce, wrong marriage partner), and this deprived them of resources and support. Consequently there was a big premium in these families on loyalty, to the extent that it elicited a form of dependency, often manifested as the willingness to put one's faith in the leader of the family business to provide. This was evident in the compliance shown to G1F by the second generation sons and pseudosons in the new venture in and after 1990, despite all the evidence available to the board that the founder's judgement was now suspect. Compliance created a double-edged sword for the leader: on the one hand a considerable burden is taken on by anyone who assumes responsibility for the livelihoods of others, and on the other hand, whoever can deliver this becomes the undisputed hero of the family and the business.

For G1F, achieving his Dream was bound up with taking responsibility for family and extended family members, in return for which he would be the hero and could command loyalty. In 1970, after his father died and he sold the business, the Dream looked imminently achievable. He was Becoming His Own Man. He needed to individuate and so lined up an income for his mother and set about finding the right "hobby" in which to enact an early retirement. When this fell through, and he had to spend a lot of cash on the rural hotel in Scotland to secure a home for the family, the Dream was setback and he had to revert to the practicalities of cash flow again. In his mid life transition, (1970-1975) he appears to have been working on some of the tasks of this era: he had to reappraise his life structure and get to work on rebuilding the career strand. When his wife became unhappy then depressed, the love/marriage strand looked tenuous at times. He was unable to invest in being generative with his offspring other than to be

there working with them during their childhood in the hotel. He was still young, yet he had to face up to being senior now, and to admit that the chance to create a legacy had slipped between his fingers. Finally, although he had created distance between himself and his mother, he still had to manage the polarity of attachment and separation in a family in which family businesses kept everyone connected and somewhat dependent.

Evidence of Revolutionary Development Activity: 1992-96

When the age 60 transition came around in 1990 and with it the prospect of late adulthood, G1F went about his life tasks in the same way as he had done when the midlife transition required him to prepare for life as a senior in middle adulthood twenty years earlier. His prime focus was to not let the Dream out of his grasp, and to resume work on the tasks of balancing the polarity between being young / old, to create a legacy, to keep his love/marriage relationship "good enough" and to work on the issue of attachment / separation and the accompanying dependency upon him which loyalty brought. By 1996, he had made considerable progress with a number of tasks and strengthened the structures on which he had been working since 1990: the balance sheet was strengthened and the creation of wealth for the next generation was back under control. Despite his insistence on the need for an entrepreneur in the next generation, and his misgivings about whether there was sufficient entrepreneurial talent in the next generation, he had identified a successor from amongst his offspring. He had learned from his own experience that the controlling owner model worked, and now wanted to impose it on the sons without first checking to see what structure they may find workable, since this would pose a risk that they would choose a different structure to the one to which he was committed. However, sales were booming, and he was preoccupied with keeping growth restrained as opposed to seeking growth. At this time, pressures for change had peaked within the family and business subsystems, where constituent members were of the view that the existing structures were now even more unable to contain the business and the lives of the key individuals involved. The equilibrium of the system had been pushed out of balance and a response was needed to either restore the balance either by some modifications being made that people would eventually settle for, or by a major reconstruction (punctuation).

The Trigger Initiating 2nd Choice Phase.

In 1996, when the founder was the same age his father had been when he died, a crisis blew up which had its origins in both the family and business subsystems. The crisis became the trigger for revolutionary development activity serving to shift the system from the exploration phase and towards choice and commitment. In the business subsystem, a key customer refused to do business with the founder any longer and so relationships had to be built between S3 and the customer. Around that time, G1F decided to spend £1million on the outright purchase of a leisure club in the midlands. This was purchased using funds which the board regarded as funds for Research & Development, but the acquisition went ahead despite severe opposition. These matters put the board into a state of turmoil. Also at that time, long-standing tensions between the founder's wife and a non-family director came to a head adding intensity to an anxious situation. In the family system, alliances were formed and broken between siblings as they worked out how to create a united front in their opposition to the leisure club purchase, and to manage the sales issue.

Between 1996 and 1998, both generations embarked on the early stages of dismantling some of the strands of the organisational structure that had kept the system intact (but over-stretched) since the founder had consolidated much of the ownership to within the family years ago. When observed from the level of the business subsystem, the findings suggest that G1F was fighting continually to avoid giving over any power or allowing any change in the business sub-system or structure to happen. However, when examined from an entire system perspective, it is evident that G1F had experienced a shift in his outlook 1996 when he bought the leisure club. For the first time, he spoke about it being a hobby for retirement, he hoped it would be "a pension for the kids"; he acknowledged decline and mortality by reflecting wistfully that the trees he was planting would outlive him. His wife was recruited into the management of the leisure club, which alleviated the tension with the non-family director; the work in her office was rationalised and some positions made redundant. She and G1F began experimenting with taking the time to travel together on a trip with no business context for being together. These subtle changes did not go unnoticed by the siblings or the board, but the board unable to see any contextual shift because the members were too preoccupied and somewhat overwhelmed

with the fast pace of events and their unexpected nature, as well as with having to deal with the founder's entrenchment on most of the key decisions in the business subsystem. G1F refused to change his policy on funding R&D in order to control and constrain growth, and ensured that every gain made by the siblings and the board was fought for. The siblings did this by sometimes creating a united front against a common enemy (G1F's policies) and at other times, by creating dyadic alliances which formed and broke down depending on the agenda. In 1997, there were serious strains to be addressed between S1 and S3 resulting from S3's assertion of power as the new MD and the management control of split sites. On this issue, G1F agreed to modifications in the organisational structure including the recruitment of more staff. Thus the real work of experimentation with the sharing of power— itself a revolutionary concept in this family-business system - was beginning and was evidence of a precursor to a stage of shared ownership and shared power in the leadership of the business. In this way, the founder was working on the polarities of being in / out of the business, being young enough to call the shots, but starting to acknowledge his aging. He had found the leisure club which was to underpin his legacy to the family.

The election of '97, which was expected to bring a labour government into power led to intense action on the transfer of the wealth represented in the equity of the business. This took the form of a trust in which the wealth was shared equally amongst the four siblings, but the control of the trust (and ultimately the business) remained in the hands of G1F. He and his wife agreed that he would continue to control the trust and the business until he was mentally or physically unable to do otherwise, and asked a family friend who is a physician to be the power of attorney under such circumstances. Although this was a change in the ownership subsystem which did not amount to any change in absolute terms, in process terms, and at the whole system level, it marked a major shift from the false start in 1990. The founder, now 66, had acknowledged his entry into late adulthood and acknowledged that his controlling ownership model was under consideration. Although he was still firmly in control of the deep structures in the system, by 1998 he was feeling confident that his Dream, which was now represented tangibly by the trust, was more or less secured, and that he needed to dismantle some of the structures (to start by delegating some powers initially) in the business sub-system and to start

on some unfinished work on the structures in the family system (the love / marriage / social and occupational strands). This was the beginnings of work required in the revolutionary transitions of CO-SP.

In terms of the life stage intersect of the founder and his sons, (Figure 7.12), Davis (1982) found that the ages of 30-40 (culmination of early adulthood and the mid-life transition) for sons and 60 – 70 (entry into late adulthood) for fathers was poor. This is supported by the findings in Case B2.

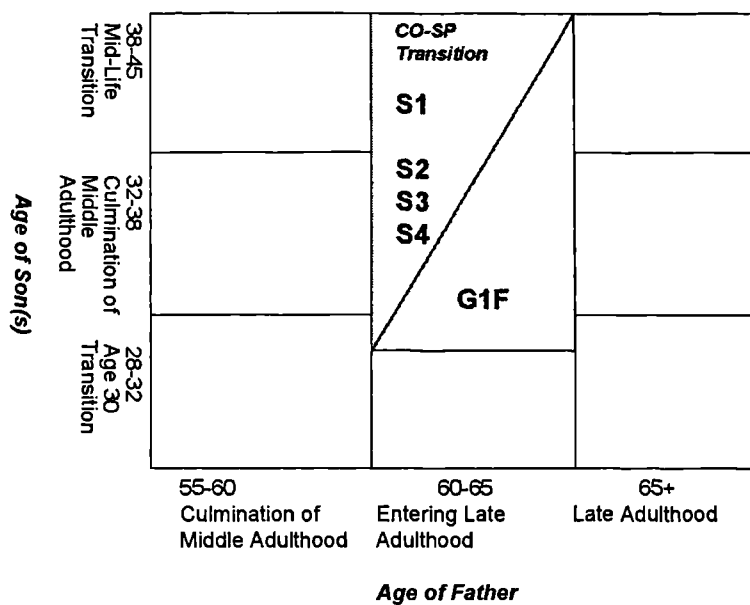


Figure 7.12 Case B2: Life Stage Intersect of Father and Son in CO-SP Transition

Davis found that the period in the sixties was the worst for the fathers. This is the time that "...they are reminded of the eventual loss of all meaningful activities and associations when they leave their companies." (ibid., p.54). The sons, however, are entering the BOOM period (Becoming One's Own Man) in which they urgently seek independence and recognition. They strive to attain competence, advancement and security. The founder in this case was unable to contemplate the work of late adulthood as he was still committed to his own Dream, regardless of the impact this may have of others. This created a sterile environment for the next generation's adult development. Furthermore, they were not maturing in an environment that

would offer coaching or mentoring and the conditions in which to learn to share power, since their father's approach was to create competitive rivalry amongst the siblings and engender a political environment in which only a strong leader could survive. The successor's (S3) attempts to copy his father and assert himself as a pseudo-parental lead sibling failed because each of his siblings was also striving to become his own man.

To summarise:

- a) Case B2 presents the most concentrated mix of coincidental family and business crises and events of all the cases studied. It demonstrates again that even severely threatening events and crises in the business subsystem may not, of themselves, be of sufficient magnitude to mobilise the system into revolutionary development work where other more appropriate structures can be defined and tested. This opportunity was lost because the powerful head of the family, ownership and business was unable to let go yet of structures that have served well so far, even though they are now dysfunctional in the current reality;
- b) It highlights the coincidental timing of major business subsystem crises with the timing of a transition in the life of the founder. In the other cases presented above, the timeliness of these transition opportunities brought the potential for complementary work to be carried out for the benefit of both family and business subsystems. However, this juncture in Case B2 is an example of how the unfinished business of earlier adult development eras sidetracked the founder from the tasks at hand and led to postponement of the work of his late adult transition until 1996. By this time, the founder had made sufficient progress with the unfinished business of earlier stages, and the business subsystem had calmed down sufficiently for him to be ready to address some of the tasks of late adulthood. He was then ready to deal with the developmental pressures that had reached the highest levels amongst others in the family and business subsystems. As with Cases A1 and A2, only when there is sufficient readiness in the key individual(s) who control the power can revolutionary development work begin. Until then, minor modifications and incremental changes are made to keep the equilibrium of the system intact; others in the system experienced their own adult development being affected (held back) by the pace of the founder's own development. As with the other cases, the adult development life stages

faced by both generations were out of sync, closing down the opportunity for satisfactory work on development tasks.

- c) Although this led to immense frustration and anger for those in young and middle adulthood eager to make their mark, no one seriously considered alleviating their anxiety and frustration by exploring the option of looking for a more satisfactory life structure outside the family business.
- d) The emotional dynamics at work amongst constituents during these periods of frustration and transition served to bind peoples' lives to the family business.
- e) Finally, the case also shows how tentatively the work of revolutionary change is approached even when the readiness of individuals is more apparent.

7.5 The Transition Cycle: Consistent Pattern of Stability and Activity

The case studies described above show a consistent pattern emerging in the ebbs and flows of activity in family-business systems during ownership and leadership transition periods. The research sample was designed to allow exploration of activity in two different types of successions: Cases A1, A2 and A3 were described as CO-CO transitions and Cases B1 and B2 were described as CO-SP transitions. To test for consistency or variations in this emerging pattern of action, a record of the succession task process and types of activity that had taken place in all five cases was compiled in overview form (Table 7.3 below).

It is clear from Table 7.3 that the succession task activity carried out in all six transitions reported in the five case studies followed the same pattern of alternating periods of stability / transition, whether they were undertaking a CO-CO or CO-SP ownership transition. This pattern takes the form of a transition cycle containing a consistent sequence of phases as illustrated in Figure 7.1 above. Although the succession outcomes achieved so far by the case studies varied, often because some had not yet completed the transition cycle, the type of journey undertaken by all, and the incidence of stops and starts in transition activity was consistent.

Table 7.3 The Transition Cycle: Overview of the Generational Transition Process and Task Activity in Case Study Firms

Case	Stability	Trigger Initiating Transition	Resting Period & Start of Exploration Phase	Exploration Phase 2 nd & Trigger Marking end Of Exploration	Choice & Commitment
A1 1st CO-CO	1961-79 Growth after G2 joins in 61	'79 election triggers retreat announcement by G1. (evol. devel activity)	G1 unwilling to delegate power and undermines G2 in the business G1 remains in situ as CO (evol. devel activity)	G1 becomes isolated in the business. Leaves when G3 joins the firm. (evol. devel activity)	G2 takes over as CO. Re-structures top team.
A1 2nd CO-CO or CO-SP?	1984-94 Growth of market share under direction of G2. Competition escalates.	Angina attack in 94 triggers rush to hand over MD title and leadership and to settle ownership destiny. (evol. devel activity)	G2 & G3 work together on expansion, acquisition and hand over of main accounts.	Successor tests his autonomy by opposing parents' plan for joint ownership with brother (evol. devel activity)	Progress stuck on ownership. Unable to do revolutionary development activity
A2 2nd CO-CO	1984-90 Growth resumes after cash flow crisis of '84 under G2's direction.	In 1990 G2 has heart attacks. G3 joins and is assured of being future CO (evol. devel activity)	G3 starts to learn the business G2 and G3 have struggles over strategy and internal efficiency. G3 has no support on the board	G3 wants to start a family but wants out the business first. Offer of sale falls through. G3 makes efficiencies & leaves (Revol. devel activity)	Successor leaves. FB Succession fails.
A3 CO-CO	1970-89 Growth & contraction of business under direction of G1 CO founder.	1990 60 th birthday; trust dissolves. New will made for equal (2) sib ownership. G2S1 invited to join firm: future to be expansion & G2S1 as controlling owner. Sister has career elsewhere. (evol. devel activity)	1990-94 G1&G2 work together; G2 learning the business. G1 doubts his suitability to take over. Expansion postponed. G2 unaware of concerns; starts MBA part time.	1995-8 G2 in road accident in 94 & out of the business for 1 year. Good recovery. Completes MBA. Starts to get frustrated at lack of responsibility given in firm. G1 keeps G2 issue to self. (Revol. devel activity)	Progress stuck. Expansion held back. Parents wish to have different ownership wishes Parents invite G2's spouse to join the firm.

Table 7.3 continued /

Case	Stability	Trigger Initiating Transition	Resting Period & Start of Exploration Phase	Exploration Phase 2 nd & Trigger Marking end Of Exploration	Choice & Commitment
B1 CO-SP	1980-93. Growth under direction of G2. Retiral at 50 re-set to 55.	1995 pension finalised at 53. G2 not ready for retirement. Sets back retirement (no date) and seeks ways to sustain involvement. (evol. devel activity)	96G2 becomes the architect of growth: organic and by acquisition. Excitement of new factory & growth invigorates all. (evol. devel activity)	1997. Promotes sibs but structures and roles remain unchanged. Sibs feel let down: promises not upheld. Successor was expecting to be CO but SP issues still to be worked out (Revol. devel activity)	Ongoing
B2 CO-SP	1980-90 growth under direction of G1F.	60 th birthday and major business crisis causes G1F to ask friend / consultant to do audit. Recommends non family managers for successor candidates (evol. devel activity)	Resists professionalisation despite pressure from board. G1F-positions sons in key roles to ensure continuity as a FB. 1992-96	Purchase of leisure club in G1F's 66 th year is an acknowledgement of aging. Board is inflamed. G1F names successor. Starts process of Professionalisation & delegation v. cautiously. (Revol. devel activity)	Ongoing

The end of a period of stability (however turbulent) was marked or triggered by either an event, or by the coincidental timing of an event with adult development transition activity on the part of key individuals. The trigger served to initiate the transition. Once this was triggered, the family-business system then moved into the next phase of the transition cycle in which work was carried out to address the developmental and business issues requiring attention. The duration of the transition cycle itself and of the phases within the cycle differed for each case, but took a minimum of five years from the trigger in Case A1(1st CO-CO) and was completed in seven years after the trigger in Case A2.

There was no completion of the overall succession transition process in any of the other transitions recorded: two had become stuck (A1: 2nd CO-CO and A3), and the other two were engaging in the work and were neither stuck nor near completion.

7.3.5 Linking Adult Development Task Activity to Business Development And Succession Task Activity

How the work of transition was carried out varied from case to case. It is evident from the cases that that once the people who were the key constituents acknowledged their need to work on personal adult development transition tasks, and that this work could no longer be denied or postponed, then attending to their developmental tasks and imperatives took priority in their lives. To this end, often the most severe crises in the business subsystems were dealt with to the extent that their resolution could also accommodate a satisfactory resolution of the adult development transition tasks in hand. Cases A1 and B1 gave examples of how problems relating to the competitive strategy of each firm were dealt with by both generations working together well at a time when the outcome (competitive retaliation, acquisitions) also served their own adult development task agendas:

- in case A1, the transfer of leadership in the firm supported the age 30 transition agenda for G3 and gave G2 the confidence to build a structure for late adulthood in which the business was not the key strand;

- in Case B1, the acquisition of a customer also brought G3 the opportunity to ascend their developmental and career ladder, and driving the acquisition forward allowed G2 to reach the culmination of middle adulthood.

Two other cases show how severe crises in the business subsystems became linked to the resolution of adult development transition tasks, but in a different way. Cases A2 (2nd CO-CO) and B2 gave examples of how the unwillingness of the senior generation leaders to address the tasks of the age 60 transition into late adulthood led to the urgent need for professionalisation and strategic management being treated with ambivalence and denial. In Case A2, the G3 successor was pushing to diversify the firm to reduce their risk exposure to a weather dependent declining industry; to achieve this would reinforce G3's chosen early adult life structure, but his father blocked all acquisition activity because he was in denial of late adulthood. In Case B2, a combination of recession, a weakened balance sheet, sales decline, the first ever trading loss and a resignation of the sales manager were clear indications of a crisis of leadership. However, G2 firmly resisted the professionalisation and strategic marketing recommendations of the consultant (his trusted friend) and spent two years seeking personal and corporate direction. During this time, he was unable to plan a life structure for late adulthood and hung onto the old (pre-age 60 transition) life structure even though it was now dysfunctional in the new reality. When he decided to position his four sons in key positions in the firm, rather than bring in non-family managers, this ensured the founder's legacy and the continuity of the firm as a family business. With this decision made, he created new sales and led the business into its fastest ever growth period.

7.5.2 Evolutionary and Revolutionary Development Activity in the Transition Cycle

When the task activity recorded from six transitions was divided into the phases shown in Table 7.2, it became clear that the purpose of the exploration phase is to do the work of analysing one's own data and one's own family's data to see what can be learned from it, and to assess whether the structure needs to be reinforced (but not fundamentally changed) to serve the system in the future, or whether it needs to be re-constructed. The impact of events and the timing of transitions in the lives of key players are consistent with there being a trigger event

that serves to initiate the transition and another trigger that serves to mark the end of the exploration phase and the start of the completion phase

The resting period after the trigger in the transition cycle was a nodal time in the family-business system. It was usually a short lived period (from 1 or 2 months but taking two years for B2). After the trigger was acknowledged, in each case, a signal was publicly broadcast (i.e. was vocalised by the senior generation leader to the successor as a minimum) that the future was going to be different from the past, and in general terms what that difference would mean in terms of successors' roles. If a CO-SP succession was intended, then the roles that had suited to the outgoing generation throughout their tenure would change and new roles would emerge suited to the new generation; different people would therefore be installed to newly-created ownership / leadership roles. If a CO-CO succession was intended, then the roles that had been suitable for the outgoing generation would remain as before but the personnel in the roles would change when the new generation was installed. It was at this juncture that a choice was made by the outgoing COs about the nature of the work to be carried out next. This depended on whether the chosen post-succession structure was to be more of the same (CO-CO) and therefore the developmental work associated was *evolutionary in the family-business system*, or whether the post-succession structure was to be different (CO-SP) in which case the work was *revolutionary in the family-business system*. Table 7.2 shows that in all the cases observed, two identical tasks were carried out in the first phase of the transition cycle. These were (i) an announcement of the intended outcome structure (CO or SP) followed by (ii) a period of evolutionary work in the resting period when the senior generation actively prevented structure-changing work from being done even though it has been signaled as this brief summary shows:

- In A1:(1st CO-CO) the founder remained in situ and firmly in control until 1984 despite his retirement announcement and selection of his son as MD in 1979.
- In A1:(2nd CO-CO) a lot of support was given to the G3 successor during the acquisition period when G2 and G3 worked closely together during an exciting phase in the growth of the business. But aside from this, G2 was reluctantly (i.e. under the advice of his brother-in-law who was also the auditor) blocking the transfer of controlling ownership to G3 as he

had been expecting. This led to bad feeling and set back the required revolutionary development work involved, including how the ownership transfer should be decided. As a result, the succession process was setback.

- In Case A2, the founder announced his succession plan during the recovery from his illness and changed his will to guarantee controlling ownership eventually to his son. However, there were no changes to the power structure or leadership of the firm for the next seven years.
- In A3, the founder prevented G2 from getting promotion to line manager even though G2 had line management responsibilities and needed the title to affirm his authority and credibility in the firm.
- In Case B1, the senior generation (G2) became disillusioned with the prospect of early retirement at 50 then again at 55, even though he had stated this as his goal. His advisers had been instructed to have a pension and finance package guaranteeing him independent wealth by 55 and this was in place. Even though all the pieces were in place, he persisted in denying the transfer of the title of MD and the transfer of the power over key business performance indicators to G3, who became increasingly frustrated.
- In case B2, during the 1990-92 crisis of leadership, the founder refused to make the changes required to get the sales function established and even by 1998 had not made any significant changes to the power structure.

The Resting Period and the Shift into the Exploration Phase

Although it is manifested in different ways in each case, the resting period appears to serve the purpose of allowing a “cooling off” time for the senior generation after the anxiety of the trigger and their announcement of a future in which they would not be the leader / owner. The shift into the exploration phase took from 1-2 years after which the exploration phase itself lasted a minimum of 3 years. During this time, successors and successsees gathered evidence for themselves about how workable the senior generation’s chosen and announced succession outcome was likely to be for themselves in relation to their current life stage:

- Case A2 was an example in which the successor believed his father's plan was unworkable: he could not tolerate the constraints that came with the deal of becoming the next CO at some unknown time in the future.
- The founder in Case A3 kept his misgivings to himself but regarded his successor as unsuitable and continually postponed a much needed expansion into bigger premises.
- In case B2, the exploration phase became the time when the key individuals had to face their dilemma. Most people felt that the situation under the founder's leadership was unworkable, and the founder himself was not sure whether a family business succession was workable. Everyone therefore had to decide what to do with their data: should they try to rectify the flaw in their life structure by finding alternative solutions? These were to face up to the founder and risk being cut-off; to stay put under the erratic but stimulating leadership of the founder, to leave and create a different life structure elsewhere (leaving may be a self-imposed cut-off in this family).

The data suggest that during the transition cycle, there are two structures (one for each generation) running alongside each other until the old one is dismantled enough and the new one is strengthened enough to allow the new structure to takeover. The exploration phase is where this building / dismantling process takes place.

Ending the Exploration Phase and Into the Commitment Phase: The Trigger

In each case, a notable event marked the ending of the exploration phase, where work had taken place on the structure building or refining to significantly shift the family-business system in the direction of its desired succession outcome. The exploration phase was where the most challenging work of the entire succession transition took place, because it required the re-definition or re-negotiation of relationships and roles in the family system and in the business system. After the false start earlier in the transition cycle, in the cases where this work was carried through to completion, there was an intensity and diligence to the exploration phase work because time was running out and there was sufficient readiness in the system to prevent further resistance.

- In Case A2, the exploration phase came to an abrupt end when the offer of sale came in and the successor announced his wish to get out of the business and to resume his professional career, social and family life.
- Case B2 shows that even when the passage to late adulthood had been acknowledged by the founder, and he agreed to delegate certain roles and tasks, the work of shifting the business from a culture of centralised power toward one where power would be shared was painful and required a lot of experimentation and searching for the most workable way to structure the system for the future.

Commitment to the New Structure

Relatively little information is available on this phase because at the time the data collection period ended, most of the cases were still in the exploration stage and were dealing with evolutionary or revolutionary development tasks such as working out ownership transfer or the sharing of power and authority in real time. Of the cases where a completion was achieved (Case A1: 1st CO-CO and Case A2), in terms of transition task activity is clear from Table 7.2 that a clear commitment was finally made to settle with a chosen structure for the future and to definitively resume with work which would build and strengthen that structure. The Commitment phase marks the end of the transition and is characterised by the system's choice of a way forward, ceasing to reflect, explore, or analyse data and consider a range of choices any more. The period of relative openness shuts down and an affirmation is made to a chosen structure:

- In Case A1, once the founder stepped aside, G2 swiftly made his mark by taking over power, installing his allies in the senior management team and designing a career development programme for his own successor.
- In Case A2, there was only six months between the successor's decision to leave and his actual exit. In this six months, both generations worked on getting the business looking good enough on paper and in internal efficiencies to be attractive for sale. During this time, the successor got a new job lined up and got the clearance to make many changes in the firm that had been resisted by the senior generation and his allies on the board for up to three years.

7.6 Conclusion

The results obtained from the macro level analysis have shown that the family-business systems studied experienced alternating cycles of stability and transition throughout their life cycles. When the family-business systems arrived at the specific period in their life-cycle during which ownership and leadership were in transition, they then each embarked on a characteristic "transition cycle" that contained a common sequence of phases separated by trigger events. The trigger events generated very high levels of anxiety in family-business systems. These were seen most often to include family-related issues such as health crises and the significant birthdays associated with adult life-stage transitions. To a lesser extent, time-limited events such as general elections and the dissolution of a trust were also trigger events, but only when aligned with personal adult development imperatives in key constituents.

To alleviate anxiety, all the current controlling owners decisively made their choice of succession outcome in the wake of the first trigger. However, the rush to make a choice served to setback the ownership and leadership transition either temporarily or permanently because during the exploration phase, their choices were found to be not feasible or workable for the successor generation. It was found that the most productive time for succession task activity requiring fundamental change or modifications to chosen life structures was when the senior generation's adult development transition into late adulthood coincided with the junior generation's age 30 transition. When these were misaligned, or when these transitions were set back because there was still unfinished work from other adult development stages to attend to, the developmental window of opportunity was lost and the generational transition took the form of a power struggle.

These firms studied did not follow the model for best practice through the succession period. This may be because the best practice model does not contain enough detail about the intra-phase sequence during the transition cycle. It is inevitable that anxieties will be high during and after the turmoil generated by the trigger, and that instinctively the key individuals will act to alleviate this anxiety, predictably by reconnecting with what they know to have served them well

in the past. These cases suggest the best practice transition map needs to be modified to take account of this anxious response; it needs to show that the work of disengagement is more likely to start in the exploration phase and to be completed in the commitment phase. The emotional basis for this pattern of activity will be analysed in the next chapter to determine the extent to which this deviation from best practice has its roots in the emotional functioning in family-business systems.

CHAPTER EIGHT

EMOTIONAL FUNCTIONING AND TRANSITION TASKS

8.1 Introduction

This chapter contains the final stage of analysis for the third research objective, which was to investigate the factors influencing individuals and their families to either promote or prevent work being carried out on the tasks associated with their generational transition. The analytical approach used in this study has been one of reduction from macro-analysis to micro-analysis.

The previous chapter contained the macro-level analysis of the systems and constituents observed in the case studies over their life cycle so far, and identified a common route traveled through the succession transition in all the cases observed. This route contained identifiable periods of stability and change to be passed through in this succession journey.

A relationship was also identified between the adult development and life-cycle processes underway in key individuals and the degree of succession task activity or inactivity taking place in their businesses. In this relationship, the level and quality of succession task activity taking place (or not) in the ownership, family and business sub-systems was a function of the degree of "readiness" (or not) of key individuals in the system to address their adult development agenda. When key individuals were "ready" to do the work required in their personal and relationship domains, this paved the way for progress with succession tasks that needed to be clarified and completed in the business and ownership subsystem. When individuals were not sufficiently "ready", this held up the succession journey, and impacted upon the life cycles of other family members and on the life of the business.

This misalignment of life-cycles and adult development stage in the individuals effectively held up the progress required in the other systems to complete the succession journey and keep the business evolving. To the extent that the senior generation denied their adult development agenda, their businesses encountered crises of leadership or strategic drift, and their offspring were "held up" in terms of their own development agendas.

In this chapter, a micro-level analysis takes place to explore the emotional basis of developmental “readiness”. It examines the influence of emotional dynamics amongst individuals and family members underlying decision-making and task activity during these specific life-cycle periods when ownership and leadership are in transition.

The micro-analysis involves the following sub-objectives:

- 3.1 To identify the patterns of emotional functioning taking place in response to stressors on the family system experienced during the transition process.
- 3.2 To investigate the way in which common emotional responses led to different degrees of progress and different succession task outcomes.

8.2 Cultural Differences Observed in the Case Study Families

It became clear from the transcripts that each family had its own story to tell containing complex family and business overlaps that were steeped in the families' histories and narratives. Despite being identical in terms of their family, business and life-cycle stages and sharing the common goal of a completed succession in five years, it was not surprising that each family had a very different culture, and operated by different value systems and regimes. For Families A1 and A3, for example, religion was a very important feature of family life, but the way in which it affected their businesses was very different: Family A1's senior generation said religion meant to them a sense of spirituality about what they were trying to achieve in the business and a Christian outlook in their human and business relations. By comparison, family A3's senior generation took a more literal approach in its application, stating for example a refusal to spend money on advertising in the belief that God would provide.

There were other differences between the families to do with their values around wealth and the use of money. The father in family A2 spoke out vehemently against the opulence and materialistic living he had seen in his wife's family business, yet his son / successor struggled to rationalise his father's excessive remuneration from the business and his penchant for long, expensive holidays by saying “he's living as though there's no tomorrow”. The father in family A1, however, was more open and communicated directly about his wealth, saying he was

conscious and grateful that he and his family enjoyed an excellent lifestyle and that he had been anxious all his life about not having enough to retire on and lucky enough to have been able to ensure a good pension was going to be in place. In family B2, the father was very wealthy indeed but was generally unkempt and refused to travel any other way than economy class. He adhered to his very modest beginnings in life and ruled the compensation and perks system as though to ensure his sons would not forget one of his favourite sayings: "you can only wear one suit". The offspring in case B1 were bullied at school because their father had two cars when most families had none, and were puzzled why their peers would not correlate their father's hard work with their standard of living. They realised they paid the price of having an absentee father in the early years.

The micro analysis also revealed other cultural themes to do with gender and class, interweaving the stories from each family; these are illustrated in the analysis below.

8.3 Sub-Objective 3.1 Identifying Patterns of Emotional Functioning in Response to Stressors or Pressure for Change

8.3.1 Assessing the Emotional Health of the Families in the Study

For this objective to be achieved, it was important to explore whether there was a relationship between family functioning and progress (or the lack of progress) being made with transition tasks, and the nature of this relationship. Information was gathered on family emotional functioning to determine whether there was any variation between the families who were participating in the study in terms of their emotional health. It was desirable to know how well each family was functioning during the transition period to see if there were signs of emotional distress outwith the "normal" range, as defined by the Circumplex Model of family functioning (Chapter 2.4.3.1 p.33) and the Bowenian Analysis of emotional functioning (Chapter 2.3 p.13). It was also desirable to use a consistent measure of family functioning so that comparisons between cases could be made. Three approaches were used for this in order to ensure that the assessment used reliable subjective and objective methods, that the methods covered the duration of the research period and so that multiple sources of data were used in keeping with the case study method. The three methods were:

- the analysis of data collected from interviews: this was an ongoing process and allowed an intuitive qualitative assessment to be made of each person's ability to manage anxiety at each interview and over the duration of the data collection period.
- Bowenian Family Evaluation process: this relied on observations being made over time, behaviour rated against stated family evaluation criteria throughout the research period and summarised at the end of the research (Kerr and Bowen, 1978),
- FACES II (Family Adaptability and Cohesion Evaluation Scales) psychometric assessment device: this used a quantitative approach and gave a profile of the family's functioning at a specific point in time.

The results of the Bowenian Family Evaluation process are shown in Table 8.1- 8.5 with accompanying genograms in Figures 8.1-8.5. The analysis shows that all the families have no significant history of emotional functioning problems, and that most of the stressors they have encountered are being managed reasonably well:

- Case A1: The family had adapted to and coped with severe anxiety before and during the father's illness, but had got over this well, with mild to moderate "bound" anxiety about the family and business ramifications of wealth and ownership. Intact extended families and low incidence of cut-off (Figure 8.1 and Table 8.1).

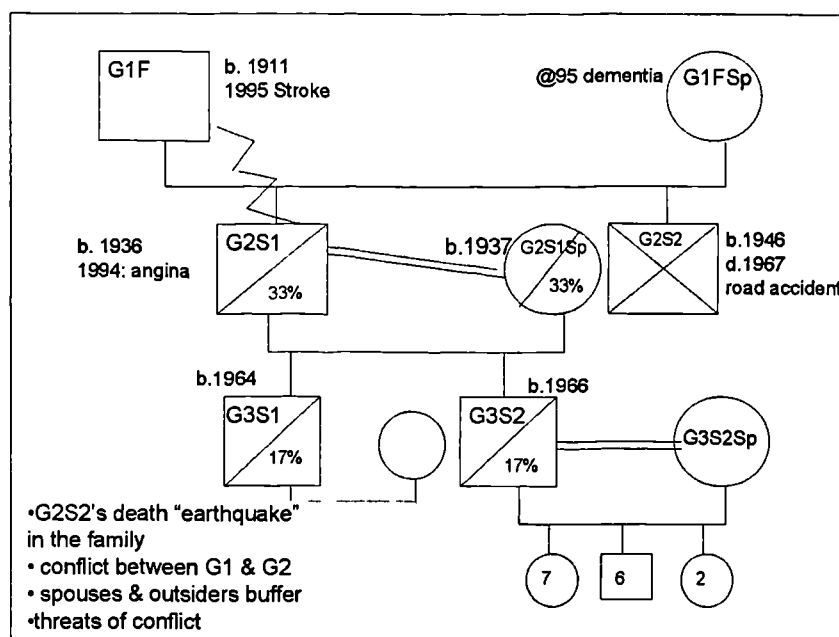


Figure 8.1: Emotional Functioning in Case A1 Family Genogram

Table 8.1 Bowenian Family Evaluation: CO-CO Case A1

Component	Case A1 Rating Scale		
	<i>mild</i> none	<i>moderate</i> none	<i>severe</i> none
History of family problems e.g. degree of dysfunction (facts/views of symptoms/problems)			
Relationship history / key events	1984: Founder retired 1994: G2: Heart problems 1994: G3S1 leaves home / marries 1997: G2 passes MD title to G3		
Sibling position	(See Genogram Figure 9.1)		
Nuclear family emotional process	(See Genogram Figure 9.1)		
Stressors (magnitude, number and timing of events @1992-4	<i>mild</i>	<i>moderate</i>	<i>severe</i>
G2 Pressure from church work			*
G2 Increased competition		*	
Health problems @ 1994-6			*
G2's Aging parents	*		
Ownership transfer problems		*	
Facing retirement		*	
G2&G3 increased competition	*		
G3 separation issues	*		
Emotional Reactivity ("bound" anxiety) (compare other families by experience)	<i>low</i> <u>0</u>	3	<i>high</i> <u>10</u>
Nuclear Family Adaptiveness (to stress experienced)		5	
Extended family Stability & Intactness	<i>Low</i> 1	3	<i>high</i> 5
Emotional Cutoff (attachment / distance)	1 2	3	5

- A2: The family had coped with the anxiety around the finance and health crises, but had adapted by relying on the son (“binding their anxiety”) to sustain the parents’ income and thereby keep the family and business intact. This caused separation issues. The family had a tendency to cut off and to control emotional connections by keeping people in or out as desired. Those on the inside or outside paid a high prices for this type of emotional connection (Figure 8.2 and Table 8.2).

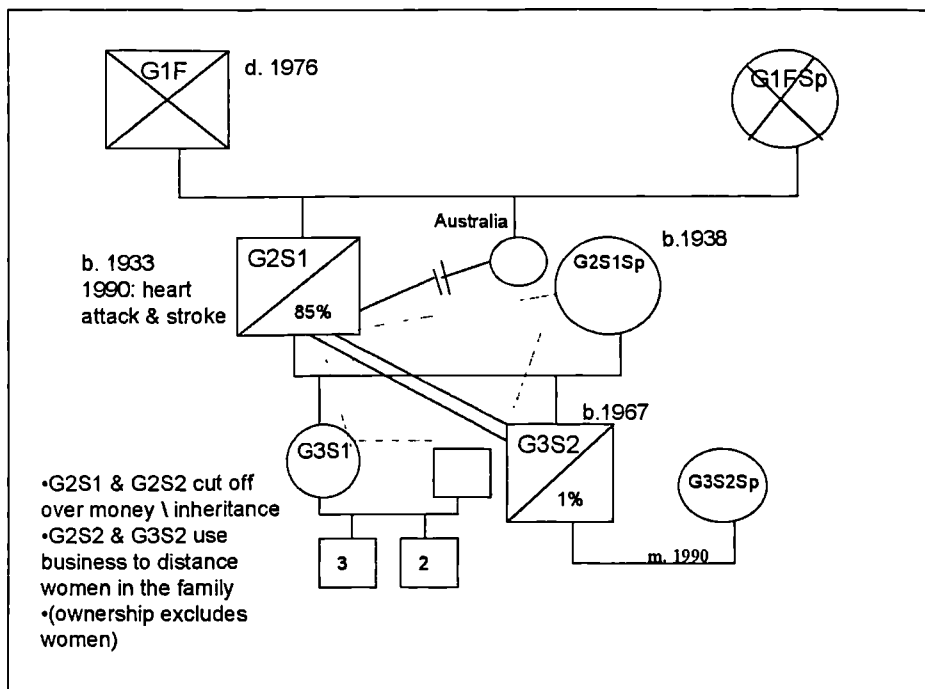


Figure 8.2: Emotional Functioning in Case A2 Family Genogram

Table 8.2 Bowenian Family Evaluation: CO-CO Case A2

Component	Case A2 Rating Scale		
	<i>mild</i>	<i>moderate</i>	<i>severe</i>
History of family problems e.g. degree of dysfunction (facts/views of symptoms/problems)		not known	
Relationship history / key events	1984: G2 Business Funds crisis 1990: G2: Heart problems: Attracts son to firm 1990: G3 joins firm & gets married 1997: G3 leaves & starts a family		
Sibling position	(See Genogram Figure 9.2)		
Nuclear family emotional process	(See Genogram Figure 9.2)		
Stressors (magnitude, number and timing of events)	<i>mild</i>	<i>moderate</i>	<i>severe</i>
@1984: G2 finance problems in the firm			*
1990: Health problems			*
1994-6 Succession issues		*	
Increased competition & industry decline		*	
Facing retirement			*
Retirement income			*
Emotional Reactivity ("bound" anxiety) (compare other families by experience)	<i>low</i> <u>0</u>		<i>high</i> <u>10</u>
Nuclear Family Adaptiveness (to stress experienced)		4	
Extended family Stability & Intactness	<i>Low</i> <u>1</u> not known	<u>3</u>	<i>high</i> <u>5</u>
Emotional Cutoff (attachment / distance)	<i>Low</i> <u>1</u>	<u>3</u>	<i>high</i> <u>5</u>
		4	

- A3: The family had adapted and coped with the anxiety around the son's accident, but was struggling with the issues around power and status being transferred from father to son. This became "bound" in unhelpful insider / outsider triangles that kept the business and the key people involved "stuck" emotionally and developmentally (Figure 8.3 and Table 8.3).

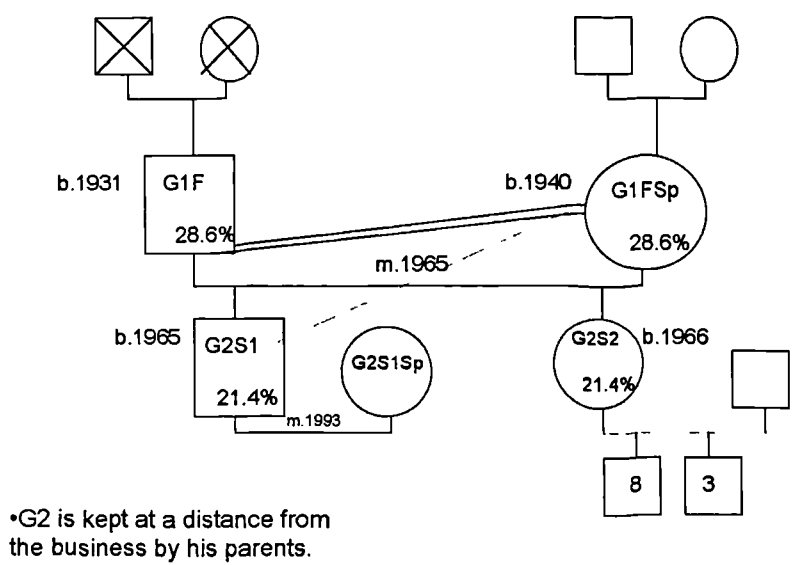


Figure 8.3: Emotional Functioning in Case A3 Family Genogram

Table 8.3 Bowenian Family Evaluation: CO-CO Case A3

Component	Case A3 Rating Scale		
	<i>mild</i> none	<i>moderate</i> none	<i>severe</i> none
History of family problems e.g. degree of dysfunction (facts/views of symptoms/problems)			
Relationship history / key events	1975: Founder made redundant; starts family firm 1990: Founder turns 60: Attracts G2 to firm 1994: G3 in serious accident		
Sibling position	(See Genogram Figure 9.3)		
Nuclear family emotional process	(See Genogram Figure 9.3)		
Stressors (magnitude, number and timing of events)	<i>mild</i>	<i>moderate</i>	<i>severe</i>
1994: G2's accident		*	
1995-98 Succession issues			*
Business growth / structure		*	
Facing retirement		*	
Separation issues	*		
Emotional Reactivity ("bound" anxiety) (compare other families by experience)	<i>low</i> <u>0</u>	3	<i>high</i> <u>10</u>
Nuclear Family Adaptiveness (to stress experienced)		5	
Extended family Stability & Intactness	<i>Low</i> <u>1</u> not known	<u>3</u>	<i>high</i> <u>5</u>
Emotional Cutoff (attachment / distance)	<i>Low</i> <u>1</u>	2 <u>3</u>	<i>high</i> <u>5</u>

- B1: The family had adapted and coped with the son's accident a few years ago and now faced the challenge of shifting power and control from the father to the offspring. They were not adapting to this and were struggling with separation issues for the adult children. The business was used to hold back this development as far as possible (Figure 8.4 and Table 8.4)

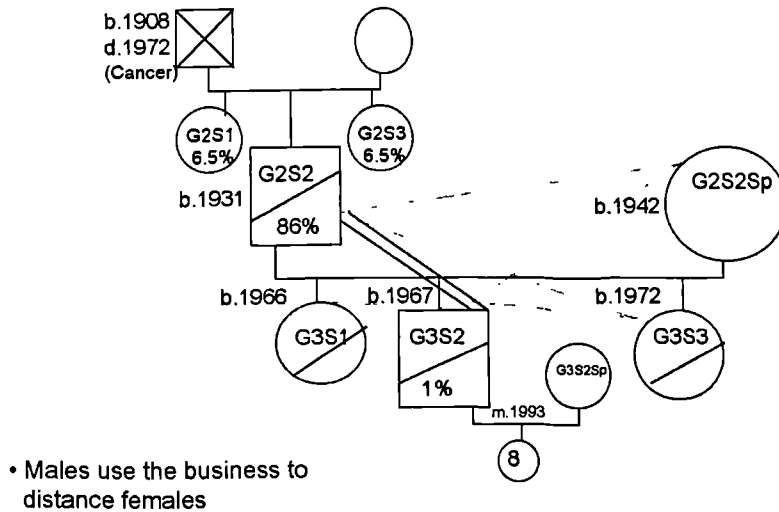


Figure 8.4: Emotional Functioning in Case B1 Family Genogram

Table 8.4 Bowenian Family Evaluation: CO-SP Case B1

Component	Case B1 Rating Scale		
	<i>mild</i> none	<i>moderate</i> none	<i>severe</i> none
History of family problems e.g. degree of dysfunction (facts/views of symptoms/problems)			
Relationship history / key events	1972: Founder: quick decline & death from cancer 1995: G1 age 55: can't disengage from firm 1997: Acquisition re-kindles G2 in the business		
Sibling position	(See Genogram Figure 9.4)		
Nuclear family emotional process	(See Genogram Figure 9.4)		
Stressors (magnitude, number and timing of events)	<i>mild</i>	<i>moderate</i>	<i>severe</i>
1995-98 Succession issues		*	
Business growth / structure		*	
Facing retirement / identity issues			*
G3 Separation issues		*	
Emotional Reactivity ("bound" anxiety) (compare other families by experience)	<i>low</i> <u>0</u>	2	<i>high</i> <u>10</u>
Nuclear Family Adaptiveness (to stress experienced)		5	
Extended family Stability & Intactness	<i>Low</i> <u>1</u> not known		<i>high</i> <u>5</u>
Emotional Cutoff (attachment / distance)	<i>Low</i> <u>1</u>	2	<i>high</i> <u>5</u>

- B2: had the most interesting family history with more incidence of cut-off, divorce and anxiety being bound around nodal family events such as launching (when the children entered the business) separation (incomplete due to ongoing financial dependence on the founder and retirement (denial). The family system was generally able to absorb the anxiety generated by their passage through life and their serial entrepreneurship; mild and chronic symptoms of depression affected the founder's spouse, but this did not require medical help or intervention.

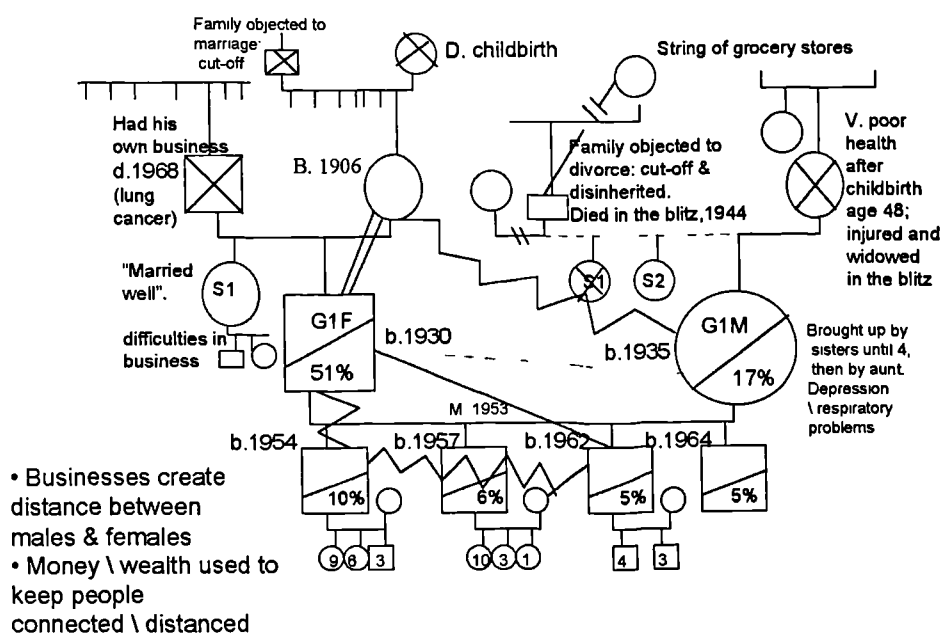


Figure 8.5: Emotional Functioning in Case B2 Family Genogram

Table 8.5 Bowenian Family Evaluation: CO-SP Case B2

Component	Case B2 Rating Scale		
	<i>mild</i>	<i>moderate</i>	<i>severe</i>
History of family problems e.g. degree of dysfunction (facts/views of symptoms/problems)	<i>mild</i> depression illness	<i>moderate</i> none	<i>severe</i> none
Relationship history / key events	1930s: Family members cut off for "bad" marriages 1970: G1F age 40: moves the family to new business 1975-90: businesses affect G1F's marriage 1980: G1F attracts sons to new venture		
Sibling position	(See Genogram Figure 9.5)		
Nuclear family emotional process	(See Genogram Figure 9.5)		
Stressors	<i>mild</i>	<i>moderate</i>	<i>severe</i>
Rural hotel business affects marriage & parenting			*
New Venture business growth / structure		*	
Facing retirement / identity issues		*	
Wealth: dependency on founder			*
1995-98 Succession issues			*
G3 Separation issues			*
Emotional Reactivity (“bound” anxiety) (compare other families by experience)	<i>low</i> <u>0</u>		<i>high</i> <u>10</u>
Nuclear Family Adaptiveness (to stress experienced)		3	8
Extended family	<i>Low</i> 1		<i>high</i> <u>5</u>
Stability & Intactness		2	
Emotional Cutoff (attachment / distance)	<i>Low</i> 1		<i>high</i> <u>5</u>

The FACES analysis used a 30-item self-report assessment device to measure family health along the key dimensions from the family theory and family therapy literature. The result are presented in terms of the Circumplex model (Chapter 2.4).

The two key dimensions on the model are family cohesion and family adaptability (Figure 2.5, p.35). Family Cohesion is the extent to which family members are separated from or connected to their family, and is assessed by measuring certain specific concepts: emotional bonding, boundaries, coalition, time, spaces, friends, decision making, interests and recreation. Cohesion ranges from extreme low cohesion (“disengaged”) to extreme high cohesion (“enmeshed”); two moderate or balanced levels of cohesion are “separated” and “connected”.

Family flexibility or adaptability measures the ability of a marital or family system to change its power structure, role relationships, and relationship rules in response to situational and developmental stress; it uses the specific concepts: family power, (assertiveness, control, discipline), negotiation style, role relationships and relationship rules. Adaptability or flexibility ranges from extreme low adaptability ("rigid") to extreme high adaptability ("chaotic"); two moderate or balanced levels of adaptability are "structured" and "flexible". Generational transitions are times when all of these concepts come into play: people are subject to developmental and situational stressors at this time, and shifts are expected to occur in relationships within the family and the business. Four of the five case study firms carried out the FACES assessment; only A2 declined and in case B2, only the junior generation took part. Figure 8.6 gives a diagrammatic representation of the functioning of the families in cases A1, A3, B1 and B2 on the Circumplex model, and summarises the results for the two key dimensions.

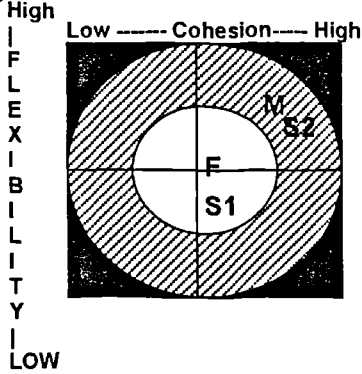
The model assumes that couples and families with Balanced types (two central levels) will generally function more adequately across the family life cycle than those at the Unbalanced (Extreme) types. All of the families who responded were situated in the "normal" zone of the model, although A1, A3, and B1 have family members in the senior generation who are in the mid range for cohesion, meaning there would be more dependence than independence in the system, and an emphasis on togetherness and loyalty. Only B2 did not score highly on cohesion: the profile of three of the four siblings was in the "separated" zone, where there is less emphasis on loyalty, more independence than dependence in the system, and less emphasis on togetherness. On the surface, this did not fit with the Bowen analysis nor with the data from the case study material in which one of the most notable features was the enforced togetherness and the emphasis on the expected loyalty in the family, to the father and to the business. However, on closer examination, the profile of S3, the successor, is not "separated" but is "structurally connected", which is more in tune with the regime set out by the father. The FACES analysis may therefore be highlighting that siblings S1, S2 and S4 are having more success in their attempts to work on their own separation and individuation in the family system. The data collected from the interviews suggested that all the sons were loyal, but the

FACES data may be indicative of compliance rather than loyalty. The profile of S3 was significantly different to those of his brothers. He was regarded as the father's "favourite" and was naturally closer to the founder as he was being personally groomed by the father to try to replicate the father's style of running the business.

The FACES assessment device was used to corroborate the data from the interviews and other sources. Although the reliability of the FACES instrument has probably been more thoroughly checked than any of the other family assessment devices available, it was, however, designed to assist therapists with their assessment of families presenting for therapy or for research into family pathology. This may have contributed to the administrative difficulties with the questionnaire. It was, nevertheless, helpful as another source of evidence and to triangulate data.

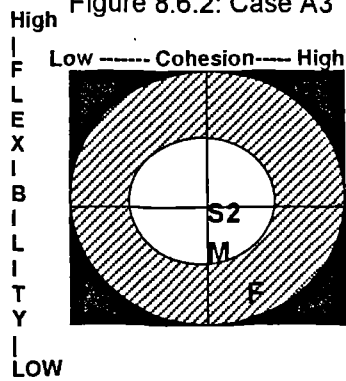
Figure 8.6 FACES II Assessments

Figure 8.6.1 Case A1



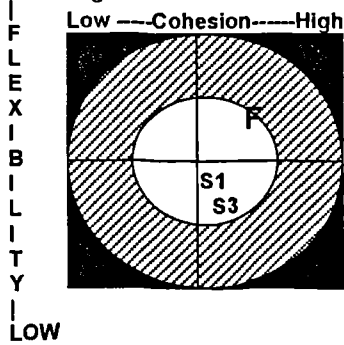
A1: Family Cohesion: 6.5 "Connected"
 Family Adaptability: 5 "Flexible"
 Family Type: 4.75 "Mid-Range"
 i.e extreme on cohesion dimension,
 moderate on adaptability dimension.

Figure 8.6.2: Case A3



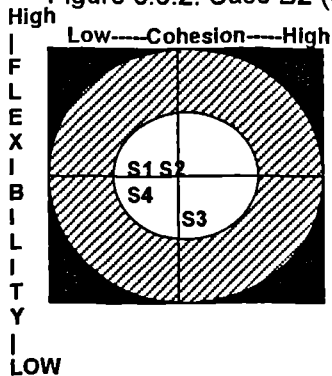
A3: Family Cohesion: 5.3 "Connected"
 Family Adaptability: 3 "Structured"
 Family Type: 4.15 "Mid-Range"
 i.e extreme on cohesion dimension,
 moderate on adaptability dimension.

Figure 8.6.2: Case B1



B1: Family Cohesion: 5.6 "Connected"
 Family Adaptability: 5.0 "Flexible"
 Family Type: 5.3 "Moderately
 Balanced"
 i.e. moderate on both dimensions

Figure 8.6.2: Case B2 (G2 only)



B2: Family cohesion: 4.0 "Separated"
 Family adaptability: 4.25 "Structured"
 Family Type: 4.1
 "Mid-Range" / Moderately Balanced"
 i.e. moderate on both dimensions

8.3.2 Emotional Functioning Patterns

Despite their cultural differences, the analysis uncovered consistent patterns of emotional functioning in the families, although the outcomes created by their functioning were very different. Examples are presented below of the consistency and impact of emotional functioning during task activities in the family, business and ownership subsystems. The constant comparison taking place between literature, cases and the emerging themes led to seven task-relationship categories being identified that brought about emotional functioning responses and patterns in the case study families. These were to do with health issues or death in the family, retirement, conflict, the successor's or successee's "Dream", ownership and estate planning, board and governance issues and finally, how the family interacted with the researcher who became, temporarily, part of their system.

The Tables below have been constructed to show the origin of developmental pressure or events in each of the three key subsystems: family, business and ownership and the emotional and task responses generated. They highlight the relationship between stressors (developmental pressures or unexpected events pushing the subsystems towards change), and the emotional responses made by people to manage their anxiety when the system task could not be avoided and had to be attended to. These stressors mobilised patterns of emotional functioning in the family's key family-business relationships and affected the way in which task activity was carried out. The *outcome* of the task activity they performed was different because each family had its own values and culture, but the patterns of emotional functioning that mobilised activity on the task in the first place were consistent. Also, repeating multigenerational relationship patterns, embedded in the emotional functioning of the families, were uncovered. These were observable patterns being repeated as the next generation positioned itself for taking on power and responsibility, just as the previous generation had done in its day. An example of this phenomenon is illustrated later in this chapter.

8.3.2.1 Emotional Responses to Family Sub-System Tasks

To illustrate this in the *family* subsystem: (Table 8.6.1 and Table 8.6.2 below) stressors on family members emanating from the perceived threat of death was evident when the family

became overtly conscious of it through aging, accidents or serious illnesses. This mobilised activity by the senior generations in the cases to do what was necessary to secure the firm positioning of their successor in the business. The senior generation fathers in cases A2 and A3 made attractive offers to their sons to bring them into the business as the successor. There was a timing coincidence between the offers being made and events taking place in the family system, such as significant birthdays or illnesses. For the successors working elsewhere in other careers (Cases A2 and A3), offers were made to them of a fast-track to the top, some with pay above the market rates. In Case A1, where the successor had been in the business for ten years when the family was shaken by the father's angina attack, detailed plans were drawn up by the father during his recovery period and set out an agreed timescale to handing over the title. Ownership (or the legitimate expectation of a higher proportion of ownership at some time) for the successor was also brought into these plans sometimes as part of the psychological contract ("someday it will all be yours" was inferred in A1, A3, B1 and B2). In the case of A2, the will was re-written during the father's recovery period to assure the successor of total ownership after both his parents had died. The reality of the senior family members' aging seemed to be brought home to all the family when it was made undeniably apparent by illness or emotionally significant times such as birthdays: 55 qualifies seniors for retirement relief, 60 marks the entry to late adulthood and 65 is the national age for male retirement. Once it was no longer deniable, the perception of death and decline mobilised a developmental response to get some work done on the structure needed to make the next phase workable. There were different outcomes from these efforts (not all aspects of the plans that were hastily drawn up were feasible), but the relationship processes initiated were the same.

The senior generations in the cases all faced the task of handling the prospect of retirement. This presented another example of identical emotional functioning processes taking place with different outcomes for all (Table 8.6.2 below). All the senior generation people interviewed had anxieties about their marriage in terms of what to do with the remaining time they had together without there being a business there to distract them. There were also anxieties about aging and decline and what late adulthood may bring. In all of the cases, a response was noted that after the successor had been identified, the seniors' attention then became diverted away from

their own challenges, and onto the junior generation's performance, (or lack thereof). This sustained the couple's ability to use the business to regulate the distance or closeness in their relationship, and effectively created a parent-child triangle. Each successor then effectively took the glare of the spotlight off the parents' retirement and aging. The successors, meanwhile, also had a full developmental plate dealing with entering middle adulthood, with striving to attain worthiness of leadership and with finding a balance in their own family and business lives.

The successful installment of the successor took place according to plan in only one case (A1) out of the five. Even then, the father was having great difficulty taking time out of the business, being away from its routines and the excitement of growth, and he was unable to decide on the ownership outcome. This infers that there was an emotional purpose for getting the successor installed at that precise time when anxieties were high: having the successor in place gave the parents a window of time in which to avoid dealing with aging, or to start to come to terms with it. The clearest example of this came from case A2 where the urgent installment of the successor after his father's health crisis effectively put him in the position of being both the emotional and financial insurance policy for his parents. However, he found himself in a bind because he had the title of Director but no strategic power, so being responsible for his parents' financial and emotional well being without being able to develop and grow the business as he wished kept him stifled and frustrated.

In order to offset anxieties about retirement in these families, the same pattern of emotional functioning took place to draw in sons as successors and to position them as emotional buffers between the senior generation spouses. Whether the son actually attained the title and power (i.e. the succession task outcome was achieved) did not appear to be a priority for the senior generation since relatively little effort was put into making this happen despite its importance to the succession overall. This implies there were other priorities for the senior generation, one of which may have been to find a way of shifting the focus of their anxieties as spouses and other issues of self identity into another arena, usually the successor's performance.

8.3.2.2 Emotional Responses to Business Sub-System Tasks

In the business subsystem, all the firms were moving from a stage in their life-cycles corresponding to Greiner's Phase 2 towards Phase 3 (Section 3.6, p.78). In Phase 2, the management focus is on internal efficiency, there is a centralised structure and a directive, top-down management style allowing "Growth Through Direction". When this continues over time, employees become stifled as the power structures in place prevent them from using the knowledge and expertise gained by being close to the customers, and from using their initiative. Top managers struggle with the build-up of internal pressures for change; these require them to give up responsibility and to empower others lower in the hierarchy. A "Crisis of Autonomy" is therefore necessary to settle the system down again into Phase 3, known as "Growth Through Delegation". In Phase 3, a strategy of growth and expansion is usually achieved through delegation by management and a decentralised structure. All the firms in this study claimed to be attempting to grow (and had achieved significant growth in the three years prior to the study), but there were internal struggles about what kind of growth: how was it to be funded? in what direction?; most importantly, who was to lead and be responsible for the growth? It was clear that in these cases, the firms had not truly emerged from their crisis of autonomy (requiring a different concept of power) and that until more progress was made on the unfinished business of dismantling the seniors' autonomy, achieving growth through delegation would be accompanied by resistance to this direction being taken.

Table 8.7 shows the emotional impact on family members of the pressure for development and change in the business and the way in which they dealt with anxiety around these tasks. The cases were compared to show how they handled the succession task of business planning. This led them into the issue of strategic choice, and the overall mission of the business. Whilst the strategic outcomes turned out to be very different for each of the firms, what was consistent in all the families was the emotional process with which they became engaged and its importance in the decision making process. The emotional processes were most overtly linked to the adult development activity taking place in the business subsystem because the firm's performance reflects the strategic capability of its leaders, and is therefore the arena whereby the feasibility of Dreams and chosen life structures are tested out.

The father and son in Case A1 had been looking to make an acquisition for some time, and a potential deal had been on and off over the years of the study. The successor, who was 30 and married with two small children, had been working in the business eleven years when the acquisition fell through the second time. He regarded the acquisition as his main opportunity to “make his mark” on the business, as both generations had done before him.

Clearly a big issue for this man entering middle adulthood is the developmental task described by Levinson of “Becoming One’s Own Man”. Having secure and satisfactory relationship and career structures in his life structure, he now felt the need to work on his Dream of perpetuating the family business. He also commented

“If I sat here and did nothing with the company, rested on the success of past generations, then when I am retiring at whatever it turns out to be, 55, 60 or 65, I might look back and say “well I know I just sat back...”...there’s just the possibility I might look back with regret. So I think I would rather try and progress the company. And hand it over to my boy [now 2 years old] and let him do what he likes with it.” (ibid, p12).

In order to progress with achieving his Dream, after the acquisition fell through the second time, the son carried out an analysis of the market in England and recruited an agent to develop the business there. When the acquisition was finally completed a year later, he had tangible evidence of progress in the career strand of his development task: he had been given the title of MD and he had made his mark by strategically positioning the business for market penetration by geographical expansion. He was now developmentally ready to settle down, secure with a life structure which should serve him well until the next developmental transition comes along. His father was attending developmentally to the task of entering late adulthood and was actively working on building a life structure to help him cope with ageing, retirement and his relationship with his spouse. In this case, the personal, family and business developmental tasks were reasonably well aligned and led to productive, relatively harmonious working relationships for father and son on this matter. There was no board of directors in this firm and these decisions were very much the domain of the father - son dyad.

Things did not go as smoothly for the successors in the other two firms. The outcome in Case A2 was quite different to case A1’s approach to business development. Case A2 claimed its

business strategy was one of growth through expansion, but growth had tailed off considerably in the last year. The successor (the "insurance policy" for the parents mentioned above) was 28; he married literally in the same week he joined the firm five years ago and had no children yet but he and his spouse were delaying starting a family; he was a Chartered Accountant by profession and a director in the firm. Throughout the study, he struggled in a number of ways to get the firm onto a better footing professionally and financially. The board of directors was effectively a rubber-stamp board and so the son had no allies at this level. The successor wanted to go into some form of diversification to balance the high risk of exposure to cash flow crisis posed by the family business. Throughout 1996 and 1997 he tried, but failed, to get the board to support his ideas for diversification.

The son had made approaches to his father about other business opportunities the firm could go into, but his father had not agreed to any of them. The father regarded the business as his pension; after the financial crisis in 1984, he and the other director-shareholders took as much money as they could out of the business and did not want the risk of extra borrowing. The son described how he missed his professional accountancy career, his peers and the Friday afternoons after work in the pub. As the son came to realise that his Dream of running a growing business, "hands-on", would not be achieved in the family firm, he also saw how trapped he was professionally, socially and developmentally. He and his wife resolved not to start a family until he left the business, but he felt unable to leave for fear of the guilt that a relapse in his father's health would happen due to the strain of his leaving.

The emotional process of differentiation by the son was a long and painful one. When an offer of sale of the business was on the horizon, he seized the opportunity to tell his father he wanted out. He then resolved to leave with a clear conscience and put his energies into getting the internal workings of the business "fit enough" financially and structurally, rather than continue to fight the board on the growth strategy issue. He slashed overheads and implemented a marketing plan. He then left during late '97 to return to the accountancy profession and he and his wife started a family straight away.

In this case, personal, family and business developmental tasks were not aligned. The father made no progress with the developmental task of entering late adulthood, whilst the son worked, almost frantically, to secure his life structure and get his Dream back in focus before the age of 30. The change in business strategy from its drifting state to one focussed on being viable for sale created the space within the family business to bring these strands of his life together. These emotional and developmental factors led the successor to work on resuming the separation from his family that had been taking place until his father's illness. He was differentiating himself from his family of origin. This meant coming to terms with how he felt about being emotionally trapped as his parents' insurance policy. He had to reconcile what he thought about his situation with how he was going to act, especially how he would manage himself when he acted and whether the family would predictably react to his move to get him to change back. Whether he has truly differentiated will become clear if his father has a relapse or if he dies before the mother. Then, the son will have the challenge of sustaining his differentiated stance with his mother, who relies on an income from the business, and may therefore put emotional pressure on the son to resume taking care of her.

As in case A1 above, the business planning task at succession time brought about for case A2 the need to attend to unfinished emotional and developmental business before a strategic outcome could be achieved. Where personal, family and business developmental tasks were reasonably well aligned, this led to clear outcomes in the business task dimension. However when they were misaligned, conflicting emotional responses in the family meant the business planning task was not attended to. As with the family subsystem tasks, in the business subsystem the firms ended up with different outcomes to the business planning task, but they went through the same emotional process of anxiety about their adult development tasks. When key individuals in both generations were able to recognise the emotional impact of their family and business situations, the strategic direction of these businesses were clear and focused (Case A1). When individuals of either generation were unsure as to how to address their emotional and developmental tasks within the structures of the family business, the strategies for growth became blurred and fragmented, and the businesses tended to rely on random opportunities for incremental growth (A2, A3, B1 and B2).

8.3.2.3 Emotional Responses to Ownership System Tasks

Another consistent pattern of emotional functioning in the three cases was the extent of apparent emotional triangling of family and non-family members. This was present in all subsystems but was most evident in the ownership subsystem tasks of ownership transfer and estate planning. Whilst the families' use of this emotional response led to different task outcomes, its functional effect on the family systems was consistent (Table 8.8 below). That is, anxiety was shifted away from the developmental and succession tasks at hand and brought in focus in other areas of the family business system. The families' approaches to ownership and estate planning demonstrate this. In reality, the transfer of business ownership *will* take place whether the family plans it or not, because transfer of ownership is a legal requirement on death. The families in this study did begin work on the planning of share and asset transfer, but they struggled emotionally when it became complicated, such as when it emerged that spouses or offspring in the families (who occupied different constituent positions in the structure) voiced their different priorities and views. It became even more complex when the issues of tax avoidance and equal inheritance for their offspring were brought into the equation. Attempts were made by the families to resolve how and in what proportion the ownership of the business and the rest of the parents' estates would be transferred. However, embarking on the communication required by the family to get to a resolution activated emotional triangles to the point of entrenchment in all cases. The father in case A1 triangled-in the company accountant (in a family and a business sense because the accountant was also the senior's brother-in-law), isolating the successor in the process, even during the handing over of the title of MD. All parties, and the whole succession process, became "stuck" as a result because there were disagreements about equality for an inactive owner. There was a preference in this family for conflict avoidance and the family-business triangles served to put off dealing with the matter.

The father and successor in case A2 decided on the ownership transfer process between them, triangling-out the successor's sister; this repeated a pattern from the previous generation causing a cut-off between the father and his sister over perceived inequalities in the division of the founder's estate. In case A3 both the father and successor had an unequal division

of ownership in mind, but had left the mother and sister out of their discussions. When their views were outlined at a research meeting, the mother became anxious and fearful of a rift if the sister was not treated equally, especially since there had been equal transfers made to the offspring in the past so expectations of equality were in place. Once again, families in business with the same succession task at hand mobilised the same triangling patterns of emotional functioning and utilised it to a similar end in that they all became emotionally stuck; however the nature of their "stuckness" was determined by each family's own constellation of family patterns, values and expectations. The patterns served to address the senior generations' emotional needs of security and continuity by keeping the successor engaged in the business and in the family (and thereby perpetuating what the father has created).

A similar pattern was seen in Case B2 where the eldest son, S1, was a Ph.D. student at the time the new venture started. He left university and joined the firm as one of a number of minority shareholders (10%). No salaries were taken out of the business by the founder S1 for the first few years. As the business grew, and S1's siblings were recruited into the firm, the founder bought out all the non-family owners and began giving smaller volumes of shares to family members. Over the years, S1's proportional ownership of the business was diluted and his siblings' and pseudo-siblings' salaries were brought into line with his own. In the final interview with the founder and S1, the founder was aggressive towards S1 on the issue of the forthcoming ownership transfers, which would make the four siblings equal owners. The tension between the founder and S1 had come to a head on this issue, and although S1 had not given an indication in the interview and over the research period that he had expectations of disproportionate ownership, he was forcefully told that any aspirations he may have held about this were false. To deal with his anxiety about the consequences of being in conflict with his father, S1 activated emotional triangles to defuse the issue. The first was his recruitment of his MBA supervisor as a non executive director (NED) to the business, effectively buffering the relationship between himself and the founder. Within a year, the NED had identified that salaries were below market level, even though the founder disagreed. The second triangle brought in S4 (the youngest sibling who also worked in Scotland) to diffuse the anxiety between S1 and S3, the successor. The founder had said that S3 would be an equal owner but would be

paid more than equal to justify the title, exacerbating S1's feelings about there being no reward for being there the longest.

8.3.3 Repeating Multigenerational Relationship Patterns

Repeating patterns of relationship dynamics from the previous generation, apparently embedded in the emotional functioning of the families, were also uncovered. These were observable patterns being repeated as the next generation positioned itself for taking on power and responsibility, just as the previous generation had done in its day. Table 8.9 below examines the emotional responses in each case around the key categories to do with family system task responses in all the cases and illustrates where relationship patterns repeat.

In all the cases, the role of wife / mother was repeated from one generation to the next but in different ways. This inferred that the emotional role of women in family-business systems was to be a stabilising force, whether this role was enacted in the business (A1 and A3), out of it (A2, B1) or both in and out (B2). Women did not participate at a senior level in any of the cases observed, largely because they had been excluded from ownership over the generations or because they had been socialised not to expect to participate at a senior level, and therefore regarded the business the domain of the siblings, fathers and husbands. Only one case (B1) contained two sisters in business with their brother; the eldest was made a director but was kept out of strategic discussions, and the youngest had recently joined management so her future was unclear. Mostly, wives held shares for tax purposes and were not very visible in the firms.

This is not to say that their overall influence was minimal. In case A1, the successors in both generations relied on their spouses to support them during the anxious phase of the senior's letting go. In A3, where this was the first CO-CO transition, the parents were actively encouraging the process of installing the successor's wife in a support role identical to the one they had found useful over the firm's history, despite their daughter-in-law having her own career path. In A2, women had been excluded from the ownership and the real running of the business in both the second and third generation, and the pattern of males only in ownership of

the family business was repeated in the plan for transfer from G2 to G3. Generally, women stabilised the systems by remaining on the periphery and not questioning their role or entitlements.

There were other repeating patterns in the CO-SP cases observed. In case B2, the adage that the business should be used to take care of family needs was repeated by the founder as he had known earlier generations to do. This took place as long as no one rocked the boat and brought shame to the family; such circumstances had been known to bring about cut off from the family and in the will in the past. Although the founder restrained compensation below comparable rates for some time, he made sure that any of his sons and "pseudosons" could approach him personally to get access to funds for bigger homes or other requirements; he also helped other family members who were not associated with the business in similar ways. He did this in a covert way, so that others were not sure of who had had what help.

In Case B1, the father had discussed the way in which power and majority ownership would go along the male line just as his father had, despite the fact that there were also two female siblings to consider in the estate. In the second generation, this issue was much more to the fore because the successor's two female siblings were both active in the business. At the end of the data collection stage, at which point the youngest had affirmed her commitment to her career being in the family business, the father was beginning to realise that rather than the controlling owner recycle he thought he was dealing with, he was in fact facing a transition to a sibling partnership. There was no precedent to guide this in his experience, and so even though his son / successor may think the succession is all but complete, it is entirely possible that it may be just beginning. This would be a crushing disappointment for the successor, who has been eagerly awaiting control for many years.

Table 8.9.1 Case A1: Family Relationship Themes in Father-Son Transitions:

<u>Case</u>	<u>Relationship Themes</u>	<u>Emotional Functioning in the Family</u>
A1	<p>1. <u>Health / Death in the family:</u></p> <p>(G1F) Sudden death of founders' eldest son at age 22, in 1967</p> <p>(G2S1) Father's angina attack in 1994</p> <p>2. <u>Retirement:</u> When to go; how spouses try to deal with time together, being useful / active. Father retreats to business after holidays. No discussion about long term healthcare despite his aged parents requiring full nursing care in home, financed by the family.</p> <p>3. <u>Conflict</u> between founder and his son ('61-96): here, conflicts blow up and soon blow over for founder; recipients left to deal with emotional backlash.</p> <p>4. <u>Successor's Dream</u> : has less time for family and marriage as he sets about business growth & development to achieve his Dream.</p> <p>5. <u>Ownership / Estate Planning:</u> decision support eg how to divide up shares, whether to transfer before or after death; implications for power play between recipient siblings. No progress is made on this over 3 years.</p> <p>6. <u>Board & Governance:</u> no Board; strategy and operational decisions made with successor; and the rest of the staff informed.</p> <p>7. <u>Interaction with Researcher</u> Relationship with researcher: no inconsistencies amongst narratives. Problems (and their inability to resolve them) defines consistently</p>	<p>* Emotional shock-waves ripple out from this event:</p> <p>* - parents' & brothers' bereavement: founder's Dream is shattered</p> <p>* father loses key worker / (successor?)</p> <p>* eldest son joins the firm</p> <p>* mother joins the business:</p> <p>- as "therapy" for herself;</p> <p>- as support for founder dealing with the gap left by his son;</p> <p>- and for support during difficult early trading years.</p> <p>* mother panics and calls on elder son for assurance about her long term care & support if he dies;</p> <p>* her elder son leaves home & marries soon after</p> <p>* father sets up the transfer of executive power / major customers to successor: transfers title within 2 years when father age 60 and successor age 32</p> <p>* two years later, mother says father unreasonably fearful of relapse / paranoid.</p> <p>* as in first to second generation transition, the G2 successor occupies role in central triangle of parents - successor - business: i.e. everyone gets taken care of by successor</p> <p>* successor in G3 then repeats family pattern and recruits his wife as the bookkeeper / emotional caretaker at a time when there is anxiety around: as with the previous generation, the father is struggling to make progress with letting go.</p> <p>* Spouses find it hard to talk about - mortality and the anxiety around it leading to avoidance / denial.</p> <p>* Wife recruited into business as bookkeeper: father's purpose is to triangle her in as emotional caretaker / buffer in emotional triangle between the father, his wife & the founder; Son recruits his wife at a time when anxieties emerge about father's letting go.</p> <p>* G2 never learned how to resolve differences with his father because he disliked angry scenes; G2 then never taught his son to resolve disputes and anger was avoided. Pattern of unresolved conflicts repeated due to pattern of being unwilling to learn how to address it being repeated.</p> <p>* Wife recruited as bookkeeper to take over from mother; she has become part of the multigenerational triangle: all triangled-in their wives into the central spouse / parent / business triangle.</p> <p>* Emotional triangles around Ownership: Father seeks advice from accountant / brother-in-law as did his father and excludes son from discussions;</p> <p>* All get caught up in these triangles:</p> <ul style="list-style-type: none"> * father, accountant (wife's brother) & successor * father, mother and accountant (her brother) * father, eldest son, successor. * parents, offspring, accountant * father, accountant, accountant's father (who was the founder's original adviser) <p>* Accountant / brother-in-law used as "sounding board" for father only.</p> <p>Indicative of open, direct communication in the family on topics of comfort only.</p>

Table 8.9.2 Case A2: Family Relationship Themes in Father-Son Transitions:

Case A2	Relationship Themes	Emotional Functioning in the Family
	1. <u>Health / Death</u> in the family:	
	G2: Row with sister over mother's will: father made arrangements without sister's agreement	* caused conflict - she returned to Australia with the conflict unresolved. G2 makes arrangements for estate / ownership transfer excluding wife & daughter in the process. Son to get the business.
	Father's heart attack / strokes in 1990 age 53 family relate this to the stress of 1984 financial crisis	* father asks successor to join the business and leave accountancy profession; he joins in same week as marriage age 23, same year as father's illness.
	2. <u>Retirement</u> : father insists he can not afford to leave having used his pension to finance the business in 1984. Son's account disputes this. Father achieves a balance between being at work and taking many long, expensive holidays. No healthcare plans.	* Son in emotional triangle with parents: he is their 'insurance policy' securing their income and taking care of themselves as well as the business, where he brings his skills but has no power. Son says father is "living as if there was no tomorrow".
	3. <u>Conflict</u> between father and successor: son able to 'win' battles in certain domains of the business, but lacks allies on the board to develop a sphere of influence.	* Successor is emotionally isolated and somewhat "stuck" in 1995-6: he misses his peers; has no support on the board and feels responsible for his father's health / parents' income;
	4. <u>Successor's Dream</u> : stifled from a career and personal perspective during 1995-7	* Successor's professional development is thwarted by father who can't risk giving son more power. Successor & spouse want a family but give priority to getting the influence of the family business under control.
	1997: successor makes a deal with father to get the business back on track and then leave to return to the accounting profession.	* Successor stands his ground; completes his plan. Joins firms' auditing company; starts a family.
	4. <u>Ownership / Estate Planning</u> : father decides on estate plan leaving the business to son and other assets to daughter. Daughter has to accept any inequality, but son will get at least equal. Father pleased with tax efficiency of plan.	* repeating gender pattern from father's parents' estate.
	6. <u>Board & Governance</u> : rubber stamp board: contentious (i.e. long standing discipline matter) issues from consultant's report not taken up. Son not able to create allies. Father regards non-family managers as dependent on him to buy back their shares on retiral. Questionable handling of financial crisis as no legal case brought against auditors.	* successor on outside position of triangle with: father, board, son. Non family managers in triangle unable to separate their personal financial interests from the governance of the business. Hero worship of father by non family staff, who never threaten his heroic status.
	7. <u>Interaction with Researcher</u> Inconsistencies amongst narratives. Problems (and their inability to resolve them) defined inconsistently. Hero worship of father by non - family staff.	* father's narrative to validate his heroic stature; no access to extended family for research. Father upholds idealistic "story". Son debunks it in individual and father-son joint interviews.

Table 8.9.3 Case A3: Family Relationship Themes in Father-Son Transitions:

Case A3	Relationship Themes	Emotional Functioning in the Family
	<p>1. <u>Health / Death in the family:</u> Successors' motorbike accident & its setback effect on succession plans for father and son. Accident in 1994 just after son married; father aged 63.</p>	<ul style="list-style-type: none"> * Difficult start to married life for son & spouse as their plans were shattered for over a year due to illness. Parents forced to consider what to do if no successor.
	<p>2. <u>Retirement:</u> event postponed from father's 65th birthday to coincide with Mother's intended timescale. Financial plans OK. No healthcare plans. Founder and wife begin to seriously discuss the role the successor's wife would play in the business (they expect a repeat of their partnership roles)</p>	<ul style="list-style-type: none"> * Couple would spend the same amount of time together but without the business to be the focus of their energy / anxiety.
	<p>3. <u>Conflict</u> is averted eg successor was not made director as planned; is given partial information; the meeting held when the daughter-in-law was away; the father's use of the non family consultant (son's "mentor") excluding son on strategic issues.</p>	<ul style="list-style-type: none"> * Couple try to set up a repetition of their own relationship (bound by the business) in successor's life prior to his marriage.
	<p>Pattern of interference by founder in successor's education and development throughout his education.</p>	<ul style="list-style-type: none"> * Conflict is prevented or sidelined by triangling: e.g. father - son - son's educators father- mother- spouse; father- successor-workforce father-consultant-son.
	<p>Conflict averted re ownership - see below</p>	<ul style="list-style-type: none"> * Founder disappointed in (academic, career, work) performance of son. Higher expectations of excellence. Mother intervenes where possible.
	<p>4. <u>Successor's Dream</u> : Whose Dream? Founder offers career opportunities (to successor) as he approaches 60, i.e. bigger factory, leadership, a place for son's spouse in the business when he marries. Accident sets back successor's Dream. Father's plans postponed 5 years. Will the successor ever be good enough to founder's mind?</p>	<ul style="list-style-type: none"> * Change of career brings successor closer to home. * the pattern of founder-spouse relationship being enmeshed with the business begins to repeat again when the founder and mother begin to seriously discuss the role the successor's wife would play in the business (they expect a repeat of their partnership roles)
	<p>Successor's decision to join family business coincides with a colleague's decision to do same at the time when father makes offers.</p>	<ul style="list-style-type: none"> * timing of offers in relation to life cycle tasks: founder: entering late adulthood - organise affairs successor: strengthen life structures for going into middle adulthood: find spouse, career.
	<p>5. <u>Ownership / Estate Planning:</u> No progress on this issue; no direct communication eg . Mother becomes anxious when she finds out about founder's son's ideas; is fearful of conflict if her daughter is not kept equal.</p>	<ul style="list-style-type: none"> * triangling: father & son discuss options without including mother / successor's sister.
	<p>6. <u>Board & Governance:</u> No board or equivalent. Father uses dyads eg discusses with his wife, consultant & successor but rarely together. Father applies his religious values to policy.</p>	<ul style="list-style-type: none"> * despite stated succession intentions, the founder retains power (knowledge and personal power) / keeps successor disempowered.
	<p>7. <u>Interaction with Researcher.</u> Inconsistencies in narratives given. Founder attempts to triangle researcher for information.</p>	<ul style="list-style-type: none"> * founder either insecure or manipulative.

Table 8.9.4 Case B1: Family Relationship Themes in CO-SP Transitions (Father-to-Offspring)

Case B1

Relationship Themes

1. Health / Death in the family:
Son's car accident at age 20 set succession thoughts in mind for father and son.
2. Retirement:
Father publicises retiral at 50, then 55. Son expects leadership by age 28.
2. Conflict:
Father keeps the lid on frustrations, concerns etc of offspring by keeping the sisters out of business discussions.
4. Successor's Dream : Son encouraged to build his goal of taking over the firm, but the father has not yet completed his mission.
5. Ownership / Estate Planning:
No progress on this issue; no direct communication eg . Mother becomes anxious when she finds out about founder's son's ideas; is fearful of conflict if her daughter is not kept equal.
6. Board & Governance: No board or equivalent. Father uses dyad eg discusses with his adviser and with successor.
7. Interaction with Researcher.
Inconsistencies in some of narratives given.

Emotional Functioning in the Family

- Father starts to create positions for all his offspring in the business.
- Mother has own career. Father spends much time trying to find hobbies and interests with little success. Offspring get frustrated at deliberations with no sign of giving up any power.
- Offspring form alliances to find out what is going on. Conflict is prevented or sidelined by triangling: e.g. father - son – adviser
father – son – workforce;
father- son – sisters

Father avoids conflict with workforce by not openly announcing directorships for S1 and S2.
- Son invests his 20s into preparing for leadership at expense of young family, as his father had done.
- Son's development held back \ has high expectations of rapid career development
- * Father keeps the system dependent on him by giving others partial bits of information and avoids structures and system that would devolve power.
- * Despite stated succession intentions, the father retains power (knowledge and personal power) / keeps successor frustrated.

Table 8.9.5 Case B2: Family Relationship Themes in CO-SP (Father-to-Offspring) Transitions

<u>Case B2</u>	<u>Relationship Themes</u>	<u>Emotional Functioning in the Family</u>
	<p><u>1. Health / Death in the family:</u> Founder's actions at age 65: recalls his father's death at 66.</p>	<ul style="list-style-type: none"> * Founder privately acknowledges decline but refuses to give up power in the business. Founder buys leisure club as a legacy / pension for sons.
	<p>Souse's depression in her 40s / 50s</p>	<p>Founder struggles to balance family and business demands; business comes first.</p>
	<p>Spouse's unhappy childhood years: father killed and mother very ill; brought up by aunt / sisters</p>	<p>Founder's spouse dedicates her life to a Dream of happy family life & parenting children.</p>
	<p><u>2. Retirement:</u> Founder announces he has no intention of retiring at all: will die in harness.</p>	<ul style="list-style-type: none"> * Spouse finds other interests; moves house to be nearer some grandchildren; does admin work in the business to have contact with founder. Spouse comes to term with "business-first" marriage. Founder experiments with days out with spouse.
	<p><u>2. Conflict:</u> Previous generations cut off family members' access to resources for transgressing in the family.</p>	<ul style="list-style-type: none"> * Founder uses the promise of wealth to avert ambition and conflict from sons and pseudo-sons
	<p>Founder & spouse had problems in the early days of their marriage when his mother resented them having a bigger house and funds to bring up the four boys.</p>	<p>Founder controls the perks system and blames in-laws for being greedy when sons ask for bigger salaries / want bigger houses.</p>
	<p>Founder politicises sons to avert power sharing.</p>	<p>Sons triangle with each other: dyads form and break down depending on the issues. Pseudo-parental model of sibling partnership gets off to a bad start.</p>
	<p>Conflict between non family director and mother recurs.</p>	<p>Founder moves spouse's job to leisure club. Uses S1 to calm non family director down.</p>
	<p>Conflict between non family co-founders and advisers.</p>	<p>Founder distances or cuts off anyone who seeks power or authority.</p>
	<p>Conflict between founder and S1 on professionalisation.</p>	<p>S1 triangles a Non-Exec Director to be an ally on the board; unable to influence founder without support.</p>
	<p><u>3. Successor's Dream</u> Founder tests out the sons to see who is the best candidate for succession.</p>	<ul style="list-style-type: none"> * Sons self-select and self-withdraw for the successor role. Founder has "favourites". All turn it down except S3.
	<p>S3 tries to asset his own pseudo-parental style</p>	<p>S3 and S1 in conflict over staff changes made by memo; leads to alliances and triangles. Sets back the sibling partnership.</p>
	<p>S3 encouraged to take over admin areas the founder is not interested in, but the founder will not pass on key decision making power.</p>	<p>Siblings have to work out how to exert influence when founder is entrenched: using outsiders & dyads for support.</p>
	<p><u>4. Ownership / Estate Planning:</u> Trust set up to avoid tax. Siblings to be equal owners.</p>	<ul style="list-style-type: none"> * Siblings learn that they will have to wait until their father dies before they will be able to have power in the business.
	<p><u>5. Board & Governance:</u> Rubber stamp board with family and non-family. Non exec adviser has some influence. Founder sets strategy and budgets.</p>	<ul style="list-style-type: none"> * Founder retains control of trust and compensation system. Asserts the family thrift culture "you get your jam tomorrow" but siblings want more wealth sooner. * Board often in turmoil over founder's ad hoc spending policy: leads to political behaviour; sons oppose then rationalise their opposition when forced to capitulate to founder.
	<p><u>6. Interaction with Researcher.</u> Inconsistencies in some of narratives given.</p>	<ul style="list-style-type: none"> * Founder unable to reconcile stated wish to allow sons to learn from mistakes, yet disallow experimentation.

8.4 Sub-Objective 3.2: To investigate the way in which common emotional responses led to different degrees of progress and different succession task outcomes.

The business-owning families in this study were all embarking on the advanced stages of succession at the same time, and therefore had a common set of relationship-task themes to attend to in order to make the ownership and leadership changes required in the timescale they had stated. Tables 8.9.1 - 8.9.5 above indicate that having to work on these tasks often generated acute anxiety in the families. Once this anxiety was felt by the key individuals in the cases, it led consistently to certain emotional responses as precursors to transition task activity (or inactivity). These emotional responses are listed below.

8.4.1 Emergency Responses to Alleviate Acute Anxiety

The most obvious response to the very high levels of anxiety noted was the need to do something as an emergency response to alleviate that anxiety. Cases A1 and A2 contained situations of major life-threatening illness, and the fathers in both cases set about getting the successor installed and ready for any contingency as soon as they were sufficiently recovered. This lowered their anxiety because it meant that if they suffered a relapse, the business was assured a leader and their spouses were assured an income. Getting to this solution so quickly did not allow any time for testing out the feasibility of the structure proposed, and it is hard to imagine a successor refusing to try out taking over the family business when asked by the father from his hospital bed. The fathers anticipated their sons' concerns and ensured the "package" was attractive enough for them to commit to taking it on. Although this emotional response led to the same task activity, it did not lead to the same outcomes. The outcomes were affected by past history in the family and the business, by family behaviour patterns and by the circumstances that the future would bring. Case A1 led to a textbook leadership transfer, because there had already been 10 years of preparation and the father did not want to repeat the interference he had seen from his own father who founded the firm. In case A2, the son joined the firm at a senior level after his father's recovery, but the father was unable to dissociate his identity from the business and remained in power to be assured of the income he wanted to take from the business. There was no transfer of leadership or sharing of power and

finally the successor left. Here, their anxious response to the threat of death led to the same task activity but very different outcomes.

8.4.2 Planned Responses to Alleviate Chronic Anxiety

Cases A3 and B1 were examples of chronic anxiety being generated in the senior generation as they become aware of the generational push to plan their succession. Chronic, or ongoing anxiety at a relatively consistent level was focused on a forthcoming significant birthday. In A3, the 60th birthday coincided with a trust dissolving and the transfer of some of the shares from the parents to two siblings. These events led the founder to start attracting his son to the business and to offer him a secure career and ownership of the firm if he came now, rather than five years later as had been intended. Getting the son to agree to join earlier calmed the father's anxiety about securing the successor's role in the firm. In case B1, the father had publicly declared retirement at 50, then put it back to 55 and was anxious about being expected to retire. He had not succeeded in finding other interests and was aware that his identity was tied up in the business. To alleviate these ongoing anxieties, the fathers in both cases got their offspring in situ as successors so that they *could* retire. Then, to reduce their anxiety about being *expected* to retire, they ensured that conditions were not quite right yet to allow control to be handed over and envisaged this would take another five years, putting retirement back again to 70 and 60 respectively. In this way, they could regulate their own anxiety by having another family member in place providing the slack for this flexibility.

In case B2, where the junior generation worked under chronic anxiety about the founder's whimsical acquisition policy and his resistance to formalising the business, their way of reducing their anxiety was to create dyadic alliances that formed and broke down periodically depending on the issues, and to create emotional triangles to spread the anxiety to another (external) source. In this way, family members became resigned to their powerlessness and non family directors and advisers became buffers for anger and depression, as well as a steadying force when exciting prospects for growth appeared. The successor in case A2 also relied heavily on the written word and opinion of external consultants to support his case when anxious about the lack of shared power with his father. Although he used the same coping

strategy over his years in the firm to manage his anxiety as the successors in B2 had, he was unable to bide his time for power sharing and left the business.

8.4.3 “Fight” and “Flight” Responses

The natural response when faced with a perceived threat is to acknowledge the danger, then instinctively work out whether to run from the threat or fight it. Case A2 presented a good example of the flight response: there the senior generation believed his heart could give up at any time. Much to the annoyance of his son, (because this deprived the business of investment capital) he avoided financial planning for himself and his spouse, should she survive him, and extracted large sums from the business to spend on lavish holidays. Case A1 and B2 are good examples of the fight response being used to alleviate anxiety: once the perceived threat of imminent danger had passed (A1 got over his irrational fear of imminent death, and B2 got over the coinciding business crises), both applied themselves for a few years to the work of ensuring a successor would be in place and the future ownership sorted out. Again, this led to different outcomes (A1 secured the successor but not the ownership issue, and B2 secured the ownership issue but had difficulty getting the successor installed effectively) but the “fight” response to the challenge was consistent. The fathers who were putting back retirement dates were engaged in flight responses (A3 and B1) since the prospect of planning their exit caused too much anxiety.

8.4.4 Anxiety From the Threat of Loss of Identity

One of the most fundamental sources of chronic anxiety for the fathers in all the cases, was the potential disintegration of their identity if they were to retire. For these men, the business had become part of their identity to a greater or lesser extent. Case A1 was an example where this was less so than in the other cases, perhaps because he was 48 when he eventually took over from his father; all the other cases seemed extreme in comparison with A1. The father in B1 could not come to terms with the thought of not being seen to be a successful entrepreneur by others. This was also inconceivable for the founder in B2, who became a serial entrepreneur and acquired properties regularly to keep his portfolio active and growing. The founder in A3 said he felt he would be worthless outside of the business, and for A2, it was obvious that he

regarded his status with his peers at his club to be the prime importance in his life after his health. Several tactics were employed that served the common purpose of reducing the anxiety felt by these people when they were reminded that retirement was approaching. These involved absolute denial of retirement (B2 and A2), playing down the ability of the successor and temporising on when they would be ready (A3 and B1) and insisting that there was still work to be done towards their mission (A1, A3, B1 and B2). By investing energy in keeping the anxiety of retirement at bay, some of the tasks of succession were either subverted altogether (leadership not being passed in B1 and B2) or kept going at a slow pace where possible (expansion in A3).

8.4.4 Linking Emotional and Developmental Anxiety

Tables 8.10.1 – 8.10.6 provide an overview of the relationship in each case between adult development pressures and other events, the action that was carried out on succession tasks, and the management of anxiety. It is clear from the summaries in each case that the key individuals involved in the succession used various tactics to alleviate the anxiety generated by changes that inevitably come about during ownership and leadership transitions. Often, these tactics involved:

- spouses and advisers being brought in as “relationship buffers” between family members (A1;A2; A3; B1; B2);
- new projects, acquisitions and business developments ensuring the dependency or continued involvement of the firm on the senior generation (A1;B1;B2);
- seniors using technical arrangements such as trusts, legal frameworks and pensions to ensure control is retained (A1; A2; B1;B2);
- using “events” such as a change of government, illness and significant birthdays to justify instant succession decisions rather than work through the issues toward an agreed outcome (A1;A2;A3;B1;B2); and
- seniors holding back or otherwise influencing the natural adult development process of their offspring (A1,A2;A3;B1;B2).

Although Table 8.10 shows that anxiety was managed by key individuals by means of the actions they took in response to their anxiety, it was also managed at times by refusing to act even under difficult circumstances, when the system was under strain. Under these conditions, the anxiety was absorbed by those involved and led to an increase in the chronic anxiety being carried by these individuals and by the system overall. For example, in case B2, the founder was under intense pressure from the business system to professionalise the business and to find new avenues for growth; but, he tolerated and absorbed the anxiety coming from the business subsystem much to the increasing dismay of his sons and the non family directors and advisers. However, there is a limit to how much chronic anxiety individuals can tolerate before symptoms occur highlighting the need to reduce anxiety. In case B2, symptoms of nervous energy and worry were seen in S1; S2 and S3 distanced themselves where possible and S4 became a heavy smoker, as was G1F; the mother had breathing problems and has suffered depression.

The previous chapter showed that a natural source of anxiety in people's lives is the process of adult development, and that unfinished developmental business in people's lives from previous life-stage transitions can create high levels of anxiety when the next transition comes along with its tasks and requirements. Case B2 offered an insight into a situation whereby anxiety was tolerated from numerous non-adult developmental sources (such as the business environment) until such times as the "readiness" in developmental terms was in place to address the tasks. The founder in case B2 was unable to take the advice of those around him about professionalising the business because he could not give up his Dream of being the creator of independent wealth for his family. He was also not ready to change any of his life structures at that time, and so would not take on high level staff and share power as a means of beginning to let go of his hold on the business. The board was unable to influence any of his decisions. Five years later, however, he acknowledged his prowess as an entrepreneur was declining, and he therefore installed one of his sons as successor and began to plan for the eventuality that he may not have the mental capacity to control the business to the end. Fortunately, there was sufficient growth in the industry to allow the business to continue during these years of strategic drift and personal searching by the founder. This example shows that personal decline, as well

Table 8.10.1 Case A1/1: First CO-CO. Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1979	Election; G1 announces retirement	G1-2 PTB	CO	Expansion	G1 acknowledges need to plan late adulthood.
1983	G1's spouse leaves the firm				G1 struggles with identity outside firm. G2 frustrated but waits – life structure committed.
1984	G3 joins G1 leaves. G2 Takes over.	G2-3 ETB	CO		G3 seeks early adult career track in firm.
Anxiety Pattern: Factors Increasing Anxiety					
1979-83	<p>G1: How long able to remain in situ. Physical decline G1 spouse no longer available as support in the firm. G2: Frustration, conflict between generations Paradox that father's death may be the only way to achieve own aspirations – guilt.</p>				
1984	<p>G1: 3rd generation joining: denial no longer tenable. Has to leave. G2: Reconciling own goals with next generation's expectations. G3: Conflict between G1&G2; what if wrong career choice?</p>				
Factors Alleviating Anxiety					
<p>Ownership agreed; G1's spouse leaving leaves G1 isolated. G2 relies on support of own spouse to cope.</p>					
<p>Plan own future to give G3 a timely succession & avoid conflict working together. G2plans career in firm – work experience phase starts.</p>					

Table 8.10.2 Case A1/2: Second CO-CO. Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1994	G2 has heart problems aged 57. G3S1 leaves home during the illness. G2 Accelerates G3 successor development After his recovery	WT PTB	CO	Expansion	Family organises its support around G2 to fit with own life plans. Successor sees opportunity to make his mark. G2 sees opportunity to calm his life down.
1995	G3S2's spouse joins as support. G2S1's spouse phases out. Successor accelerates leadership. G3S1 marries. Ownership dilemma for G2		CO-CO Or CO-SP?		Marital support for career / inter-generational issues secured. Successor works on own differentiation over issue of sharing ownership with inactive brother. Successor works on Becoming His Own Man.
1996	New competitor emerges in Scotland. Acquisition talks start. G2 seeks adviser / brother-in-law re ownership: delays decisions. Checks pension situation OK.				G2 stuck on family / business dilemma. Holds up his plans for late adulthood.
1997	Take over English competitor. Successor takes over as MD. Frustrated over ownership indecision. Wants to be CO	PTB		Expansion	Pressure from G3 to get controlling ownership (i.e his identity) secured. G2 desperately seeking conflict-free options.
Anxiety Pattern: Factors Increasing Anxiety Factors Alleviating Anxiety					
1994	Health, unprepared for mortality/continuity				Family support / decisive response. Good recovery. Successor does well in firm.
1995-7	Ownership dilemma: include inactive son in ownership or leave unequal estate? Successor against brother in ownership. Adviser/relative assumes power to be retained by G2 and confuses ownership issue with successor competence. No resolution in sight.				Inactive brother not concerned about ownership. Successor doing well. Is well respected.

Table 8.10.3 Case A2 (G2-G3 CO-CO Transition) Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1984	Bank alerts G2 to cash flow crisis G2S2 refinances firm from own resources.	YBF	CO	Expansion	Action to recover threatened middle adult structure.
1985	G2 spouse joins firm.				As above.
1990	G2S2 has heart attacks age 53 G3S2 joins the firm. Marries in same week. G2 & G3 work out CO-CO transfer on death. G3 sets up pension scheme. Expansion stated as strategy.	ETB			Family responds to health crisis. G2 gets structure in place for continuity / remainder of life. G3 sees fast track opportunity to life structure.
1992	Subsidiary closes; industry decline	WT	CO		
1994	G3 initiates consultants reports. WT G2 spouse resigned from board, leaves '95				G2 in denial about mortality / decline. Avoids risk. G3 attempts to make career viable given constraints in power/position.
1996	G3 seeks expansion and professionalisation – thwarted by G2 / board.	WT		Constraint	G3 demoralised. Life structure set back.
1997	Downturn in business. G3 makes business "fitter"; plans exit G3 leaves. Starts family.	---	CO		G3 adjusts life structure & aims to get career/relationship back on track. G2 faces failure of late adult structure and increased decline in industry / risk.
Anxiety Pattern: Factors Increasing Anxiety					
1990	G2 Health/ mortality crisis How to ensure continuity				Family rallies round to ensure support & continuity via successor.
1992-5	G3: how to attain autonomy. G2: how to sustain hold on power. G3: no support from board. Effect on his & spouses life plans. Downturn in business. G3 Disaffected G3 leaves. G2 plans for late adulthood failed.				Mother leaves the firm. G3 seeks acquisitions. Plans & implements exit. Gets life back on track
1994					

Table 8.10.4 Case A3 (First CO-CO Transition) Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1989	G1 talks to son S2 (who works elsewhere) of retirement at 65, new factory & job for S2's spouse if marries. Downsizes business to 10 employees.	-	CO	Constrain Growth	G1 seeking the strands for late adulthood: pension & continuity. Subtle pressure on son to return.
1990	G1's 60 th birthday. Trust dissolves. Wills made to ensure ownership equal between the 2 sibs. S2 joins the firm.	ETB		Expansion	G1 pressing to get late adult structure in place. G2 seeking long term career structure.
1994	Successor learning the business. Marries. serious accident – out 1 yr.			Constrain	G1 plans setback. Assesses options subject involved in S2's recovery. Doubts suitability of successor.
1996	65 th birthday. Delays retirement to 70. Need new premises but not found. Decides against promotion of successor. Start to attract S2's spouse to firm.	WT		Crisis of Leadership	G1 avoids commitments re late adulthood. G2 picks up strands and is confident that career & life is back on track. Completes MBA
1997	Consultant's report exposes successor development / business over reliant on G1. Successor expects title within one year. G1 feeling demoralised.	WT-PTB?			G1 continues to avoid decisions leading to commitment to a different future. G2 begins settling down with life structure.
Anxiety Pattern: Factors Increasing Anxiety					
1988-90	60 th birthday; onset of late adulthood. Fear of loss of identity & no continuity				Successor interested in firm's future. Successor joins – continuity assured on G1's terms Very good recovery.
1994	Son's accident. 1995-7 Is successor suitable? Consultant's report shows need for decisive development of successor. Increase risk by committing to new premises? How to settle parents' different ownership intentions? Fear of decline.				

Table 8.10.5 Case B1 (First CO-SP Transition) Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1992	Decline in industry. Small trading loss. G2 age 50 transition: re-sets retiral 55 G3 successor (S2) questions leadership transfer schedule	ETBWT	CO	Expansion in Mature industry	G2 not ready to pass business risk to G3 sibs; nor able to retire emotionally or financially; continues preparations. G3 putting early life structure in place & pushing for clarity re career.
1993	S3 joins; all sibs now in business. G2 sanctions succession audit & courses for G3 successor. Does not implement senior team / successor development.	WT		Consolidation & Expansion	G2 experiments only with outside views re succession; Successor establishes early adulthood structure.
1995	Upturn in business seeks expansion. Acquisition talks start. G2 sets up property company for "retirement hobby" S3 disillusioned. Advisers advocate more development for successor & S1; not taken up. G2 gets pension sorted out; takes longer hols. 1 st grandchild born.	WT / PTB?			G2 controls pace of own adjustment and G3's development by judicious use of advisers.
1996	G3 has success with business development. Sibs frustrated & seek retiral date: one year if acquisition fails. Acq. Goes ahead. WT / PTB?				G3 putting pressure on G2 for action based on raised expectations.
1997	Sibs made trustees of pension fund / pre-election New factory built. S2 takes over new firm. PTB CO-CO G2 & S2 made directors. S3 affirms career. G2 announces 2-3 years before phase-out. Siblings rather than just successor now involved.	WT / PTB? Or CO-SP?			Mid adulthood for G2 culminates with acquisition G2 creates distractions eg pension fund. G2 re-energised. Manages G3 expectations without transfer of power. G2 ambivalent: encouraged but notice lack of support from father with senior team.
Factors Alleviating G2's Anxiety					
1992/3	Industry conditions; what if G2 can't achieve Dream? G2's identity outside firm? Control of successor readiness / own unreadiness				S3 joins; all sibs now rely on firm for career Pension doesn't allow for age 50 retiral. Succession programme reveals gaps.
1995/97	G3's frustration re raised expectations of power / role G2's fear of early death like his father				Business expansion creates space eg directorships. Business expansion reenergises & engages denial G2's Pension guarantees expansion: ensures control of firm.

Table 8.10.6.1 Case B2 (First CO-SP Transition) Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity

Case B2/1: 1968 G1F Undertaking Major Changes to Life Structure at Mid Life

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1968	G1F: Onset of midlife transition. Founder's father's death.	YBF/PTB	CO	Expansion	Dream: be able to "retire at 40" as self made man
1970	G1F "retires" (40) buys new business	YBF	CO	Start-up	Relocate family, settling down to middle adulthood
1972	Difficult years in business Spouse unhappy re self and parenting Difficulties changing schools	YBF/ETB			Dream set back severely; keep marriage intact & family secure.
1976	Kids settle down; help in business Spouse depressed. Marital tension				Seeks alternative business to settle marital tension & get Dream back on track.
Anxiety Pattern: Factors Increasing Anxiety					
1968	G1F parenting parents with business resources. Onset of midlife transition: revisit the Dream. Death of G1F's father & own mortality				Senses potential to achieve Dream and take care of family / parent.
1970	G1F becomes CO after 50:50 with father. Dealing with widowed mother. Can he deliver publicly stated Dream?				Sell business. Secure finance for mother. Use proceeds to "retire" to new business by relocating family to Scotland.
1972	Tensions between spouses re parenting & adjusting to setback Dreams.				
1976	Spouse tensions increase.				G1F seeks new business venture to improve marital situation.

Table 8.10.6.2 Case B2 (First CO-SP Transition) Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity B2/2: 1978 G1F Creates New Venture to Alleviate Marital Tension / Rekindle Dream

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1978	Experiments with ideas for new venture Onset of age 50 transition Launching of 2 eldest siblings. 2 youngest in adolescence Spouse depressed	Original business: YBF/ETB	CO	Start-up / survival (stuck)	G1F looking for alternative business & to regain sense of success & identity.
1979	All G2 siblings support new venture	ETB	Joint Venture	New Venture	Re-energised to make new venture solve problems
1980	Relocate family to city; spouse isolated Major property purchase. S1 made director.				
1982-3	Youngest sibs join firm. Recruits "pseudosons". Starts ownership consolidation to family Spouse improves.	ETB	CO	Expansion	Embed family / pseudofamily in firm towards Dream of G1F as family provider / caretaker via business.
1985	Seeks related diversification of innovation (#1) S2 sib made directors. Midlands office opened. Spouse moves marital home to Midlands. G1F makes unrelated diversification (#2) & property purchases. 1 st of grandchildren born.				G2 commit their future to their father's Dream. (no pensions set up, father / business will provide).
Anxiety Pattern: Factors Increasing Anxiety					
1978/9	Spouse depression; kids launched. Possible isolation of G1F. Risk of new venture failing to "fix" everything; Dependence on some non-family investors. Spouse still unhappy. Sustaining the business growth	Factors Alleviating Anxiety			
1982/3		New business launched with big order. Delay kids' launching by bringing into business. She seeks other interests. Moves their home to Midlands Keep loyal workers / investors "bought into" the venture.			

Table 8.10.6.3 Case B2 (First CO-SP Transition) Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity B2/3: 1988 Being Faced With Ageing and a Business Crisis

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1988	Onset of age 60 transition Best business results so far. Sales decline goes unnoticed. G1M starts work in Midlands office Tensions between G1M & NF2 emerge Major cash flow problems emerge, trading loss and sales decline. Sales manager leaves. Crisis recognised. Youngest sibling made a director. Cost of diversification #2 failure written off. Consultant recommends NF sales director appointment & professionalisation.	WT	CO	Expansion: Growth Through Creativity	G1F pushing the business hard to succeed rapidly. Marital tensions settle by division of time between head Office / Family Home.
1990	New sales opportunities bring opportunity for G1F to re-orient the firm as the family business: sibs put in key roles; starts testing sibs for successor leadership role. Assigns S4 as next leader. Diversification # 3 - USA office opened. WT / PTB?			Crisis of Leadership	Dealing with very high risk situation: potential for loss of identity, stature, Dream. Seeks advice from trusted friends only to inform on options.
1992				Growth Through Direction	G1F starts experimenting with structures for business but not openly acknowledging ageing /mortality. Spouse centres life on business job & family. G2 starting to stress their own life needs: career strand & earnings depends on their father's actions; failed diversification exposes their dependence on the new venture i.e their father. Factors Alleviating Anxiety
Anxiety Pattern: Factors Increasing Anxiety					
1988	Age 60 transition; has to look at how to fund & survive a satisfactory late adulthood				Business enjoying best ever performance
1990	Business crisis; leadership questioned. Can G1F keep hold of power & hold it together? Dream setback again.				
1992	G2's maturity: for G2 how to express it & for G1 how to keep it at bay.				New sales create space for manoeuvre; Experimenting with structures for continuity without being committed to retirement / loss of power.

Table 8.10.6.4 Case B2 (First CO-SP Transition) Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity B2/4: 1993 CO-SP: Facing up to Mortality and Engineering Continuity

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1993	Problematic customer relations with G1F Siblings politicised; tested by G1f to eliminate unsuitable successors.	WT/PTB	CO	Crisis of Autonomy	G1F relies on own success to offset pressure G2 to give way. G2 have their loyalties tested.
1994	Lucrative new contracts affirm G1F's leadership. S4 drops out of successor test. S3 now unofficially in line as successor. S1 starts pushing for professionalisation. Initial investor sues for share valuation / liquidity.	PTB			Inter-generational tensions emerge. Non-family directors drawn into decisions where tensions acted out..
1995	S3 now called "MD-elect". S1 asked to look into trusts as a vehicle for ownership transfer. Conflict between S1 & S3 re use of power, structural change made & split site problems.			Rapid growth	Experimenting with structures so as to avoid being committed to change of power structure.
1996	Problems with G1M & NF2 re-emerge. Major property purchase / unrelated diversification #4 . Spouse works in #4 and lessens role in new venture. Board / sibs in turmoil over #4; no support yet wins vote. S3 formally appointed MD despite non-family directors' objection. S1 brings NED to board despite objections.				G1F building asset base to secure own & sibs future wealth. Will not be sidetracked. Constrains growth / reward in new venture to prevent sibs access to wealth / power. G2: sibs struggle together to oppose G1F's plans. Seek allies to forge opposition.

Table 8.10.6.4 continued
Case B2 (First CO-SP Transition) Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity
 B2/4: 1993 CO-SP: Facing up to Mortality and Engineering Continuity

Year	Events / situation	F Stage	O Stage	B Stage	Type of Work / Action
1997	Election: wealth transferred quickly to trust –controlled by G1. S3 calls strategy review. S1 pushes hard for formalisation. S1 has related diversification #5 quashed by G1F. G1F adjusts rewards for directors; perks for sibs. G1F talks about decline /mortality.			Growth but struggle to keep direction.	Wealth conservation / rationing by G1F in business. Work on late adulthood structures. G2 pushing hard for autonomy.
Anxiety Pattern: Factors Increasing Anxiety					
1993-7	G1F keeping up resisting differentiation of siblings. G2: how to gain influence /personal wellbeing. G1F struggles to contain G1M & NF2 conflict Monitoring politics amongst siblings. Symptoms of personal / mental decline				Factors Alleviating Anxiety Transfer of wealth: trust keeps sibs as one. G2: single identity of sibs creates power. Div.#4 creates new role / distance for G1M. NED becomes Middle Man & buffers problems Install power of attorney. Transfer wealth, keep control.

as personal growth, can be a factor leading to activity with developmental tasks, and that the family business is the medium whereby these issues are worked out.

The prime concern for the people in these systems seemed to be their need to reduce anxiety, often by shifting it to somewhere else. To the extent that doing so also fulfilled a succession task requirement, then the tasks required to complete the transition were addressed.

“Readiness”, in the context of work being carried out on adult development transition tasks, meant that individuals were emotionally fit enough to face the anxiety associated with the re-negotiation of relationships required when amending or changing parts of their life structure.

These cases suggest that this process carried more intensity with it for people in business-owning families because so much is at stake for those involved, and because these private processes are made more public when the boundaries between family and business are blurred. The findings also suggest that unless a degree of emotional readiness is present within key individuals for this work, then the work is more likely to be put off, denied or deflected by some other process until readiness develops, or until circumstances (illness, decline, unanticipated events) take over and force the change required in the ownership, family and business in some other way.

8.5 Conclusion

This chapter identified consistent patterns (in terms of emotional responses) that take place when key individuals in family-business systems experience anxiety emanating from the changes taking place in their lives around the succession process. These patterns serve to alleviate the anxiety perceived by the individuals by either deflecting it into another relationship (for example by bringing the successor into the structure) or by creating a fight or flight response. Sometimes the pattern of behaviour used to alleviate anxiety was a repetition of the way preceding generations in the family had coped with similar stressors, indicating that the family system had not yet learned alternative ways of coping with their anxiety, or that the earlier responses has been transferable. The inevitability of anxiety generation when family members go through adult development transitions meant that emotional responses to anxiety

were inextricably linked to generational pressures for change. When the family system had a history of multigenerational emotional patterns to avoid the anxiety associated with such pressures, this led to inevitable conflict between the generations.

CHAPTER NINE

CONCLUSIONS

9.1 Introduction

This chapter concludes the thesis and draws together the different issues raised by the research. The chapter starts by summarising the conceptual approach of the study and its main findings. It then discusses the implications of the findings in terms of family business and related theory, research methodology and future research directions.

This study was in part stimulated by the absence of research effort in examining the influence of emotional and developmental factors on task activity during generational transitions in family enterprises. The impetus for the study also came from the wish to build upon the few single-case research studies that have been carried out specifically into the effect of either emotional or developmental factors on the performance of management, ownership and family tasks during generational transitions. The multiple case method was therefore chosen to generate theory that was grounded in the data and that was generalisable from the research sample.

9.2 Emotional and developmental influences on task activity during generational transitions: summary of the findings.

9.2.1 Conceptual Approach of the Study

This study was concerned with identifying the influence of emotional factors and adult developmental factors on the ability of business-owning families to carry out the tasks that must be accomplished to complete their generational transitions. The study focused on two specific types of transition. The first was the controlling owner re-cycle transition (CO-CO) in which the structure of the whole family enterprise system (its governance archetype) remains the same but the owner-manager is replaced. The second transition was the more complex controlling owner to sibling partnership transition (CO-SP) in which the governance archetype (and therefore the infrastructure of the family enterprise system) changes, leading to an unprecedented form of power and authority relationships being taken up in the ownership and leadership of the business.

The conceptual approach to the study was derived by organising the literature into the three main dimensions making up the context in which generational transitions take place. First, the family, its business and the business's owners are together conceptualised as a system (called the family enterprise system) that has to go through generational transition in order to continue as a family controlled business in the future. Second, the context in which the generational transition process takes place is divided into three key dimensions. The emotional dimension is concerned with how the family sub-system achieves emotional equilibrium and deals with ongoing issues that emerge from being in business together. The structural dimension is concerned with the way in which each of the constituent sub-systems in the overall family enterprise system governs (i.e. organises, directs and controls) itself, and with the governance of the whole family enterprise system, referred to here as the governance archetype. The third dimension is the situational dimension of the transition: this relates to the other two dimensions under conditions of change, specifically as the junior generation becomes senior, and as the senior generation faces decline.

The study was concerned with what happens when change leads to anxiety disturbing the emotional equilibrium of the system. Anxiety is generated in individuals from the uncertainty around the prospect of the structures that hold the system together disintegrating as the transition progresses, the chaos that may ensue, and as the feasibility of alternative structures is tested. This is a normal feature of the life-cycle process in individuals, families, groups and organisations. Nevertheless, it generates considerable anxiety for the individuals concerned which must be managed in order to re-set the balance of equilibrium in the system, or to find a new level of balance. The study set out to investigate the way in which anxiety was managed when it was associated with developmental change taking place as the family enterprise system and its constituents went through a specific type of life-cycle change: a generational transition.

9.2.2 The Main Findings

The first objective employed a literature search to identify the tasks that family enterprise systems face when embarking on CO-CO and CO-SP transitions. Previous reviews of the

relevant literatures had organised the research into common themes associated with succession (the founder, the rational approach, stages and phases, systems). To address the first objective, a different approach to organising the literature was taken to that used in the past, in order to create a holistic view of the family enterprise system and of the many tasks that were to be carried out and integrated when change took place at the different levels in the system. There were two outcomes from this approach to objective one: firstly, creation of context for the research design and, secondly, identification of the individual, managerial and corporate tasks constituting the generational transition task environment.

The second objective was concerned with the nature of the transition journey being undertaken by family enterprises during generational transitions, and required a more analytical approach. For this, an investigation was made into the approaches used by families to the common tasks they all faced and into the outcomes they achieved. Their primary task was to go through the process of generational transition at the level of the family enterprise system. If the first objective identified the transition "map", the second one established how the business family navigated the regions on the map.

The transition was initiated by some event or combination of circumstances that were a trigger to the start of the transition process. The transition itself contained a series of stages that were to be completed, and all families went through these stages. It involved deconstruction of the deep structure (the network of interrelationships amongst constituents in the system) that was holding the old system of governance together, and re-construction of a new deep structure to keep the system intact for the next stage of development. Although a common critical pathway was taken by the families through the stages in the transition process, they differed in the extent to which they made progress through these stages. To start with, they all made the same first step, even though this was to create a false start or setback to the succession. Rather than begin the work of deconstruction leading to some level of disengagement by the senior generation as the model of best practice prescribes, the first step in all the case studies was taken by the senior generation in control to actively prevent this deconstruction taking place. This step was effectively the first navigational decision to be made in the transition

journey, and was associated with the senior generation's fear of the succession outcome and its consequences on their personal identity as they approached retirement. It amounted to a "false start" to the generational transition.

Further analysis of this pattern of activity also took place for the second objective. It investigated how the families dealt with the pressure on the system for change to the deep structure, and the opposing pressure to resist the change. The analysis found that they underwent a common sequence of activity stages comprising a "transition cycle". In this, alternating periods of stability and change created the opportunity for the work to be done to deconstruct and reconstruct their structure. Families who were able to get beyond the "false start" brought about after the trigger when the senior generation re-asserted the old structure were then able to explore whether a feasible new structure for their system could be created. This exploratory phase was either evolutionary (the exploration took place but resulted in no significant changes to the deep structure) or revolutionary (the deep structure was dismantled and reformed). The quality of the exploratory work done in this phase significantly affected the outcome of the succession. In one firm, the exploration proved to be unsatisfactory for the successor and the succession failed; in the other case studies, a struggle took place between the generations whereby the old structure strained to meet the requirements of a changing world. The intensity of this struggle to carry out the exploratory work led to the family enterprise system drifting; this was because it was unable to achieve closure of the transition since no feasible new structure had yet been found. Or, it led to premature closure of the transition because the degree of resistance from the senior generation to changing the structure overwhelmed the developmental pressure from the next generation pushing for its change. In the latter case, the work of the transition is still to be carried out.

The third research objective also employed in-depth analysis. Continuing the metaphor of regions on the transition map, it investigated how the families dealt with the terrain. It examined the influence of developmental pressure (emanating from the process of adult development taking place throughout the lives of individuals in the system) on the choices being made during the transition process. It demonstrated that the anxiety created from crises or issues in the

business subsystem was not of itself sufficient to stimulate work on the tasks of succession. For this, the senior generation had to recognise that they had work to do towards their own adult development as they aged and approached late adulthood; they also had to see an opportunity for synergy between some of this work being achieved in the resolution of succession tasks. This has implications for others in the system who are trying to encourage a proactive approach to the transition by initiating planning beforehand. It infers that reluctance to plan stems from deeply personal issues and the psycho-social developmental stage of the senior generation; also, it implies that the implementation of plans is unlikely to happen until the senior generation is developmentally "ready" to move on through the transition cycle.

9.3 Developmental "Readiness" as a Mediating Factor for Succession Task Activity

In the firms investigated here, most progress was made in the completion of transition tasks where the stages of adult development of the senior and junior generation (their life-stage intersect) were in alignment. This was the case when fathers were approaching late adulthood (55-60) and their successors were between 28-32 and when both generations were developmentally on course. Being on course means that neither generation had any major pieces of unfinished developmental work from the previous stages to deal with before satisfactory progress could be made on the current transition. When the fathers turned 60, their developmental agenda became more complex and it was then more difficult for them to explore the feasibility of future alternative structures with their offspring. For successors in their twenties, the family business was a fertile place in which to experiment with their life structure. However, if they felt that they had not made the right choices by 30, they were in danger of going developmentally off-course. They may then have great difficulty getting back on-course if the fathers were 60-65 and engaged in denial or resistance of late adulthood.

The most serious misalignment of adult development stages between the generations concerned the case where the siblings were between 30-42 and the father was 65. They were unable to change, modify or influence any of the variables that made up their life structure and the deep structure of the family business, because the course of their father's own adult development was being held up by the unfinished business he carried over from earlier

transitions in his life. In this firm, although there were a number of extremely serious business crises during the founder's years from 60 – 65, nothing that happened in the business sub-system was able to advance the transition cycle until the father entered his 66th year (the age his own father died), when he began to acknowledge mortality and decline. At this point, he formally appointed his successor, transferred ownership and began to delegate some responsibility to his successor. Although the business began its initial steps to professionalisation and to becoming a sibling partnership, the founder did not relinquish any of the control levers of the business; he had transferred the ownership, but he did not transfer the voting power that went with it.

It is apparent from the findings that developmental "readiness" in the senior generation was a significant mediating factor for succession task activity. When there was sufficient readiness to carry out adult development work, transition tasks were attempted. When it was not present, like a master switch that is in the "off" position, it held up both the transition process and the adult development process in the next generation. When the successors were themselves dealing with their early adult transition, or had not had a satisfactory outcome from this transition, being held up caused them considerable anxiety. They either had to wait until the senior generation retired, which happened when one successor was 48 years old and his father was 73, or the successor could leave and try to resume his development elsewhere, which happened in one firm in the study.

9.4 Emotional Influences on Transition Task Activity

The model in Figure 9.1 is a framework to highlight the relationship between developmental pressures for change and the factors that mediate activity and progress with the tasks of the transition process. It shows the sources of developmental pressure for change on the system, and highlights the conditions under which task activity is likely to take place. These conditions are both developmental (generational alignment of adult development stages and "readiness" to do the work) and emotional (the quality of emotional functioning). These are described below.

The final component of in-depth analysis for the third objective was concerned with the influence of emotional factors on succession task activity. The analysis was concerned with patterns of emotional functioning that were activated when stressors from the transition process were experienced by the individuals and families involved. It also examined the way in which common emotional responses led to different degrees of progress and to different succession outcomes. The families who participated in the study had no clinical dysfunctions and could be described as "normal". This was confirmed by subjective analysis using the Bowen family systems theory family evaluation scheme (Kerr and Bowen, 1988) and by objective analysis

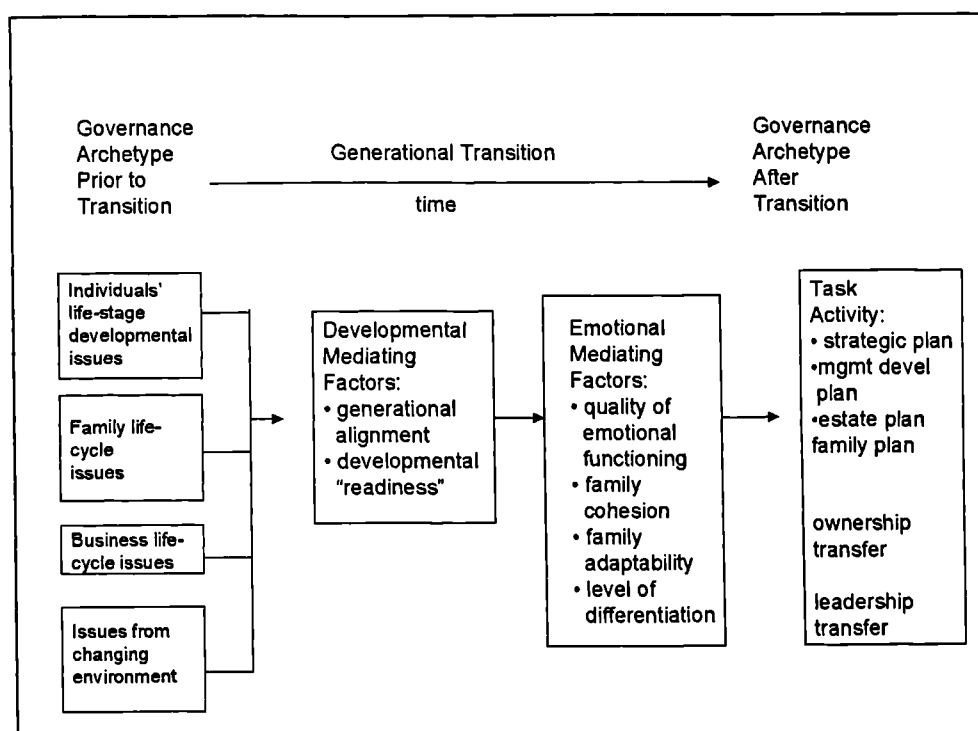


Figure 9.1 Emotional and Development Influences on Generational Transition Task Activity

using the FACES II instrument, which is based on the Circumplex model of couple and family functioning (Olsen et.al., 1989).

Consistent patterns of emotional functioning were observed amongst the families when they dealt each with the same tasks in the family subsystem, in the business sub-system and in the ownership subsystem. The outcomes achieved from these common tasks were different

because the quality of the work carried out was affected by the quality of emotional functioning in each family. Families in which there had been a history of conflict or emotional cut off were reluctant to risk new ways of working towards solutions other than dealing with tasks with which they could cope. This was most prevalent in relation to the task of ownership transfer, whereby all families activated emotional triangles to diffuse their anxiety about the proposed ownership structure failing to meet the expectations of those concerned. To the extent that anxiety increased over the years, as no satisfactory solution could be found and the matter gained more importance (as the senior generation became more conscious of aging, and the next generation sought answers to their own life-structure questions), families became emotionally stuck on this task and were unable to make any progress.

A consistent emotional response was also seen when individuals were faced with anxiety about family sub-system tasks. The events and circumstances that triggered the transition process created acute anxiety for all the senior generation fathers in the study. These were often health-related, or to do with significant birthdays signaling their proximity to retirement. When the fathers in the case studies faced issues to do with death, aging and illness, they all experienced anxiety specifically about the continuity of the business. They all acted swiftly to secure a successor. This often led to successors leaving careers elsewhere earlier than they had expected to. Similarly, in once case where the successor had been secured but was then involved in an accident that kept him out of the business for nearly a year, emotional shock-waves were still being felt by the father in the form of acute anxiety about the suitability of his chosen successor.

There was also a consistent emotional response to the task of business planning in the business sub-system. Progress on this task dimension took place when personal, family and business developmental tasks were reasonably well aligned and led to clear outcomes, such as the implementation of a business expansion plan. However, when they were misaligned, conflicting emotional responses in the family meant the business planning task was not attended to. Under these conditions, the leadership of the businesses and their strategic plans for growth drifted; the businesses then relied on random opportunities for incremental growth.

These findings support the theory proposed from the data that families are able to make progress with the required succession tasks during generational transitions to the extent that they can manage the anxiety that is created from the tasks. These findings expand upon the earlier work by Hollander (1983). A generational transition in which the governance archetype of the family enterprise system is being adjusted or changed is a time when ownership, management and family structures are deconstructed and rebuilt (revolutionary work in the transition cycle). When the governance archetype is being recycled, the work in the transition cycle is evolutionary, but still requires a period of exploration and testing to ensure it is feasible for the succeeding generation. The findings confirm that transitions taking place in the lives of individuals, families, businesses and family enterprise systems unavoidably lead to the creation of anxiety in the lives of those in the system who have to find a way to manage the change, and therefore to manage their own emotional processes during the change process. The results build upon the existing knowledge by identifying some of the means whereby anxiety is managed: for some families, the best they can do is to cope with the anxiety by containing its pervasiveness, whilst others are able to use it creatively to find alternative ways of achieving a solution.

The findings also show that anxiety is generated within the system from many sources. The degree of anxiety that is required to be managed is related to the managerial task environment on one level, and to the relative congruence of adult development life stages between the senior and junior generation family members at a deeper level. At the deeper level, it is generated by the developmental pressure on people at transition times in their lives to review the suitability of the current life structure for the next stage and by the extent to which there is developmental space to carry out the review and do the required re-structuring work. The findings support there being a positive relationship between transition task activity when successors are in their age 30 transition and their fathers are coming to the end of middle adulthood and starting their entry to late adulthood. Under these conditions, successors can assess the likelihood that a suitable life structure can be delivered in the family business, and fathers can provide assurance of this if they are able to plan their retirement and the transfer of

power. These findings support and build on the work of Davis (1982), who clarified the relationship between life-stage intersects between fathers and sons and the quality of work experience for both generations. Their study established a relationship between the quality of the father – son work relationship, life-stage intersect and transition task activity for a specific range of ages and adult development periods.

The study has also shown that the ability of individuals and families to manage anxiety created from the transition process is positively related to the quality of emotional functioning in the family as an emotional unit. Families who were unable to avoid multigenerational repeating patterns adopted similar structures in their family and business as the previous generation had used to keep the family subsystem in equilibrium. These were helpful when the structures enabled a useful exchange with the environment, but were dysfunction when the environment had changed and a different structure was needed. Multigenerational patterns of behaviour effectively programmed the family to cope with anxiety as the previous generation had done.

The findings suggest that to resist conforming with the multigenerational family pattern represents a considerable emotional risk for family members, and is a function of the degree of emotional separation that has been attained by the successor from the family of origin. When the level of anxiety in the family system was acute, as was the case when ownership issues came to a head, individuals and families were not able to resist conforming with the multigenerational patterns of emotional functioning and behaviour, and used the same processes and structures to deal with the issues as the previous generation had used.

The data infer that direct, open communication and healthy functioning lead to more definitive progress and satisfactory outcomes during the transition than is the case when there is covert behaviour and indirect or poor communication. It also shows how entrenched families can become in relation to certain tasks when their emotional functioning must change or improve in order to address the task but the family does not have the emotional resources to make the change for fear of conflict or other imagined and undesired consequences.

Extrapolating from the Bowen family evaluation to the Circumplex model of family functioning allows the inference that when the degree of family attachment is connected or becoming enmeshed, family cohesion mitigates against succession task activity. The other key variable in the model relates to adaptability. When the degree of flexibility in the family system is classified as "rigid", this too mitigates against task activity. Putting the two Circumplex dimensions together, task activity was seen in this study when family functioning could be described in the mid range as "flexibly connected". This is characterised in the model by shared leadership, role sharing, democratic discipline, change when necessary and some loyalty (more dependence than independence). When family functioning shifted to other mid-range positions, less task activity was apparent. In line with the Circumplex Model, the "structurally connected" families had less shared leadership and less democratic discipline, were struggling with change that was being demanded and with the interdependence of the generations. The siblings in the family described as "separated" were struggling to deal with the issue of loyalty: it was demanded by their father and was being designed into their governance structure and cemented through the legally binding structure of a newly formed trust. Yet for the siblings, this meant they were compliant rather than loyal. This may be because they were struggling to become independent of their father and of each other, yet were bound together in the family business.

Lansberg and Astrachan's (1994) quantitative study of family relationship dynamics on succession task activity found that cohesion and adaptability do not directly affect succession planning and successor training; these activities are mediated by other factors, including the degree of commitment to the firm and the owner-manager successor relationship. The research carried out for this study suggests that task activity is more likely to make progress in families whose current level of functioning is flexible and connected, and can be held up in families where their current functioning is structured or separated. It also suggests that developmental variables, such as alignment of the life-stage intersect and developmental readiness are mediating factors on the relationship between emotional functioning and progress with transition tasks.

9.5 Implications of Findings for Family Business Theory

9.5.1 The Succession Timescale

The families who engaged in the study in 1994 expected their successions to be complete within five years and were all undertaking the same range of tasks to complete the generational transition by recycling controlling ownership or transferring ownership from controlling ownership to sibling partnership.

The progress they actually achieved over four years was very mixed in terms of quality and quantity. During this time, the tasks to be attended to included ownership and leadership transfer, successor and successee development, career and business planning, and mutual role transition between father and offspring as successor and successee. Individuals and families had also to address their life-cycle developmental agenda in addition to the managerial tasks of the succession. It became clear during the research that the families had not fully understood nor appreciated the scale and scope of the challenges ahead. They also seriously underestimated the time and emotional commitment required to achieve a succession outcome. The exploration phase of the transition cycle in particular was either avoided or shortened where possible by the fathers in the case studies. However, if they could overcome their anxiety about negotiating the transfer of power, this was where the opportunity existed to find and test its feasibility for the next stage of development of the family business. The opportunity to learn from their own experience what may be workable would itself reduce anxiety about the succession outcome, but it too required the willingness to risk that the test may show the succession solution not to be feasible. For these reasons, families may leave it too late before starting on the major transitional tasks, then find out that they need more time for successor development and to allow the testing of a structure that will work for the next generation's phase of tenure.

9.5.2 The Timing of Generational Transitions and Adult Development in the Controlling Family

Most of the families in the study had not been paying serious attention to the forthcoming tasks of succession until a trigger brought the issue into sharp focus. The findings show that

succession triggers are either environmental in origin, relating to unanticipated health problems or temporal issues such as accidents and significant birthdays. Temporal issues such as changes of government and the dissolution of trust deeds triggered the transition cycle only when they were allied to undeniable pressure for adult development work for which the individual was “ready” to respond. The most important finding from this study is apparent from the prominence of family-related issues that trigger the succession and from the importance of generational alignment for task progress: it is that the timing and execution of a generational transition is inextricably linked to the developmental life cycle of the family in control of the business. Business owning families therefore need to become better informed about the scope of the challenge they face and the timescale required to address the tasks satisfactorily. This is a critical issue as, left unattended, it may lead unnecessarily to failed successions. It is a shared responsibility for the families themselves, advisers, educators and governments.

9.5.3 The Functional Effect of Family “outsiders” in Family Functioning: Preserving the Equilibrium.

The progress made by these families with their succession tasks was more likely to be impeded by non-family managers and professional advisers than to be assisted by them. This is because as “outsiders” they all became recruited and habituated into the families' patterns of emotional functioning and, in so doing, were unable to provide the environment for clarity of thought and information processing required at times of heightened anxiety. The non-family consultant in Case A3 was described by the father as the successor's mentor, but in fact he functioned as the father's confidante and sounding board. The son, isolated from this process, did not regard him as a mentor at all. The members of the rubber-stamp board in Case A2 sided with the father against the son's attempts to diversify the firm's activities, and also resisted the successor's attempts to get his father to address the internal disciplinary problem which had been ongoing for some years. In Case A1, the father relied on private discussions that isolated the successor with the firm's accountant (also his wife's brother) to advise him about the task of share transfer. The adviser cautioned against transfer to the two sons even though the father's pension was secure and despite the successor having been made MD “in

case he messed things up". This increased the father's anxiety around ownership and estate planning discussions, causing him considerable distress and holding up his retirement and closure of the transition.

Family businesses have been strongly encouraged to bring in outsiders to balance management teams and boards (Danco, 1975; and Ward, 1987 and 1991). Whilst this may well be good advice, it seems a proviso should be added to ensure that families and advisers are trained to recognise family dynamics in order to understand and monitor emotional process and the role that they can be subtly recruited to play in them. Families, too, need to become attuned to diagnosing when an adviser has lost his \ her objectivity (e.g. when they support the self interest of a family member rather than the interests of the business). These findings are consistent with Lansberg's (1988) succession conspiracy theory in which non family people in the system can become personally invested in ensuring that the tasks of ownership and leadership transition are not completed.

9.5.4 Generational Transitions and Leadership in the Family Enterprise.

The implications of generational alignment and misalignment on personal and business leadership are profound. The results of this research suggest that the prospects for satisfactory progress with the tasks of transition are enhanced if the generations (and their adult development life stages) are aligned. Misalignment may come about either through the timing of birth of the next generation or through one or more key individuals having unfinished business from a previous transition. The effect of misalignment in these cases was either a holding back of the transition cycle or a premature commitment to an untested chosen structure for the next generation. Misalignment was also apparent when resistance by the senior generation to the transition work being done overwhelmed the readiness apparent in the junior generation. Setbacks, delays, procrastination and disappointed constituents may be symptoms of generational misalignment. Under these circumstances, mentors, career development programmes and projects external to the firm or distanced from the senior generation may help a frustrated successor to bide his or her time if the senior generation can not move on yet.

Alternatively, the successor may come to realise that his or her Dream may not be achievable in the family business, and that only by leaving the business can this be achieved.

The triggers that were shown to initiate transition task activity mostly originated in the family subsystem and generated high levels of anxiety in these family-business systems. For individuals within family business systems, an implication emerging from the consistency of the transition cycle phases and of the origin of trigger events is that benchmarks for personal leadership through the transition phase can be set. The most important benchmark is the willingness of key individuals to acquire education about the nature of the phases and stages of the transition process and the anxiety likely to be generated by the tasks of the transition phases. If the stages of the transition process can be predicted, and events in the family-business system put into this context, then the challenge for each generation is to recognise that anxiety-driven events and issues are to be expected rather than taken as a surprise.

When individuals are examining their life structures and trying to get their lives in order at a time when the old order is no longer functional, high levels of anxiety and indecision are the norm. Leadership under such conditions should provide time and space for those to do this work under optimal conditions. This could mean providing time for networking with others in similar situations or using a mentor in order to gather data on what is helpful. In the cases studied, the senior generation members observed were unable to contain their anxiety after the trigger events, and they all rushed to calm their anxiety by re-affirming the old structure using their power and influence to ward off objections. For others in the system, who were also anxious after the trigger, this may have been perceived wrongly as a re-assertion of leadership. During the exploration phase, leadership involves providing the resources and being ready and willing to engage in the work of exploration: being willing to enter uncharted waters and experiment with structures to assess their feasibility for the future, and learning from the data collected from their experience of such experiments. Fear of learning appeared to be the source of families becoming "stuck" in these cases.

The charts illustrating the transition cycle (Figures 7.1) support the conclusions drawn above about the difficulties encountered by each generation when the other is not developmentally ready, willing or able to do the work required to let the transition run its course. They clearly show the danger that misalignment poses to those in the system and to the system as a whole. The senior generation may fear facing the prospect of late adulthood and its tasks; the junior generation may fear they may not be able to achieve their Dream in the family business and worry that the business may not be viable by the time they get into the position of control. Or, they may be worried that they can not do the job of replacing their father.

9.6 Implications for Family Business Methodology

9.6.1 The Importance of the Neglected Ownership Variable

Previous family business research has heavily emphasised the managerial environment in the business sub-system during succession in the firm as the key dimension, often treating it in isolation and therefore without due regard to the *overall* context of the succession process. Ownership and its transfer to the next generation has been recognised as an important variable in succession (Swartz, 1996 and Ayres, 1990), but in most studies, has yet to be fully incorporated into the research design of in-depth studies into the transfer of leadership in management successions. This is a serious omission for two reasons: firstly, the systems paradigm asserts that all dimensions and constituents in the system have a role to play in the outcome achieved by the system. This means the dynamics initiated in the family relating to working out ownership transfer intentions are important data to be incorporated into research into leadership transfer. Secondly, the psychological link between ownership, power and control in the business and the senior generation's personal identity is widely accepted (Levinson, 1971, Sonnenfeld, 1988 and Kets de Vries, 1996). It is important, therefore, that studies of generational transition fully incorporate ownership intentions in order to understand one of the main drivers of the succession process.

In this study, each of the components of the system was clearly shown to be actively making a contribution to the outcome: anxiety about the future ownership dilemma in particular activated multigenerational behavioural patterns in the family subsystem for containing the anxiety, often

leading to the family becoming stuck on the issue; this affected the business subsystem by setting back completion of the transfer of control to the next generation. The successors could not feel "in control" because they were not convinced that they had been invested with the power to lead the business until it was accompanied by ownership control.

9.6.2 Superficial Use of the Concept of Transition

The literature has included the concepts of stages, phases and transitions in family business successions since before family business as an academic field of enquiry came of age in the mid-1980s (Gersick, 1994). The succession research since then has drawn heavily on the conceptual papers of the 1970s in which succession was conceptualised as sequential stages in which managerial roles and tasks undergo transition (Hershon, 1978 and Gordon and Rosen, 1981) without clearly defining the process and content of the transition process itself.

Longnecker and Schoen's (1978) theoretical model of management succession drew on the emerging development of life-stage theory at that time, but was not based on empirical work. Their approach proposed that a long term socialisation process was underway in the junior generation, which was complete when the succession process reached the stage of "mature succession", the last of seven identified stages. Their stages were based on the "activities-learning experience" of the successor, a process that took place from the time of the successor's entry into the business as a full time employee until the transfer of leadership to the successor was completed. The successor progresses through a series of work transitions as experience is gained and more responsibility is taken on. Churchill and Hatten's (1983) four stage model explored the transfer of power which inevitably has to take place under the biological imperative of aging. Their model also drew upon theories emerging at that time about stages in the evolution of businesses (Greiner, 1972), and the need for the organisation to adapt and bring in different skills and management processes in each stage. McGivern's (1978) three stage "succession cycle" model of the succession process was based on case histories of only two firms. It linked decisions being made by the management to the life-cycle of the business. Making the transition from one stage to the next triggered a cascading series of issues and problems to be addressed by the management. More recently, Handler (1994) created an overview of the succession process in terms of the changing managerial roles of

both generations. The senior generation's role changes over the years from sole operator, monarch, overseer / delegator to consultant as its leadership diminishes, whilst leadership grows in the junior generation, who's role changes from helper, manager and leader / chief decision maker. Until recently, these models have been the cornerstone of succession theory, perhaps because of their intuitive appeal. Yet, with the exception of Handler's research, they have not been empirically tested or grounded, and have therefore not been validated. Furthermore, the concept of "transition" in these approaches is not clarified other than the inference that it is merely the period between two different forms of management organisation.

Since these works, Ward (1987), Gersick et.al. (1997) and Lansberg (1999) among others have highlighted the critical importance of the period during which the system is in transition. This has created an emphasis on the transition period itself and on the nuances of the transition process. It led this study into more detailed consideration of the nature of the transition process and the tasks involved for family, business and ownership subsystems throughout the transition period. Over the years, research has moved from conceptual ideas about stages in the transition process to identification of stages in managerial functions during the succession process. However, little attention has been paid to the transition process as a phenomenon. The work carried out for this study explored the transition process itself in depth, by first of all examining the theory of the transition process (Gersick, 1991), then examining the application of transition theory to the numerous simultaneous transitions taking place in the family enterprise system. Gersick's (1991) report on the consistency of transition phases and the work involved in each phase being documented across different disciplines (biology, adult psychosocial development, group and organisation theory) is highly significant to family business research. It allowed the focus of the study to be on the transition process itself and its impact on the groups and subsystems in the family enterprise system. In turn, this allowed the research design to encompass a holistic approach to that could shift at any time from wide-lens to narrow lens view. By seeking the gestalt of the generational transition phenomenon, it avoided the limitations of one-dimensional exploration of a dynamic system.

9.7 Future Directions for Family Business Research

9.7.1 Qualitative and Quantitative Studies

It is unlikely that quantitative research will uncover the detail and depth required to assess when the moments in peoples' life-cycles occur that lead to decisions being made about structure (levels of governance), strategy, and performance of a business. Further qualitative work is therefore required to test the generalisability of these findings across the rest of the spectrum of nine succession options (Figure 2.10, p.53), especially in the more complex case of transition to cousins' consortium. This would involve the same process of stages in the transition cycle, but is *de facto* more complex because there are more people in the system, more self-interests to be taken into account, and the deep structure and governance systems are naturally more difficult to design and administrate.

The developmental model of the family business (Gersick et. al., 1997) was adapted in Figure 3.6 (p.82) to highlight the theoretical progression of interconnecting transition periods during the life-cycle of a family enterprise. The model demonstrates the different intersects of ownership, business and family that could be investigated to further validate the findings from this study. Since the transfer from CO-SP is the family's first experience of working out how to divide their estate, and how to determine the future leadership of the business often when there are non-working family members likely to be inheritors, and non-family in senior management, future research effort on the inherent variations in CO-SP transitions (p.112) is a priority.

The holistic approach in this research found that nodal family life cycle events (significant birthdays, marriages, deaths, when to start a family, serious illness) almost always coincided with transition activity in the business. The incidence of events in the family system becoming temporal influences and triggers for transition activity is intriguing. Quantitative work would be useful to determine the correlation between life-cycle incidents and actions and events taking place in the business that lead to the strengthening or weakening of the business as a family enterprise.

9.8 Limitations of the Study

The methods employed in this research aimed to marry a holistic approach (wide lens) with micro-level data capture and in-depth analysis (narrow lens) from the constituents in the system over time. As this method evolved, it required continuous refinement and focus because the volume of data collected was often in danger of taking the study beyond its scope, especially in cases where there were more than a few siblings. One of the cases left out of the analysis for this study was a firm undergoing recycling its sibling partnership (SP-SP) from the eldest sibling of ten to a younger brother, and this generated too much data to analyse in the context of a multiple case study research design. The other case left out of the analysis involved a CO-SP transition in which two unrelated families each owned 50% of a business. Again, large volumes of data were collected from two families rather than one at each stage in the data collection process, so the sample again had to be rationalised. Future research may have to resolve the problems of how to incorporate and ingrate this amount of data, since qualitative work is inherently bulky. An option for which the holistic-depth multiple case approach is appropriate could be to select cases as matched pairs to compare and contrast the experiences of the transition process in a structured and manageable way.

9.8.1 Refining the Research Sample.

9.8.1.1 Refining the Life-Stage Intersect Between the Generations

The research design used in this study aimed to focus in the family subsystem on the life-stage intersect between parents and offspring in which parents are entering late adulthood and their offspring are entering middle adulthood. The critical importance of the age of participants in a study of this type was not fully appreciated at the outset, when it was thought that parents who between 57-65 and offspring between 28-40 would be suitable. One of the most robust of Levinson's findings in his 1978 study of men and the 1996 study of women was the accuracy of the onset and closure of transition periods, and the inter-period transitions and stability periods. This became appreciated throughout the data collection period when it became clear that several life-stage intersects were being dealt with rather than just one. Also, in sibling partnerships, unless the siblings are twins or were born in close in years to each other, it is highly likely that there will be several life-stage intersects going on at any one time. The sibling

partnership cases had offspring between 23 and 31 with parents 55-57 in one case and between 31-43 and 63-66 in the other.

9.8.1.2 Refining Variables in the Business Subsystem and the Ownership Subsystem

In addition to narrowing down the life-stage intersect variable, a lot of effort was made to find firms who were in the Expansion \ Formalisation stage in their business sub-system, and who defined themselves as CO-CO or CO-SP in the ownership sub-system. The 1994 Scottish Family Business Survey was relied upon for the former, whereby the potential research sample was created by selecting only firms who claimed to have grown by at least 10% per year for the previous three years. However, once entry had been gained into the systems, at least two cases were not really the growth firms they had purported to be. For narrowing down the ownership variable, the senior generation family members with whom the introductory meeting took place made the same assumption as the researcher that if they were aiming to pass the business on to one of their offspring, then it was defined as a CO-CO transition. Once the data collection started though, if there were other siblings in the system then the family was in effect engaged with a CO-SP transition because they were coming to terms with settling their ownership intentions and were struggling to decide how to achieve an equitable solution. Case A2 had got round this by leaving the daughter out of the will, and although this was expected by the successor in A3, it had not been discussed between his parents and his mother became alarmed at an unequal division of the estate. Conversely, in B1, the father claimed to be working on a CO-SP but was in fact setting up a CO-CO transition. When the daughters then began to commit to the firm and one was made director, the father then realised his CO-CO structure was not feasible (Table 4.1, p.112). This reinforces the point made above about the importance of the ownership variable in family business research design. However, when creating a research sample, care has to be taken when identifying the true nature of the transition being studied. Lansberg (1999, p.32) identified this issue when defining the typology of the succession, and regards any transition in which there is to be a prominent owner with majority ownership as a CO-CO transition; other than this, it would be a CO-SP. In this study, the dilution of ownership amongst siblings when there is to be only one sibling active in the

business clearly sets in motion the dynamics of a CO-SP transition, and should be described as a CO-SP.

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Appendix 1: Case A2.1

Ref A2\D2

The following document is a commentary received in hand written form prior to the initial research meeting. It was hand-written by G2, the managing director of Case A2. In it, he benchmarks his family business against the trends reported in The Challenges Facing Scotland's Family Enterprises (Dunn, 1995).

RE - BARBARA DUNN - FAMILY BUSINESS SURVEY 7 DECEMBER 1995

NOTES FROM G2S2 - MANAGING DIRECTOR

[A2 Ltd] has been under the control of only one family member in each generation.

Founder - the late [G1F] 1st generation

Son of Founder
[G2S2] 2nd generation
Present Managing Director (Age 57)
has been in the business 41 years.

Son of [G2S2]
G3S3 BACC CA 3rd generation
He has been in the business for over 5 years since
qualifying as CA

Company Secretary
G2S2Sp
wife of G2S2(Age 57)
Mother of G3S2
has worked in the company for 10 years until Jan 1995

G2S2 holds 85% of shares in the company.

In 1984/85 the company was faced with severe financial problems brought about by the professional negligence of our external accountants and auditors.

The financial position of the company has changed dramatically in ten years:-

Sales in 1985	793,000	Sales in 1995	3,109,000
Capital Base	150,000	Capital Base	235,000
Bank Overdraft	242,000	Bank Deposit	3,000
Net Current Liabilities	176,000	Net Current Assets	131,000

1995/1996 Year to date (6 months)

Sales	1,737,000
Capital Base	405,000
Bank Deposits	190,000
Net Current Assets	301,000

The above indicates an average compound growth rate of 15% per annum.

Sustaining a 'lifestyle' will always be to some degree an objective of a family business.

Maintaining a 'lifestyle' must not however be achieved at the expense of the company or its financial stability.

Despite our company being in its third generation it must be stressed that had a very high 'lifestyle' been sought it could have destroyed the company.

I have never made personal commitments on a long term basis that would put a burden on the company and it seems likely that this will be the position with the third generation.

What I do personally on a year to year basis is dictated by what I can personally afford from my personal income. I have always discounted the actual or potential worth of the company in personal commitments.

As can be seen from the foregoing my son [G3S2] obtained qualifications before joining the business.

Succession is already planned in the most tax efficient way that exists in consultation with our legal and financial advisors.

Owning 85% of the share capital means that should anything happen to me the shares would pass to my wife (without tax). All personal assets have been split equally between my wife and myself (other than for the company shares).

We have both made provision in our wills that all of the share capital in the company will pass to our son G3S2, without tax, giving him eventual total control of the company. Our daughter will receive other benefits which may or may not be equal in the future but our proposals we believe will ensure the ongoing trading and survival of the company.

Since many of the traditional family criteria for succession do not exist any future strategy for growth will not be affected.

Should anything happen to our son, G3S2, I would simply sell the company.

Our company certainly focuses on the next and previous trading quarter, and the next fiscal year as well as the longer term business plan.

Success in the short and medium term plans allow the financial needs of the family and other directors to be addressed.

Our company has three non family members on our Board of Directors.

NF1 FRICS, age 52, (has been in the company 24 years)
NF2, age 59, Production Director (has been in the company 30 years)
NF3, age 38, Sales Director

Succession has also been planned for the above.

The company holds management meetings and Board meetings and non family directors have a meaningful input to the company.

At the present time we have embarked on a formal marketing exercise following on a study carried out by external consultants.

This exercise is primarily to promote our painting and decorating services. We are more concerned about maintaining our present level of sales and margins than we are about increasing sales. If increased sales are achieved this will be a bonus.

Part of the exercise requires us to employ a marketing graduate under the graduate gateway scheme. If the person is suitable after six months a permanent position will be offered.

High growth rates in sales do not necessarily achieve success or profitability.

At this time we are trying to stabilise sales at their present level while attempting to increase our gross margin on sales before embarking on a further expansion of our sales level.

This will enable us to further expand profitability on a very sound capital base without the need to substantially increase borrowing with the additional costs involved. I believe this will be achieved and will meet our personal financial goals at the same time as further increasing our capital base and the real worth of the family company.

As a Board of Directors we are keen to further diversify that actuaries of the company but have not yet finally decided where our investment will be made.

Hopefully because of my actions the 'clogs to clogs' in three generations will not apply to our company.

In addition to A2 Ltd I, along with one of my co Directors NF1, purchased the existing painting and decorating business of XXX in 1978. This company also founded in 1929 has continued to trade profitably and has also diversified in XXX in the small domestic market.

The shares in this company are owned equally by the two Directors and my share in this company has also been incorporated into any succession planning.

Appendix 2 Case A2: Summary of Consultant's Report, February 1994 [ref. A2\D2]

Terms of Reference: To carry out an independent study of the existing organisation, controls and costs and make recommendations on improvement opportunities, specifically:

- employee roles and responsibilities
- contract management
- organisation structure

Method

(a) Individual interviews with all directors [excluding MD's spouse] and senior contract manager.

(b) Group discussion with the directors [excluding MD's spouse].

Key Findings

"At the end of the initial review it was agreed with the directors that the immediate issues and consequent improvements required by the business were not totally related to cost control or business systems. It was clear that Business Planning and Control, Company Structure and Human Resource Development issues required to be tackled before considering other improvement initiatives". [p5]

Priorities were recommended as follows:

- schedule regular directors' meetings
- define and document a 2-3 year business and marketing plan
- develop an organisation structure to meet the business plan
- review the existing director and staff roles and responsibilities

Issues and Recommendations:

Issue

Recommendations

1. Business Strategy

There is no stated business strategy in place which will meet the company's "expand and diversify" mission. This hinders development of an organisational structure to meet the future planned increase in business, especially (sba2)

To provide a basis for controlling and monitoring the company, develop a business and marketing strategy with defined:

- goals
- objectives
- action plans

2. Business Review Meetings

Directors do not hold either regular or formal meetings to review actual progress versus the business plan, resolve business or human resource issues, or agree corrective action.

Hold formal monthly Directors meetings...

3. Commitment to Agreed Action

There is a lack of commitment, at director level to tackling recognised human resource issues and business objectives. Responsibilities are not defined and there is no formal forum to progress these issues.

Allocate and progress action through the monthly directors' meetings.

4. Organisation structure

3 major issues need addressed so that the business can expand in a planned and controlled way:

a) *succession planning*: due to impending retirement at director level, vacancies will be created. There is however no clear succession planning nor staff development or recruitment plan in place. This is further aggravated by the recognition that the likely candidate to the sales\production director may not be the correct person.

A "to be" organisational structure should be discussed and an action and training plan agreed which will take into account the impending personnel changes, business expansion plans and staff skills development.

b) *contract management*

The company's business objective is to continue to expand in the X market place throughout the UK. Control of projects which are located over a wide geographic area will

Define the roles and responsibilities of the contracts manager:

- a) identify important project criteria
- b) prepare project plans
- c) audit sites frequently

prove difficult with the existing structure and operating systems eg material and labour control.

c) roles and reporting responsibilities

There is a level of overlap in the roles and responsibilities of a number of directors & staff...in certain areas (Admin and contracts management) the reporting responsibilities are either unclear, in conflict or split between directors.

5. Contract Manager (sba2)

The directors highlighted an issues with the attitude of the contracts manager (sba2) in carrying out the requirements of his job. This is particularly important re the interaction between departments, customer perception project control and increased director workload.

6. Workload

Due to the priorities of the business and certain if the factors above, directors have a high personal workload. This creates 2 problems: job dissatisfaction at not completing the work as planned, and the level of day to day tasks which prevent time being spent on controlling and developing the business.

7. Training & Implementation Requirements:

To implement the recommendations, the firm will require to undertake a planned level of director and staff training over the next 12-18 months. They will also likely require external assistance and support to achieve the recommendations.

- Developing a Competitive Business Strategy including marketing strategy and plans.
 - Holding effective meetings
 - Action planning and decision making techniques
 - Organisational structure review including defining roles and responsibilities
 - Interviewing skills and techniques
 - Project planning and control
 - Disciplinary procedure
 - Implementing performance appraisals
 - Time management
 - Assertiveness and effective communication
 - Detailed business development review of the company's procedures, systems and controls.
-

Give foreman clear responsibility for day to day material call-off & Reporting.
Consider employing regional contracts managers

Roles and responsibilities should be documented and reviewed to define a clear reporting structure and eliminate overlap.

This issue needs addressed immediately in a positive manner by the directors either by counselling or by a structured disciplinary procedure. Before embarking...we recommend the Company take advice from a solicitor experienced in employment law

In conjunction with the above, consider reducing the day to day workload by delegation or through changes in operating procedures.

Appendix 3: Case A3

Summary of Consultants' Report on Firm A3 @ January 1997.

General Management of the Business

- Sales per employee are rather lower than the average for the industry, unless a technical adjustment is made to the calculation which brings them nearer to the bottom end of the figure for close competitors.
- There is an over-dependence on the managing director [G1F] and too many fire-fighting situations requiring his energy to resolve them.
- There is less than satisfactory organisation in the business structure due to :
 - i) [G2S1] not being fully integrated into the business and his contact with customers requires development. More experience in pricing needed.
 - ii) setting up times take too long; the production manager's attitude is not good.
 - iii) foreman is inexperienced but has shown motivation and organising ability.
 - iv) new systems manager has made a difference but is part time, can not do pricing.
 - v) new "production controller" looks promising despite his inexperience in the industry; may provide the improvement in the organisation needed by the business.
 - vi) four of the five machine operators have impediments of a medical or similar nature. It has been recognised that this could be a serious problem in the future and steps taken to recruit people without such impediments in the future.

Production, Plant & Machinery:

This is modern but setting up times and small runs is costly in terms of organisation. Machinery is under-utilised and could support £2m turnover (currently £0.625m). Communication problems arise because the Business Manager, the Systems Manager, the Production Manager, the Foreman and now the Production Controller all play a part in production organisation and deliveries – it appears to require the constant drive and physical involvement of the MD to ensure orders and deliveries happen on time.

Recommendation: on a short term, experimental basis, consider the removal of the MD [G1F] from involvement in the following areas, and give responsibility to the Business Manager [G2S1] acting with the support of the Production Controller:

- i) monitoring incoming orders
- ii) ordering [raw material] and identifying which to be used
- iii) scheduling production of all machines
- iv) scheduling delivery of all orders.

Successful operation on this basis would give the directors confidence in moving to a new, larger factory.

Who has the experience \ ability to handle non routine ordering of [raw material] other than the MD?

Market:

Total size of their part of the market is @ £2.5m of which the company has about 25%, the market is growing at 3% a year. . The company has a good relationship with its customers but this is dependent on the MD [G1F]. When other responsibilities permit, the Business Manager [G2S1] needs to have greater involvement in customer contact to safeguard the position for the medium \ longer term. If the MD could be relieved of his present hour-by-hour responsibilities he could examine [again] possible forms of diversification.

New Premises: the budget prepared to explore a bespoke premises would need a turnover of £600k to break even. Initial borrowing £200K, not including the new machine proposed. The bank have indicated they would be prepared to provide this finance without personal guarantees from the directors.

Accounting and Administration

Relatively minor problems arise which appear to be due to communication. It would be reduced if the work were undertaken on-site and all the non-confidential records kept on the premises. A larger factory would facilitate this change.

Appendix 4: Case B1

Summary of Succession Management Report Submitted by Consultants in 1993.

Table 8.10.1 Case A1/1: First CO-CO. Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity

Year	Event / Situation	Key Development Issues	Key Issues	Type of Work / Action	Aspirations:
1979	Analysis & judgement Keeps control of activities Sensitive A good listener Energy and initiative Task finisher	Strategic Development Financially Aware Team Leadership Managing People Needs to understand the firm's development issues ...has also requires to develop a management by thinking and of his actions. ...should be encouraged to attend different areas and gain a different perspective on his own management style.	Development of Next Generation G3S2 (successor) Strengths Good use of resources Problem identification & support in the firm. Has authority and credibility Energy and initiative Decisive	...recognize the importance of experience of those (and G3S2) in the period of 5-7 years). ...not appear to be particularly ambitious... a recognition that in a family business family members are always likely to be in control, but it does suggest a certain complacency and lack of drive... [they] see this as a long term transition and all three managers reiterated the importance of [G2S2] in running the company.	G2S2: step back from the business; retain control in the short term; be provided with an income stream to support his retirement. ...is crucial to the business with the ability to take a strategic overview; ...wishes to step back but is aware of the danger of moving towards a succession before the capabilities and experience of the family and non family management have been developed. G3S2: successor... keen to take on the responsibility of running the business and see a time period of 5-7 years being an ideal handover period. G3S2: ...recognize the importance of experience of those (and G3S2) in the period of 5-7 years). ...not appear to be particularly ambitious... a recognition that in a family business family members are always likely to be in control, but it does suggest a certain complacency and lack of drive... [they] see this as a long term transition and all three managers reiterated the importance of [G2S2] in running the company.
1979-83		1: Not long able to remain in situ. Physical decline possible as support in the firm. 2: Intra-family conflict between generations may be the only way to achieve own aspirations 3: Potential for relationship joining: Has to leave. 4: Has to leave. 5: Has to leave. 6: Has to leave. 7: Has to leave.	Potential for relationship joining: Has to leave. Has to leave. Has to leave. Has to leave. Has to leave. Has to leave. Has to leave.	...not appear to be particularly ambitious... a recognition that in a family business family members are always likely to be in control, but it does suggest a certain complacency and lack of drive... [they] see this as a long term transition and all three managers reiterated the importance of [G2S2] in running the company.	...not appear to be particularly ambitious... a recognition that in a family business family members are always likely to be in control, but it does suggest a certain complacency and lack of drive... [they] see this as a long term transition and all three managers reiterated the importance of [G2S2] in running the company.
1983-84		1: Not long able to remain in situ. Physical decline possible as support in the firm. 2: Intra-family conflict between generations may be the only way to achieve own aspirations 3: Potential for relationship joining: Has to leave. 4: Has to leave. 5: Has to leave. 6: Has to leave. 7: Has to leave.	Potential for relationship joining: Has to leave. Has to leave. Has to leave. Has to leave. Has to leave. Has to leave. Has to leave.	...not appear to be particularly ambitious... a recognition that in a family business family members are always likely to be in control, but it does suggest a certain complacency and lack of drive... [they] see this as a long term transition and all three managers reiterated the importance of [G2S2] in running the company.	...not appear to be particularly ambitious... a recognition that in a family business family members are always likely to be in control, but it does suggest a certain complacency and lack of drive... [they] see this as a long term transition and all three managers reiterated the importance of [G2S2] in running the company.

Table 8.10.2 Case A1/2: Second CO-CO. Anxiety Patterns: Chronology of Adult Development Work and Succession Task Activity

Year	Events / situation	F Stage	O Stage	B Stage	S Strategy Development	Type of Work / Action
1994	G2 has heart problems aged 57. G3S1 leaves home during the illness G3S2 and the management team to control the day to day operations.	WT PTB	CO	CO	Expansion	Family organises its support around G2 to fit with own life plans. Succession is a major event for the family. A major area of work exists in the company. The presence of the existing MD can control this, but whenever he starts to step back. The lack of people management skills could create major problems within the company.
1995	G3S2 spouse accelerates G3S1's departure from the company. G3S1 is in charge of a major area of work in the company. The presence of the existing MD can control this, but whenever he starts to step back. The lack of people management skills could create major problems within the company.	WT PTB	CO	CO	Expansion	Family organises its support around G2 to fit with own life plans. Succession is a major event for the family. A major area of work exists in the company. The presence of the existing MD can control this, but whenever he starts to step back. The lack of people management skills could create major problems within the company.
1996	New company director starts to take over. G2 seeks advice about the company's future. G3S1 is in charge of a major area of work in the company. The presence of the existing MD can control this, but whenever he starts to step back. The lack of people management skills could create major problems within the company.	WT PTB	CO	CO	Expansion	Family organises its support around G2 to fit with own life plans. Succession is a major event for the family. A major area of work exists in the company. The presence of the existing MD can control this, but whenever he starts to step back. The lack of people management skills could create major problems within the company.
1997	Successor takes over the company. G2S2 and the management team to control the day to day operations.	WT PTB	CO	CO	Expansion	Family organises its support around G2 to fit with own life plans. Succession is a major event for the family. A major area of work exists in the company. The presence of the existing MD can control this, but whenever he starts to step back. The lack of people management skills could create major problems within the company.

Appendix 5a

B2: Excerpts from Minutes of Strategy Review Meeting, 8-11 July 1997.

Tuesday 8th July 97.

Those attending: Founder, S1,S2,S3,S4,
NF2,NF3, NF5(US) Mother.

Founder's Introduction

Meeting to set programme for next 5 years.
We are beginning to gain dominance in the UK
Biggest order book ever.

Several inefficiencies within the company.
Struggling for production and Sales in US.
Investment priorities: Funds needed for:
Sales in US.

[product improvements x 2]
controlling costs of productions, R&D,
Software.

Must keep investments within profits.

Bank will give loans as needed.

Should we put profits into property or
expansion?

Should we tackle [related but different]
market?

This year a dividend was paid to enable the
shares held by [the founder] and [the mother]
to go into a newly formed trust, this was to
protect against death duties.

Succession of [the founder] as MD. [The
founder] proposed S3 be elected.
NF2&NF3:Lack of experience to do difficult
job.

NF2: S3 as MD should not have same
responsibilities as now.

S3: Will rely heavily on [the founder] for
guidance

[conversation explores property vs computer
business, identify property side needs
successor too]

S1 S3 [the new venture], trains
successor then becomes MD for
group.

Founder S3 capable.

S1 S2 as MD must push through and
implement board decisions.

Founder Propose S3 as MD for [the new
venture]

S3 Company is getting larger and must
be more board directed.

NF2 Could have credibility problem if
S3's

decisions countermanded
Mother S3's living location could be a
problem

S1 MD to work meetings. Board
meetings will be 2 annually.
Management meetings monthly.

NF2 Video conferencing need to re-

commence. 8.30 on Mondays
Founder As yet no video conferencing to US
NF5 UK cannot connect to US but vice
versa OK

S3 All areas to report to [the founder].
S3 MD of [the new venture]

THIS WAS AGREED BY ALL

S3 Objectives of meeting:

1. Decide roles in company
2. Implement changes to new roles
3. R&D plans
4. Teamwork
5. Long/Med term objectives
6. new business - how to handle
7. US - involvement by NF5
8. Any Other Business

Founder NF2 is production manager. Not
enough involvement because
pressure of production and R&D
Role as MD:

S3: See board decisions carried out
Motivate employees
Drive business forward
Co-ordinate areas within the
Company

Overall budget
Company structure
High level meetings with customers
Keep level of customer support

Founder We should keep sales to groups.
S3 Motivation of staff from top to
immediate boss.

S4 Worried about support for small
customers [refers to S3's '95
restructure - by memo not working]

Founder Worried about [customer support
function]

NF2 Problem with [customer support
function] needs engineering skill

S4 Help skills are needed on PC and are
in progress

S3 Plans for HD are in progress
Founder Customer support must chase
outstanding invoices. ...

NF2 & NF3 Who do we report to?
S3 MD.

[B2D11\p1-4]

8.10.1

Appendix 5b Excerpts of Founder's Comments at Strategy Review Meeting, 8th July 1997

- [The new venture] high risk investment
- [property] no risk.
- S3 capable
- we should keep sales to groups
- customer support must chase outstanding invoices
- worried about efficiency of software dept.
- how can we guard against blind alley software writing?
- worried about current systems. Who will evaluate new products? Why do we not use the cheaper 14" instead of 15" [product]
- £'s must be wasted by not following up new products
- Total costs will rise. Last year salaries £501,000, will rise by £100,000 increase.
- Chairman[role in company]
- Keep costs under control
- Maximise profits
- Use of profits
- Define strategy
- Set R&D % of turnover
- Worried about borrowing extra finance because so much is now available
- Explosion of trade makes for inefficiency
- We have doubled turnover in 2 years
- Profitability down - sales up
- [new product] would break even only costs rising everywhere
- £14,000 wage rise this month alone
- extra 2 [], 3 [engineers] 2 [customer support], and no new contracts at present
- current customers nearing end of installation.
- Need to secure some more new contracts if [two possibilities] don't materialise.

- Ask S3 [just made MD at this meeting] what orders for next year without new customers? How can we fund all expected spend? Expected profit 1,500,000...there will be a shortfall of £100,000 which could be covered by term loan.
- Will not agree to increase of software salaries, wage review will follow. [New component] delayed until [possible orders confirmed] then reconsider. What if customers do not like new design?
- Costly
- Must get design & price right
- what impact on sales with new design?
- must maintain margins
- Are improvements for prospective new customers?
- Poor management, Dept head must take the blame. New programme now in use, Quality not improved.
- How should we handle the increase in business?
- Already had problems with growth, this will put real pressure on all depts.
- We need tighter financial control. Use Cust Support to help credit control.
- [S4: this is the lull before the storm]
- Accurate forecasting?
- Not 10 month year for wage review.
- Next meeting for wage reviews
- August pay packet.
- Suggest [NF5] as non-executive director to link UK&US.

[B2\D11p1-34]

8.10.2

**Appendix 5c: Visit Record:
Summary of Ongoing Issues and Tone of Meetings.**

V1 Dec 95

Xmas party; whole street invited. Very cordial, social family. Proud of what's been achieved - scoff at lesser growth in other firms. Parents worried about "passing the baton" (PTB) issues such as grand children and in-laws.

V2 Feb 96

Tensions between S1 & S3 who seemed allied with NF5. NF4s role: wise adviser on recruitment, selection and salary scales. Tensions focused on staffing decisions for USA; sudden mention for the first time of NED ("over my dead body" look from S3 to NF4), and £ for spending on equipment. Power struggle evident. S1 unnerved and agitated about reaction caused by mention of NED. NF4 and NF2 sarcastic about family businesses "we're just resigned to our fate".

V3 Feb 96

Board structure looks as if its designed to keep the peace \ don't rock the boat rather than underpin the business. S4 seems very nervous and cautious about his role.

V4 Mar 96

Tensions at 2-site video-conference meeting over staffing, positioning re very major contract with important customer. Irritation between S1 & S3 over staffing the customer support desk. S4 wants approval before doing this, implying he won't do it without the founder's consent; (there's an aside between S1 & S3 - something unsaid but still communicated clearly between them). S3 and S2 skirt around it, but S1 gives the OK.

S3 gets impatient as the details of this are discussed between S1 & S4. S1 asks for verbal assurance S3 is "OK" with it all. S4 is very formal, NF2 is sarcastic. Founder's recent purchase of a leisure club with surrounding land in the midlands is raised - clearly a major hot spot. Looks like an alliance between S2 & S3 in southern branch on their views. There's an air of powerlessness on this one.

S3 seems to play a "doubting Thomas" role; gives the impression he doesn't value attempts (by S1 mostly) to

organise and formalise especially around communication & paperwork.

S1 mentions founder taking more cash out of the business: half the last month's profit (£50K). This creates a silence. S1 says his ideas about a financial control system are awaiting the founder's approval.

Despite the agenda, there's a jumpy communication pattern; S1 throws in some major discussion points (re latest property acquisition, big customer, NF1 who is suing them), and all draw no response or a curt, closed response- as if no point discussing without the founder. S3 bristles when S1 requests details on cars, stock records, information needed for DHSS and deflects where he can.

The "aside" between S1 and S3 was to do with the mother's role; she works in the southern branch with S2 & S3. Her work is being re-organised; more work is to be shifted to head office; this a source of tension between S1 & S3. Major conflict between NF and mother - resolved by smoothing over and may have led to the changes in workload between site \ head office.

8 10 3

NFs: meetings are a mess; not chaired properly, political pre-meetings determine the outcome - e.g recent leisure club; the board a "rubber stamp - with fuss". S1 is trying to improve board meetings and the structure in general. 4 operational meetings and 1 strategy review meeting where budgets are set per year currently. A paper by S1 is circulating re functioning of the board.

NF2 is writing up company terms and conditions; some tribunals and personnel issue in the past.

S1's venture idea (related to IT business) seems on track and nearing finishing stage; discussions about advertising strategy taking place between S1 & NFs.

V5 May 96

'Traceability' now the hot issue. This to do with split site issue. They have a package to handle it but being split site causes problems with it. No prior culture of paperwork in the firm so creates difficulties with implementation.

Structure issue exposes limitation of S3 in sales at that time and shows need for non-family manager in that role - not on. Recent leisure club acquisition cuts back internal growth opportunities - c.f. S1's venture idea quashed by founder.

Founder holding up completion & handing out of Terms & Conditions - he disputes hours to be worked by software staff being official.

S4 increasingly frustrated about his staffing.

Decision on leisure club: all had been vehemently against it but only NFs voted against. Founder worked on sons prior to board meeting.

V6 June 96 S2 describes current big issues around: R&D spend decisions; next generation of product; the arrival of the non-exec director; internal communication; describes their tendency to "dabble" at these. Founder gets his own way c.f. leisure club.

NED ambivalent about the appointment; not financially rewarding; doing it more out of interest after supervising S1 in MBA. Knows there's succession issues. Not met all family members yet. Was unaware of neutrality issue.

V7 July 96

Live issues around the ongoing (6 years) need for a sales manager \ director. Struggles still ongoing between S1 & S3 over S3's re-structuring of S4's job and functional area by memo. S4 "devastated"; incident seen as S3's attempt to mimic founder's style - backfired when S1 became furious and took the issue up - it hasn't gone away. Concerns over R&D spend needed to satisfy differing customer needs in USA.

V8 Nov 96 Ongoing struggles about staff, R&D spend, internal structure \ systems.

V9 Feb 97

£10m order tender being worked on. Another major property (office \ warehouse) acquisition made by founder and refurbishment underway. NED introduced founder to professor of taxation: spurs on estate planning in anticipation of changes to IHT in forthcoming budget or change of government. Founder expects more property purchases coming up.

New bank manager perceived as a threat - doesn't understand the cash flows.

NED looking at divisional structure for accounting purposes; founder opposed as he does not want S1 to become group chairman and have more power than successor (S3).

8.10.97

V10 Aug 97

NED's role developed; point founder to tax efficient estate plan contact for advice; relationship building between NED & founder, support \ mentor role for S1; has not met S3 yet other than at board meeting. Consensual culture in company needs special approach; tensions between S1 and founder.

V11 July 97

4 staff agreed for USA. Founder visited USA and met potential customers & heard first hand that their needs were ahead of UK's technology. S1 visited USA to sort out internal reporting & relations with head office.

Problems with S3 over interference with customer support function.

Approval gained for management accounting \ systems person to support S1's role. S1 appears to have had a few small wins.

Tension between S3 \ S1 and S1 Founder: over USA staffing; S1 & Founder appear to have sewn up USA, staffing, R&D spend without S3.

V12 Aug 97

S3 calls a meeting to assert MD role & position. Staffing agreed for extra 4 people; 3 for R&D and 1 for admin. Sibs and NFs isolated founder on this issue & on investment needed for R&D. The founder bargains down: agrees £300K revenue investment but reduces R&D staff from 3 to 2.

S4 moved back to customer support to sort out the problems there; concerns over R&D \ project management gap this creates.

Founder & wife passed on shares to trust in sons' names with equal ownership but still control trust. Decide to appoint family friend (a doctor) to decide if \ when founder no longer capable of decision making for the business - parents agree sons have the right to bring the doctor in - but no power of attorney in place to make this legal yet.

7 10 5

Appendix 5d

Production & Operations Management: Summary of Student's Report.

Ref: B2 \D8

In 1997, a Danish student carried out an analysis of internal production operations in the company. This is a summary of the report, using relevant text copied directly from the report.

Introduction:

Products are characterised by a solid and in some cases a bit old fashioned look; some of the products have been sold for more than 10 years indicating solid and careful design and highly reliable products.

Total [employees] 100+ apparently organised by the function principle. The culture is very much characterised by that *"customers must be pleased first of all, then we deal with the eventual problems internally"*.

Strategy, Mission & Core Competence:

An actual strategy has not been formulated for [the new venture] and consequently different ideas exist as regards [the new venture's] future. For example, different ideas exist whether expansion and growth is wanted and what actually should be the Core Competencies for [the new venture]. The mission of [the new venture] is to supply a solution rather than a product, and in this to provide a wide range of pre and after sales services to customers. Solutions provided aim at solving the tasks: data recording, site management and head office surveillance within a customer group chosen to be pubs. So far, cost reductions has been a less important issues as customers have been willing to pay more to get better support, but in future it will be more important.

During the meetings more different future directions for [the new venture] were mentioned apparently different people had different opinions on that. This leads to the conclusion that [the new venture] for the time being is in a turbulent phase and that a strategy must be laid for the company. If focus lack in the important decision that lie ahead [the new venture] may very well face serious problems. For that reason, it is important for [the new venture] to consider what should be the future Core Competencies of the company and how these should be used.

Though [the new venture] still can be regarded as a small company some kind of strategy must be laid for [the new venture]. The time seems well chosen as the present manager within a limited number of years will retire. To bring [the new venture] through this phase a strategy will obviously be a valuable tool in support decisions during this stage. Supporting the development of a strategy for [the new venture] it could be an idea to perform a SWOT analysis for [the new venture] in which Strengths and Weaknesses within [the new venture] is related to Opportunities and Threats in the world surrounding [the new venture].

A rough sketch for a SWOT analysis can be seen proceeding:

8 10.6.1

SWOT analysis

Strengths and Weaknesses are found as internal elements of the SWOT analysis while Opportunities and Threats are external elements.

Internal		External	
Strengths	Weaknesses	Opportunities	Threats
Supplying a solution rather than product Reliable products Advanced functionality possibilities Highly motivated employees etc.	Impending changes in top management No clear idea about [the new venture] future Lack of formalised control Lack of basic data Tactic level planning very difficult Etc.	Good reputation for service More markets attractive with small alteration of product Next version of product more appealing to customers Easy access to skilled labour Etc.	Competitors may be cheaper Trends may judge against [the new venture's] design Vital components may be obsolete and unobtainable Etc.

Market:

The most important market is the UK, but for the time being possibilities to enter the American market are under surveillance.

Comments:

If different customers groups are chosen, special attention should be paid on whether the groups would be likely to ask for special designs of the [the product]. The present appearance of the [the new venture] [the product] is rather simple and basic since efforts have been made to improve the interior rather than the exterior of [the new venture's] products. Depending on the size of and the possibilities in the present market it could be the time to consider alternative markets or products.

If new customer groups were likely to ask for different [the product] looks that will fit into different interior decoration, the entry on such markets should be considered carefully as this would require radical changes on the exterior design of the [the product]. On the other hand, if [the product] could be made of more components that could be fitted together in different flexible solutions more possibilities would exist towards possible customer groups.

Products:

For the time being a new version of [the product] is being developed and this solution will consist of hardware version 3 and software version 1. The next planned development is to upgrade the software unit to version 2.

Design and Development:

A project group is assigned to the different project and one person can participate in more groups. The project groups are formed exclusively by people from design and development, while functions such as manufacturing and purchasing are treated as some kind of internal customers.

Production Management and Control Systems:

7.10.62

The forecasting data that can be obtained to form the basis for tactical level planning at [the new venture] for the time being is, according to different statements, very unreliable and at least two reasons for this has been implied. So far reliable forecast data has not been needed since a solution to occasional overbooking of capacity has been found

which is why the forecasting function has been somewhat neglected. In addition, the necessary background data seem to be unobtainable as these may have not been recorded.

Capacity at [the new venture] equals personnel in assembly and actual planning of capacity is not performed. Due to the lack of reliable forecasts an important input to capacity planning do not exist and in addition has the flexibility of and the relatively easy access to skilled personnel produced that capacity planning has been neglected in favour of other assignments.

Comments:

Design and development at [the new venture] must be regarded a vital function as it is in charge of one of [the new venture] Core Competencies which have been mentioned previously. Formalising creativity is always questionable, but it seems as if resources spent on each project should be recorded more carefully. In addition, it would be useful if decision objectives for the projects were more clear, that is, a visible relation to overall objectives at [the new venture].

Comments:

In case of expansion, reliable forecast data is a demand since these data form the basis for more future planning routines at [the new venture]. Forecast data must form the basis for purchase and inventory planning and in addition planning of necessary capacity. This is especially important as the easy access to proper skilled personnel may not last. Proper forecast data could in addition provide the opportunity to reduce the effect of different need for capacity during the year.

Another issue that is very important to consider in case of expansions is the tool that is used to support production planning. With present activity level at [the new venture] the assembly capacity is pressed to the limits and in some cases above. In case of increasing capacity and more advanced products this tool will not be satisfying. Capacity management and control may be necessary both to ensure the availability of resources and to optimise utilisation. No written documentation exists on how to perform planning and the necessary input is based on one persons experience. Whether co-ordination of different orders is practised as unknown, and may for the time being not be important as set-up times of equipment do not exist in assembly, but it is important to ensure that set-up times for test facilities are minimised.

Apparently it seems as if the purchasing function at [the new venture] is one of the most organised functions identification of common components and parts has been carried out but the level of documentation for this function is unknown.

Generally, it seems as if lack of documentation is a comprehensive problem for planning routines related to manufacturing of products.

Performance:

Delivery performance estimated to 98-99% on due date.

Comments:

When asked about these details the answer in most cases
"100% and if not it's due to problem with suppliers."

8-10-6.3

Organisation:

Though apparently organised by the function principle, the organisation at [the new venture] is quite organic with a strong central management function.

Comments:

The organic type organisation with a strong central manager is very characteristic for younger companies founded by an entrepreneurial type of person like the present manager in [the new venture]. Though the management function seem to be strong some tasks and responsibilities have been delegated to others. As such the organisation is characterised by both delegation problems and a need to improve control and structure elements. Hence, [the new venture] can be expected to move into some kind of control crisis especially if further growth and expansion is wanted.

One of [the new venture's] strengths is the employees. All, I met, seemed very engaged motivated and set to make the best possible effort for [the new venture]. In addition, everybody seemed to think work was fun which is very important for the motivation.

Layout:

Layout very simple, will be characterised due to highly limited manufacturing.

Comments:

An issue that should be dealt with in the strategy is whether more functions in the manufacturing process should be in-sourced. In that case, the present site at (address) would be inadequate as the space is far too limited. This would provide the opportunity to optimise an eventual new layout to suit present and anticipated future needs. Those needs should be dealt with in a strategic plan.

Economy:**Comments**

This information is not in hand, but it seems as if [the new venture] for the time being has provided against a rainy day. This must not be an excuse not to continuously try to improve the results or to let matters take their own course.

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