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The development and implementation of shared leadership in multi-generational family firms

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Abstract

Purpose – The purpose of this paper is to better understand the development and implementation of shared leadership in multi-generational family firms. Shared leadership or family top management teams involve multiple family members in the top management and ownership of family firms.

Design/methodology/approach – A qualitative case study approach was employed, using in-depth interviews of the top managers of four family businesses. Each case was analyzed separately, and emergent themes found in each case; and then generalizations were made across the four cases in the cross-case analysis.

Findings – Eight factors or conditions were examined that affect shared leadership in multi-generational family firms according to the respondents – long-term orientation, close communication and shared understanding, resistance to change, succession planning, failure to release control, reporting relationship confusion, increased decision time, and higher decision quality. The result of this study is the production of eight propositions to build theory concerning shared leadership, which is an under-researched area for family business studies.

Research limitations/implications – This paper is rich in qualitative detail, but with all such case study research, its limitations regarding sample size are recognized.

Practical implications – This paper views shared leadership as a growing phenomenon that incumbent family business leaders should consider as a viable alternative to primogeniture or the choice of a single successor.

Originality/value – The study described in this paper is groundbreaking in that it examines shared leadership or the development and implementation of top management teams in family firms in depth and detail. The paper contributes a balanced view of the implementation of shared leadership in family firms, exploring both the positive and negative aspects.

Keywords Family firms, Leadership, Succession planning

Paper type Research paper

Introduction

The development of top management teams to meet the increasing demands of the competitive environment has been well documented among management scholars (Hambrick, 1981; Hambrick and Mason, 1984; Haleblian and Finkelstein, 1993). Passing the family business to a generation involving the leadership of multiple family members is becoming a common practice. The trends toward team management, in

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which several family members are involved in the management of the firm, and multiple family members share ownership have been recognized as among the most significant changes occurring in family businesses (Aronoff, 1998). Scholars have noted some indicators of a movement toward multiple team leaders or shared leadership in the family firm (Gersick *et al.*, 1997; Lansberg, 1999; Ward, 1991). Dyer (1988) found that family firms have more centralized decision-making in the first generation than in the generations following. However, there have been very few, if any, studies dedicated to exploring shared leadership. Rather than posing as an easy solution to the question of choosing a successor, the employment of multiple family members in the leadership of the firm follows a pattern away from the historic practice of primogeniture towards an inclusive utilization of the family's human resources. In this study, we examine the impact of the family context of the firm on the phenomenon of shared leadership.

Our study contributes to the emergent field of family business studies by drawing attention to the important trend of team management or shared leadership at the top of family firms. Given the limited research attention to this subject, we investigated four multi-generational family firms that presently employ multiple family leaders in positions of shared power in top management. Based on the thorough analysis of each case and subsequent cross-case analysis, we developed specific propositions concerning factors and conditions that affect the development and implementation of shared leadership in multi-generational family firms. We place our observations in the context of the process of succession in family businesses and contribute to the further understanding of this important research topic for family firms.

Theoretical framework

Leadership and family business

Recognized as an enigmatic characteristic manifested in group efforts, leadership has long been glorified in stories and legends. Although there are many definitions of leadership in the literature, the following definition from Stogdill (1950) is succinct. Leadership is the process of influencing the activities of an organized group in its efforts toward goal setting and goal achievement (Stogdill, 1950). Here, the elements of leadership are influence, a goal, and a group. Further, Davis and Luthans (1979) recognize that leadership events occur and that leadership is an important variable affecting organizational effectiveness.

Many definitions of the term "family business" exist in the literature (Sharma *et al.*, 1996). Relevant dimensions include the degree of ownership by the family, degree of management by the family, and the ability to transfer the business from one generation to the next. Astrachan and Shanker (2003) describe three definitions of family business – a broad, inclusive definition, a middle definition, and a tight or narrow definition. This third or narrow definition involves a scenario in which multiple generations have a significant impact on the firm. Under Astrachan and Shanker's (2003) broad or inclusive definition, family firms employ 62 percent of the US workforce, while the narrow definition results in a claim of 27 percent of the workforce. For the purposes of this paper, we will refer to a family firm as a business in which a family possesses controlling ownership, controlling management, and the ability to pass these elements to the next generation (succession), which is probably closer to Astrachan and Shanker's (2003) narrow definition.

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Succession in family business

Succession has been the leading topic in family business studies for many years (Sharma *et al.*, 1996; Dyer and Sanchez, 1998). Characterized as a process rather than an event, succession takes place over an extended period of time, perhaps 10 to 20 years, in a family firm requiring a long-term orientation for involved actors (Longenecker and Schoen, 1978; Handler, 1994). The succession process involves the passing of leadership from one family member to another in family firms when the individuals belong to different generations (Sharma *et al.*, 2001). Successful succession involves the positive performance of the firm after the change in leadership as well as the satisfaction of stakeholders with the process (Le Breton-Miller *et al.*, 2004). Research shows that only 30 percent of all family firms successfully complete the succession from the first generation to the second, only 10 to 15 percent of family businesses survive to the third generation, and only 3 to 5 percent continue into the fourth generation and beyond (Lansberg, 1988; Handler, 1994; Shanker and Astrachan, 1996; Ibrahim *et al.*, 2001; Grote, 2003). Consequently, we examine multi-generational family firms in which multiple generations of family members have had an impact on the business. In our study, we characterize these firms as having experienced at least one succession and the leadership of at least two generations.

The incumbent leaders

Researchers have suggested that the person most responsible for the continuity of the family business is the founder or incumbent leader (Barnes and Hershon, 1989). Approximately, 86 percent of family firm leaders expect their businesses to continue on to the next generation in the family (MassMutual, 2007). However, problems exist in many areas for incumbent leaders in the succession process, beginning with communication. The basis for establishing and maintaining healthy relationships between incumbents and successors is communication, a respectful information exchange between the incumbent and the successor (Gersick *et al.*, 1997; Dyck *et al.*, 2002). Given good communication, the incumbents and successors may establish a working relationship, so that the training of the successor generation may proceed. The successors must acquire the predecessors' knowledge of the business in order to maintain and improve the performance of the firm (Cabrera-Suarez *et al.*, 2001). One advantage of the family firm is the high degree of commitment among family members and loyal employees to the firm. In the best situations, a sense of belonging engenders a feeling of teamwork inside the company (Ward, 1987).

Often the incumbent family firm leaders must aid in the supply of the business knowledge through teaching and training the successors. The very characteristics that brought success to an incumbent family leader or entrepreneur may render him or her a poor teacher of the next generation. Many family firm leaders have gained success through proactive or dictatorial management styles in which they achieve goals and control events. To prepare successors, they must set aside natural tendencies (Aronoff and Ward, 1991). Additionally, the incumbents must be willing to let go of the control of the business (Dyer, 1986). Family firm leaders must make effective decisions and gather family support for those decisions (Tio and Kleiner, 2005). The incumbents must delegate responsibility and allow the successors to make decisions and mistakes (Handler, 1990).

Unless the succession is a sudden and forced event, such as the unexpected death of the incumbent, the process should be thoroughly planned (Dyck *et al.*, 2002). Some family business owners are reluctant to plan for succession (Ibrahim *et al.*, 2001). This reluctance may stem from a desire to retain the position of prominence within the

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family. Some owners see retirement as a loss of power and status. Some owners value control of the business above all else because they have invested their lives to achieve their status, often at great personal cost. Some entrepreneurs are simply too busy running and controlling the firm to plan for the future (Bjuggren and Sund, 2001). Others refuse to train or coach their chosen successor, resorting to a type of undermining behavior, while some owners simply envy their children (Morris *et al.*, 1997). They search for fault in the successor and create reasons to fire them (Lansberg, 1988). Still others act as if they are immortal and need no successor (Bjuggren and Sund, 2001). Others determine that they will die in office (Howorth and Ali, 2001). Davis and Harveston (2001) describe a situation in which the founder retains a significant role in the business even after the next generation has supposedly taken over. The term refers to an inappropriate involvement, possibly causing disruption in the firm.

The successors

In our study, we examine four cases in which multiple qualified successors were interested in managing and owning family firms. Our study runs counter to the conditions affecting many family businesses. The 70 percent rate of failure in family business succession underscores the fact that one of the greatest problems facing family businesses is the lack of capable and willing successors (Lansberg, 1988). Qualified family members may hesitate to join a family firm for several reasons (Covin, 1994). Some do not want the stress and pressure involved with working with family members. Others simply have different occupational interests. There may be concerns about the fairness of the decision-making process, the abilities of co-workers, high turnover among non-family employees, resistance to change, or the fairness of compensation and workload. Thus, researchers have found family firms to be inwardly oriented (Davis, 1982; Gudmundson *et al.*, 1999).

Even when there is an available, qualified successor, more challenges may arise. New family members may enter the firm and fail to understand the sacrifices that the founder made. These new family members may also expect to enter the firm at the top without making sacrifices of their own (Hoy and Verser, 1994). Feelings of entitlement on the part of the younger generation may emerge. Selfishness and lack of concern for other parties often reigns in family businesses. Lack of forgiveness for mistakes on all sides and lack of appreciation, recognition, and love may be major family obstacles to succession (Hubler and Kaye, 1999).

Successors must be willing and fully committed to the succession process (Barach and Ganitsky, 1995). Successors must demonstrate the necessary skills, performance, and experience for leading the firm (Barach *et al.*, 1988; Barach and Ganitsky, 1995). Successors need a thorough training regimen to acquire firm specific knowledge and to develop their capabilities (Morris *et al.*, 1997). In the best situations, successors receive counsel and instruction from mentors, which may begin informally around family dinners and gatherings (Dyer, 1986). Cabrera-Suarez (2004) uncovered two salient factors in leadership succession and the development of successors – training for leadership and the successors' commitment to the family firm. Chrisman *et al.* (1998) found that the most important attributes for successors were integrity and commitment to the business as opposed to gender or birth order. Foster (1995) proposed four key components for developing leadership among successors: knowledge of the industry, technical skills, influence skills, and self-awareness.

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Shared leadership in family firms

Researchers have recognized evidence of team management or shared leadership in family firms (Lansberg, 1999; Ward, 1991). Sonfield and Lussier (2004) hypothesized that multi-generational family businesses are more likely to employ a team approach to management, although this hypothesis was not supported in their study. Sorenson (2000) examined five approaches to leadership styles in family firms. Participative leadership, in which relationships are based on trust and leaders are group oriented, proved to be positively related to desirable outcomes, such as employee satisfaction and commitment.

Ward (1987) developed a classification system of family firms, using three categories: controlling owner, sibling partnership, and cousin consortium. In American family firms, approximately 75 percent are owned or controlled by one person or married couples, another 20 percent of family businesses are controlled by siblings, and the final 5 percent are owned by a group of cousins (Gersick *et al.*, 1997). The natural progression for a family firm is for ownership to become more diverse with each generation, although this pattern may be reversed with the buyout of relatives ownership interests by one or two family members. Within this three-fold analysis of family firms, shared leadership may be characterized as sibling partnerships or cousin consortiums. Lansberg (1999) recognized two forms of sibling partnerships: a "first among equals" form in which one individual acts as the lead sibling and also a "shared leadership" form in which the siblings form a team with no single individual as the leader.

Recently, researchers have acknowledged increased interest on the part of parents to pass their family business on to several of their children. In the Arthur Anderson/Mass Mutual American Family Business Survey of 1997, over 12 percent of respondents reported having multiple CEOs in their family firm and over 42 percent of respondents believed that co-CEOs are a viable form of leadership for their company (Lansberg, 1999). The reports of increased interest in shared leadership follow a time period in which management advisors argued against sharing leadership. Levinson (1971) contended vehemently against siblings as equal partners in family businesses, viewing this situation as temporary at best. Gersick *et al.* (1997) noted that while shared leadership works in some family businesses, organizational experts have not generally supported the practice.

The process of succession

Researchers have found that succession is more of a lengthy process than an event (Handler, 1994). The process of succession in the family business begins with the preparation of successors as children. Children of business owners are often exposed to "shop talk" or the language of the family business at the dinner table and at extended family gatherings. Longenecker and Schoen (1978) propose that the process of succession begins with childhood and is highlighted by the entry of the successor into the family business at a lower level and later the ascension of the successor to the leadership of the firm. Successors are prepared or groomed for many years to accept their role of responsibility in the family firm. Succession is a long-term process, not just an event in which there is a management change.

Dyck *et al.* (2002) view the process of succession as analogous to a relay race. Similarly, Handler (1990) perceives succession to be a mutual role adjustment process between the incumbent and the successor. The incumbent must relinquish power and the successor must demonstrate the ability and desire to assume control of the organization. Trust and mutual respect between the incumbent and successor are necessary for the process to be successful (Dyck *et al.*, 2002).

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Researchers have proposed variations on the theme of process in succession (Barach and Ganitsky, 1995; Churchill and Hatten, 1987; Handler, 1990; Longenecker and Schoen, 1978). Of these proposals, there is some agreement on a four-stage model of succession. Churchill and Hatten (1987) envisioned a four-stage life cycle approach to succession between a founder and a successor in a family business. Handler (1990) also proposed a four-stage process in the role adjustment between predecessors and next generation family members in succession. Researchers, such as Cadieux (2007), have adopted this four-stage model of the succession process.

The above review of the literature suggests many theoretic implications for our study of the development and implementation of shared leadership in multi-generational family firms. In summary, our literature review describes issues related to the founder or incumbent generation in multi-generational family firms, challenges involving the successor generation in multi-generational family firms, applications of shared leadership, and problems that may arise in the process of succession for multi-generational family businesses. These concepts lay the foundation for our study of the development and exercise of shared leadership in multi-generational family firms. Therefore, we ask the research question, "What factors and conditions affect the development and implementation of shared leadership in multi-generational family firms?"

Methodology

The case study approach

Our research question required a flexible research program in order to gain an understanding of shared leadership in multi-generational family businesses. We elected to employ a case study approach (Howorth and Ali, 2001; Yin, 1984, 2003). Qualitative researchers seek to examine the complex interrelationships among elements in a particular case. In exploratory situations in which there is no clear, single set of outcomes, case studies may be useful in generating new theory in comparison to the natural science approach (Patton and Applebaum, 2003). Patton and Appelbaum (2003) further state that detail and depth in description are the keys to overcoming questions of generalizability in the case study method. It is possible to generalize from very few or even one case if that case contains detail and depth in description.

Selection and number of cases

Randomization is not a necessity in selecting cases (Eisenhardt, 1989). The goal of the research is to choose cases that are likely to replicate or extend the theory. Therefore, qualitative samples should be purposive. The case study researcher must strategically select cases that are relevant to the theory (Patton and Applebaum, 2003). The objective of this type of study is to develop theory, not to test theory (Eisenhardt and Graebner, 2007). Researchers look for critical cases to prove their main findings or confirming cases, disconfirming cases, extreme cases, or typical cases. Case studies illustrate particular points and are used for persuasion (Siggelkow, 2007).

Multiple cases add confidence to findings. Yin (2003) compared the addition of cases to the addition of experiments, looking for replication. Eisenhardt (1989) proposed that the researcher should continue adding cases in an iterative process until the incremental improvement is minimal. While there is no ideal number of cases, Eisenhardt (1989) believed that between four and ten cases is best. Creswell (1998) called for researchers to limit the number of cases to four. Miles and Huberman (1994) state that researchers may attempt to overcome questions of generalizability through the use of multi-site, multi-method studies. Some recent family business studies that

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employed the case study method include Barach and Ganitsky (1995), Cadieux (2007), Cater and Schwab (2008), Dyck *et al.* (2002), Garcia-Alvarez *et al.* (2002), Lambrecht (2005), Miller *et al.* (2003), Murray (2003), Santiago (2000), and Tsang (2002).

Cases for this study

From the beginning of this research project, we assured all participants of confidentiality and anonymity. In our case selection process, we contacted 20 prospective family firms. Many of the firms did not meet the requirements of the study, which included multiple generation participation, multiple family members in leadership, and willingness to participate in the study. A major criterion for selection was that the firm had experienced one leadership succession. This criterion eliminated 70 percent of all family businesses (Lansberg, 1988; Handler, 1994). We selected four cases for in-depth analysis, which falls within the range suggested by Eisenhardt (1989). We purposefully chose firms from different industries, including refrigeration wholesale, printing, funeral service, and air conditioning service. The size of the firms is small, varying from 30 employees to 95, averaging 64. Although many definitions of small business exist in the management literature, we characterize a small business as being independently owned and operated, small in relation to the size of its market, and not part of a larger organization, which concurs with Street and Cameron (2007).

In our study, the respondent firms range in age from 33 years to 140 years, and generations of family participation from two to five. Each company involves from two to a dozen family members in management and ownership. The firms share a location in the greater Capital City area, but several have expanded beyond the local region or own multiple but related businesses. Our data collection was part of a broader qualitative research project investigating family businesses (Cater, 2006). Although all names have been disguised in this study to protect confidentiality, we have provided a table of relevant information concerning the respondent firms (see Table I).

Data collection methodology

In conducting this research, we took the following approach to each individual family firm. We approached a prospective subject and first ascertained if the firm met the requirements of the study as to family involvement, size, and leadership succession. Then, we did an exploratory interview with the chief executive officer of the firm to determine willingness and compatibility for the study. If this initial phase was satisfactory, we proceeded to the second phase – interviewing the top management team. The interviews were semi-structured in manner, with a set list of questions designed to elicit discussion of the leadership in the firm. The primary data collection

Company	Date of family ownership	Generation of family ownership	Generation of family management	Composition of leadership group
Ace Refrigeration	1945	2nd and 3rd	3rd	Four siblings, one cousin
Berry Press	1964	2nd and 3rd	2nd and 3rd	Four family members, three non-family managers
Classic Funeral Homes	1866	4th	4th	Four siblings
Delta Air Conditioning Service	1952	2nd	2nd	Two siblings

Table I.
Family business cases

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method was qualitative interviews, supplemented by observation of the participants and company documents.

Qualitative interviews. We performed in-depth qualitative interviews of top managers and family members from each selected firm. With the permission of the interviewee, the interviews were tape-recorded. The interview format, though structured, allowed additional probing questions for each participant. We developed the interview questions from our review of the family business literature. The interviews were conducted individually at each family firm, totaling 25 participants. We transcribed approximately 19 hours of interviews, which varied in length from 20 minutes to two hours, averaging 45 minutes each. This transcription greatly facilitated the content analysis of the interviews that followed.

According to the Three-Circle Model of Family Business (Gersick *et al.*, 1997), the respondents may be placed in seven sub-sections concerning their relation to the family business. In this study, four of the seven sub-sections are represented. Respondents included 13 family member-owner-managers, two family member-managers, and ten non-family member-managers. The list of family member respondents by generation shows five in the second generation, seven in the third generation, two in the fourth generation, and one in the fifth generation.

Observation. We observed the interactions of the managers in each family firm throughout the process. We informally observed their leadership styles in connection with the research process. Field notes and informal conversations complemented the taped interviews.

Documents. We asked members of the management teams to supply company documents and family information as available. We also requested newspaper and magazine articles, advertisements, company catalogs, and other documents. We also made an effort, when we felt it was necessary, to gather this information independently.

Data analysis

First, we analyzed each case separately to understand the inner workings of each firm. We condensed voluminous case notes and transcripts into a case history for each company. These case histories can be accessed as part of a larger research project (Cater, 2006). After each case was analyzed individually in this manner, we proceeded to a cross-case analysis. We employed content analysis of the data looking for patterns or core consistencies and meanings. Based upon careful reading and re-reading of the transcribed interviews, we coded and analyzed the data. We began the process using both manual cut and paste methods and the Atlas t.i. software system. After some trial and error, we followed a system of separating phrases and thoughts by manually cutting the transcribed documents, labeling the thoughts, and placing them in separate folders. This is consistent with unitizing methods described by Glaser and Strauss (1967). Lincoln and Guba (1985) outline this method using stacks of note cards. We followed their guidelines except that we found the folders to be more efficient. We coded these data into 27 open emergent categories (Corbin and Strauss, 1990):

(1) History of company.

(2) 1st generation description.

(3) 2nd generation description.

(4) 3rd generation description.

(5) 4th generation description.

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(6) Next generation, future.
(7) Similarities between generations.
(8) Differences between generations.
(9) Business operations.
(10) Industry practices.
(11) Respondent background.
(12) Entering the business.
(13) Development of successor.
(14) Reasons for success of business.
(15) Family business advantages.
(16) Long-term thinking.
(17) Pride in the business.
(18) Hands-on/technical knowledge.
(19) Change – technology.
(20) Resistance to change.
(21) Management by committee.
(22) Women's issues.
(23) Sacrifices.
(24) Servant leader.
(25) Employees – valuable assets.
(26) Employees' view of the family.
(27) Culture gap – family to employee.

This analysis yielded a set of themes and clusters of thoughts and phrases from which we looked for unifying phrases and connective language to build a framework for analysis (Creswell, 1998). Once we arrived at an understanding of each company, we proceeded to cross-case analysis. Here, we searched for patterns that tie the separate cases together. Among all the differences between the four family businesses in the study, some recurring themes emerged from the data. We traced these themes across the cases, noting commonalities upon which to build a theoretic base to understand the development of shared leadership in multi-generational family firms.

Propositions

The objective of our case studies was to develop an understanding of the development and implementation of shared leadership in multi-generational family firms. Our research question asks, "What factors and conditions affect the development and implementation of shared leadership in multigenerational family firms?" Our cross-case analysis of the themes discovered in this study leads us to a series of propositions. These eight propositions align elements from our study with previous studies in family business and then move a step beyond previous studies in applying the concept of shared leadership or the top management team approach to the study of family business. To foreshadow our results, we found eight factors or conditions that affect

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the development and implementation of shared leadership in multi-generational family firms. Our findings show that three factors affect shared leadership in multi-generational family firms throughout the succession process: long-term orientation, close communication, and resistance to change. One factor, succession planning, affects shared leadership early in the succession process. Four factors, failure to release control, reporting relationship confusion, increased decision time, and high-quality decisions affect shared leadership in the final stages of succession. In the following section, we now examine each of these factors or conditions in turn.

Long-term orientation

Because family firms do not have to answer to outside stockholders in the manner of publicly held companies, family owner-managers may adopt goals other than short-term profit maximization (Chua *et al.*, 2003). The freedom to pursue a long-term approach affects leadership in family business in many ways. As a result of this long-term orientation, family business owner-managers may take time to develop processes, such as shared leadership. In the case of Classic Funeral Homes, long-term thinking fits neatly into the company's over-arching theme of tradition. This concept of carrying on the tradition is essential to understanding the company and the family behind it. Karen Carlson, fourth-generation owner, explained, "We are the oldest continuously family owned business in Capital City. We are dignified in the way things are done. This is the funeral business." At Classic Funeral Homes, third-generation family owner Alvin Carlson passed his ownership interests on to his four children and then died in 1997. The four Carlson children received an equal share of ownership in the business – each one owns 25 percent.

Because their father gave each child an equal share in the business, there is no one person in charge and all four siblings are now actively involved in the leadership of the company. Certainly, possessing equal shares of stock calls for an uncommon amount of cooperation between the four siblings. On smaller, routine decisions the four partners each operate in their own sphere. However, when questions become broader or long term, joint decisions, which take much more time to make, are necessary. Possessing loyal, long-term employees has contributed to the tradition at Classic and has enabled the four siblings of the fourth generation to share the leadership of the firm. The patience of the employees has been rewarded with higher quality leadership and the family appreciates its extraordinary employees. This leads us to the following proposition:

P1. Long-term orientation enhances the development and implementation of shared leadership in multi-generational family firms in all four stages of the succession process.

Close communication and shared understanding

In successful family businesses, communication is faster and deeper because the individuals involved know each other better than in other forms of business. Spouses, sons, daughters, and siblings know each other's strengths, weaknesses, abilities, and capacities better than anyone else (Gersick *et al.*, 1997). It is common for family businesses to generate commitment to the point of self-sacrifice for the good of the family and the business. In our study, we found examples of close communication and shared understanding among family members that contributed greatly to the development and practice of shared leadership.

In the case of Delta Air Conditioning Service, two siblings own the company's stock in equal shares. Mark and Allen Richards have come together to form a complementary

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partnership. Mark is 12 years older than his brother, Allen. It is not unusual for siblings to compete with each other for parental affection and attention, but when siblings are 12 years apart, intense rivalry may be less likely. The brothers grew up separately and in some ways, Mark, the oldest of six children, helped to raise Allen, the youngest.

Because Mark is older than Allen and has been in the company longer, Mark is the president of the company and Allen is the vice president, but the ownership of the stock is divided evenly. Allen will defer to Mark in some cases, but he does not "mince words" if he disagrees with a decision. The success of the brother's partnership begins with a cooperative spirit as opposed to a sibling rivalry. Mark brings visionary leadership and an aggressive sales approach, whereas Allen contributes by mentoring employees and imposing organizational discipline with a "coaching" approach. The brothers are well aware of their differences and agree that they need each other for the business to flourish. Mark Richards comments in a semi-jovial manner, "We joke that if Allen had never been here, I would have grown this company up and bankrupted it in short order. And, if Allen was the only one here, we would have the smoothest-running, finest little teeny-weeny company we could have." Mark is the risk-taker and Allen takes a more conservative approach.

In the Richards case, their differences work to help their relationship. They have a great partnership for two reasons. First, the differences fit together according to Mark, "We dove-tail, every area that I am weak, he is strong, and vice versa." The second important factor is that the brothers are not greedy, nor selfish. "Greed and ego are two of the worst traits you can have, especially if you are in a partnership," Mark believes. Allen agrees that the partnership is working well and feels that both he and his brother are "smart enough to work together and not have conflict, because, if we do, we will suffer financially." The Richards have been prosperous and successful with Delta Service because they have been able to cooperate and balance each other out. Therefore, we propose that close communication and shared understanding have a positive affect on shared leadership:

P2. Close communication and shared understanding among family members enhance the development and implementation of shared leadership in multi-generational family firms in all four stages of the succession process.

Resistance to change

Scholars have described family firms as inwardly oriented, rather than open to environmental changes (Davis, 1982; Gudmundson *et al.*, 1999). For family firms, the addition of family concerns to the problems and opportunities common to all businesses may lead to this impression. Family business owner-managers must invest time to address family concerns, which may take time away from business decisions. This may lead to the impression that family owner-managers are slow to react to external change. This impression in conjunction with the proposed inward orientation may lead employees in family firms to become used to routine operation of the business and programmed decision-making. For instance, at Classic Funeral Homes, family owner-managers encountered resistance to change. Larry Moore, General Manager, Classic Funeral Homes described the situation:

> We tend to never change here, much like churches. You know churches don't change. The people of the church don't change because they don't want to change. No, we like it just like it is. I want the same music we have been listening to for the last 412 years. So, we are sort of the same way here. We tend not to change until forced to change.

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The leaders of family firms must avoid the temptation to rely on their past history of success and change as competition and environmental forces demand. Organizational ecology scholars refer to the liability of obsolescence argument. Here, they claim that firms become inertial and fall out of step with the environment as it changes and they do not (Baum, 1989). If family members and employees are resistant to change, the family firm faces serious challenges to its existence. David Carlson, fourth-generation owner, Classic Funeral Homes, remarked: "It is very difficult to change. I know when I first came here back in '75, there was a lot of resentment. They wouldn't help me or give me any information."

David Carlson faced an uphill struggle against employees who were resistant to change. For instance, funeral payment collection policies involved a handshake and a gentleman's agreement. Unfortunately, people began to take advantage of the liberal payment schedule by refusing to pay Classic. "We had to start doing business like everybody else. You just can't trust people. The fourth generation has brought us into the twentieth century," explained Larry Moore, General Manager. David Carlson's persistence has been rewarded as managers and employees at Classic Funeral Homes have accepted the social and technical changes necessary to compete in today's business environment. Nevertheless, resistance to change, especially on the part of family firm employees, remains a serious threat for the development and exercise of shared leadership. This discussion leads to the following proposition:

P3. Resistance to change by family firm employees inhibits the development and implementation of shared leadership in multi-generational family firms in all four stages of the succession process.

Succession planning

One theme that resonates through the family business literature is the importance of succession planning for family firms. Researchers have noted a lack of strategic planning in family firms as compared to non-family businesses (Ward, 1987). Improper or unclear strategic planning has been cited as a reason for failure in the succession process (Sharma *et al.*, 2003a), while proper succession planning has been referred to as a predictor of satisfaction in the succession process (Sharma *et al.*, 2003b). Sharma *et al.* (2003b) found that incumbents believed the process was better planned because they had been thinking about it informally for years. In our study, we found several instances in which succession planning on the part of prior generation family leaders enhanced the development and exercise of shared leadership in the following generation.

For instance, at Berry Press, second-generation leader Jensen Harden became sick with cancer and realized that he could not continue to manage the company for many more years. Because of his situation, the Harden family had a warning period or a time when they knew that leadership changes were necessary for the survival of the firm. Rather then leave the company in a weak management position upon his death, Jensen started a top management committee in motion, so that the leadership transition without him would be less painful. There was no committee prior to Jensen's illness, but approximately two years before his death, he formed the group and called the committee together to meet once a week to make operational decisions. Julie Harden Carter, Chairman of the Board, Berry Press, commented as follows:

> He (Jensen) was still in the loop all the way until he died. Then, after he died, we just continued and it has worked. We have heard a million people comment, "There is no way you can run a business by committee." We have actually done that. The fact that we operated as a management group for a year and a half with him overseeing it made it a flawless transition.

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At Berry Press, the top management team consists of a combination of second- and third-generation family members and non-family members. The family still controls the ownership of Berry Press, but the daily management of the company is done by the committee. This planning and forethought is perhaps Jensen Harden's greatest contribution to Berry Press. According to Stan Green, Production Supervisor, "It was kind of a weird thing when it happened because we didn't know what he was doing or why he was doing it. I was honored to be asked to be on the committee." Thus, the planning, care, and concern of a prior generation leader contributed significantly to the success of the following generation's practice of shared leadership. Therefore, we suggest that prior generation strategic planning may greatly aid the development and exercise of shared leadership in multi-generational family firms:

P4. Succession planning by prior generation family firm leaders enhances the development and implementation of shared leadership in multi-generational family firms in stage one and stage two of the succession process.

Failure to release control

Earlier, we described the positive affect of prior generation strategic planning on the development and exercise of shared leadership in multi-generational family firms. Alternatively, prior generations may have a harmful affect on subsequent generations in family firms when they hold on to the reigns of leadership too long. Grote (2003) describes what he terms the theory of the double bind. Here, the subject desires an object because the rival desires it. So, the rival alerts the subject to the desirability of the object. For example, in the context of the family firm, the parent may encourage the child to take charge of the business, yet at the same time, refuse to let go of the control. Failure in family business succession may come as a result of excessive conflict and rivalry within the family. In the terminology employed by Dyck *et al.* (2002), the process of succession is compared to a relay race. Far too often, family businesses drop the baton when passing the mantle of leadership from one generation to the next. Here, we apply the concept of the failure to release control to the development and exercise of shared leadership.

For example, at Ace Refrigeration, second-generation leader Alex Keller at the age of 76 still maintains control of the company's stock. The five members of the third generation (four siblings and one cousin) own a total of approximately 45 percent of the stock, while Alex Keller owns the remaining controlling interest. While it is very understandable that Alex has been somewhat slow to relinquish his 55 percent control of the company's stock, this may present problems for the third generation. The IRS recognizes the importance of a controlling interest in a family corporation. In terms of valuation of the business for income and inheritance tax purposes, 51 percent is the magic number. If an individual owns 51 percent or more of a company, they may sell that controlling interest on the open market, which makes their ownership much more valuable. Chris Boswell, Controller, Ace Refrigeration, commented as follows:

> I want him to get below fifty percent, so that whatever he has left at the time of his death, we get that minority discount. I haven't prodded him. It is a big valuation issue. What is the difference between 49 percent and 50 percent? A lot of dollars for the IRS.

Alex's failure to relinquish control of Ace Refrigeration may lead to serious financial difficulties for the third generation of the company, placing more stress on their leadership. Therefore, we propose the following:

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P5. The failure to release control by prior generation family firm leaders inhibits the development and implementation of shared leadership in multi-generational family firms in stage three and stage four of the succession process.

Reporting relationship confusion

One time-honored tenet of management is the concept of the unity of command (Fayol, 1949). This precept, which stands among Fayol's original 14 principles, states that a follower should report to one leader. By definition, shared leadership violates the concept of unity of command as shared leadership involves multiple leaders at the top of an organization. Followers may experience confusion in reporting relationships. If several family members share the leadership of the firm, responsibility and reporting relationships must be clearly defined.

For example, at Ace Refrigeration, the management by committee of the third generation involves four siblings and one cousin. The members of the third generation have divided up the work and each has their own area of expertise; however, there are still some problems and areas of ambiguity. Scot Armstrong, Purchasing Manager, Ace Refrigeration, made the following statement in regard to the management by committee at Ace Refrigeration:

> Probably the hardest thing is having five bosses instead of one or even two bosses. As far as an employee, even though there is a chain of command and I report directly to Manny that doesn't mean if one of the others walks in the door, I can say, "Take a hike you are not my boss."

If family leaders do not carefully delineate areas of responsibility and reporting relationships, a management overlap is liable to occur. Family leaders may create confusion and dissention among their employees by overstepping their management bounds and giving instructions to employees who do not directly report to them. We characterize this ambiguity in reporting relationships as confusion over the identity of leadership. The employee may ask, "Who is my boss?" Because this uncertainty may undermine the development of shared leadership, we propose the following:

P6. Confusion in the minds of followers concerning the reporting relationships to leaders inhibits the development and implementation of shared leadership in multi-generational family firms in stage three and stage four of the succession process.

Increased decision time

Earlier in this paper, we reported some of the benefits of group over individual decision-making. The literature also highlights disadvantages for groups compared to individual decisions. One major concern is the slow speed of group decision-making (Ebert and Mitchell, 1975). Groups require much more time to make decisions than individuals, which may be a considerable drawback when a rapid response is needed.

For example, at Ace Refrigeration, because no single individual in the third generation owns a controlling interest in the stock of the company, a top management committee or team exists. On important issues, the top management team must arrive at a consensus through a process of proposals and counter-proposals, which leads to a longer and slower decision-making process. Although they do not meet on a regular basis, the top management team does meet frequently to discuss issues of importance. Susan Keller Thomas, Corporate Secretary and Credit Manager, Ace Refrigeration, described the operation of the top management team as follows:

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> We try to get together all five of us, who are the third generation, periodically as often as we can, but with five people it is difficult scheduling. When we do, these sessions will last two hours or more and it is time consuming when we cover all the topics. Not too many things are just solely one person's decision [. . .] But on major issues like building a new store or something like that, we sit together and hash it all out and vote. Majority rules.

Similarly, at Classic Funeral Homes, the four partners of the fourth generation each operate in their own sphere concerning smaller, routine decisions. However, when questions become broader or long-term, joint decisions are necessary. The Carlsons meet at least every month for board meetings and to make the larger decisions. Also, they see each other informally every day. The family members have homes in close proximity to each other and meet for family holiday gatherings as well. However, with the equally divided ownership, decisions may be slower. Karen Carlson commented, "The only thing is that it does tend to bog you down a bit, to make things slower. Sometimes, it is difficult to get everybody together because everybody has their own schedule." Once everyone is together, the decision process may not be simple or easy. "We have some interesting discussions at times. . .You have to go in the direction that the majority feels is best for us," commented David Carlson. This process may take time and calls for the participants to work cohesively with each other. Personality conflicts and family dynamics may enter the picture. The management committee must "sit down and hammer it out until they either get a consensus or a majority. Somebody overrules somebody else . . . It is a hard way to run a business," explained Larry Moore, General Manager.

The greatest drawback to shared leadership in multi-generational family firms may indeed be the increased length of time required to make decisions. The extra time for decisions may irritate employees, customers, suppliers, and other stakeholders. This process may become circular in that the leadership group may take longer to make decisions which leads to dissatisfied stakeholders which may lead to further dissention among the leadership group which leads to increased amounts of time for further decisions. Therefore, we propose the following:

P7. The increased length of time involved in decision-making inhibits the development and implementation of shared leadership in multi-generational family firms in stage four of the succession process.

Higher decision quality

One of the most important findings in studies of groups and teams in organizational settings is that the judgment of groups is often superior to that of individuals because groups contain a wider range of viewpoints, can accumulate more facts and knowledge, and can consider more alternatives (Harrison, 1975). In other words, increasing the number of individuals involved in a decision-making process leads to better decisions because of the additional brain power. Our case study evidence concurs with this opinion. At Berry Press, Julie Harden Carter commented on this phenomenon: "We have made decisions that none of us would have been able to make individually by somehow talking things through." The management committee has moved Berry Press in new directions that no single individual involved anticipated. Arnold Stockton, non-family member President, Berry Press observed: "Now, we are probably eighty percent direct mail and twenty percent commercial printing. We have changed the nature of the business almost 180 degrees in ten years."

In the context of shared leadership, higher decision quality may also result due to a system of checks and balances. At Classic Funeral Homes, the four individuals involved

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in the top management team cannot make major decisions alone. Fifth-generation family member and manager, Patrick Carlson explains, "Everyone does work together. No one can make a decision without the other three being around." One individual cannot rush into a major decision without foresight and thorough explanation to their equally powerful siblings. This fact imposes restraint on the decision-making process.

In the cases in our study, leadership groups followed the classic pattern of formation, recognizing differences of opinion, establishment of group norms of conduct, and performance (Tuckman, 1965). As the groups worked together, they became more proficient at making decisions. Employees often commented on time delays for decisions. Larry Moore of Classic Funeral Homes explained: "It sometimes takes us a good while to get an answer if the problem is controversial." However, Moore and many others recognized that the decisions the management committee made were of higher quality, "I think they have done a good job and learned to agree to disagree in some cases." Over time, the shared decision making of the leadership groups improved and in the process won the confidence of the employees. The cycle of higher decision quality led to the enhancement of shared leadership. Therefore, we propose the following:

P8. Higher decision quality enhances the development and implementation of shared leadership in multi-generational family firms, which in turn enhances higher decision quality in stage four of the succession process.

Discussion

Our article replies to Aronoff's (1998) assertion that top management teams are a growing phenomenon in family firms. To date, there has been very little research reported on this topic. Therefore, the objective of our case studies was to explore this under-researched area and to obtain a better understanding of the development and implementation of shared leadership in multi-generational family firms. Because there is very little direct research on shared leadership, we endeavor to place our findings within the existing knowledge of family business studies. Consequently, we integrate our propositions into the process of leadership succession as described in the family business literature.

Churchill and Hatten (1987) proposed a four-stage life cycle approach to succession in family firms. In the first stage, the owner is the only family member involved in the business. The second stage is a training and development period in which the offspring has entered the business and learns about it. The third stage is a partnership period in which the owner and successors share the leadership of the business. Finally, the fourth stage is the power transfer stage, in which responsibilities shift to the successors.

Handler (1990) proposed a four-stage process in the role adjustment between predecessors and next generation family members in succession. The first phase of role adjustment finds the entrepreneur as the sole operator of the business and the next generation members as having no role in the business. The second phase sees the entrepreneur as monarch and the next generation members as helpers after entering the business. In the third phase, the incumbent learns to delegate responsibility to the successors and begins planning for succession as the successors move into the role of managers. The fourth stage finds the predecessor in retirement from the organization and acting as a consultant to the firm, while the next generation members are active as the leaders and decision-makers in the firm.

Following Churchill and Hatten (1987) and Handler (1990), we adopted a four-stage approach to the process of leadership succession in family firms as a framework for

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our analysis. We propose a gradually changing role reversal process between the incumbent family leaders and the successor generation leaders. We summarize the role of the incumbent leaders and successors as follows. In stage one, our view varies from Churchill and Hatten (1987) and Handler (1990) in that while we perceive the incumbents to be unchallenged leaders of family firms, we see the successors as students of the business, either in high school or college and working part-time in the business. In the remaining stages two through four, our analysis follows Churchill and Hatten (1987) and Handler (1990). In stage two, we view the incumbents as rulers and the successors as helpers. In stage three, we characterize the role of the incumbents as supervisors and the successors as managers. In stage four, the incumbents become consultants and the successors become leaders. We extend prior research by applying the concept of shared leadership to the framework of a four-step model of the leadership succession process in family firms (see Figure 1).

We propose that three variables – long-term orientation, close communication, and resistance to change – affect the development and implementation of shared leadership throughout the four stages of the succession process. According to our findings, when the elements of long-term orientation and close communication are present, there is a positive impact on shared leadership. Family members complemented each others'

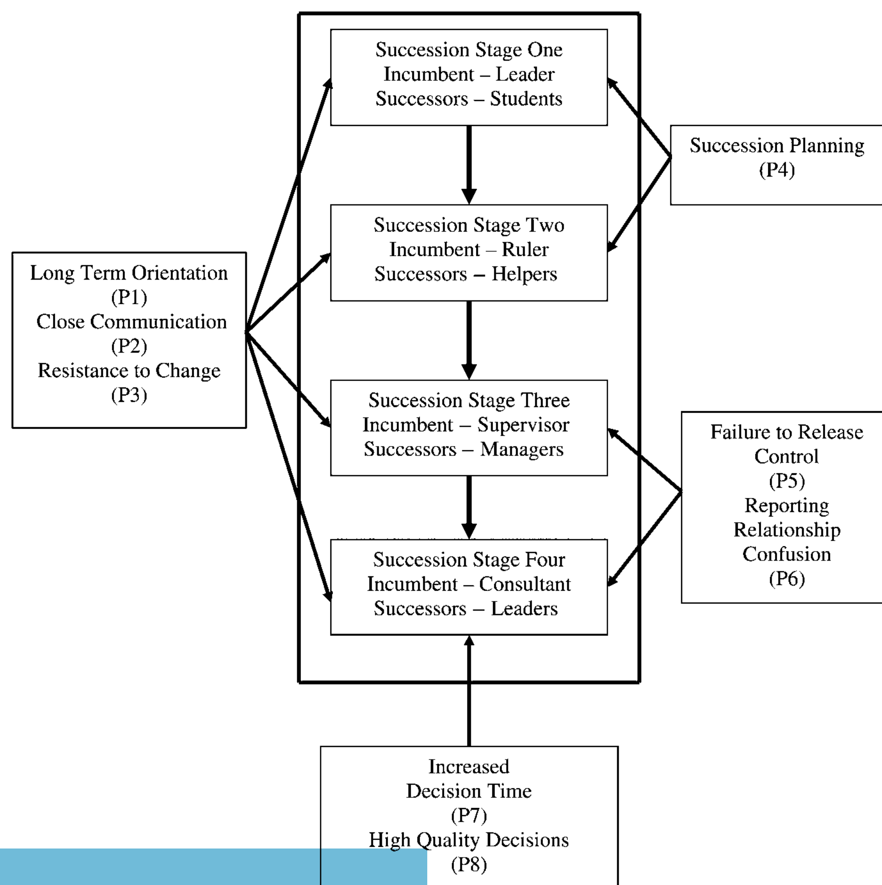

Figure 1.
Model of shared leadership in multi-generational family firms

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efforts and worked closely together in harmony in daily operations at all four respondent firms. For example, at Delta Air Conditioning, close communication has allowed brothers Mark and Allen Richards to divide the supervision of the company between them and each recognizes the importance of the other to their mutual success. Mark possesses the long-term vision for the company and Allen is an excellent communicator with the operations team. Close communication and long-term orientation have marked the relationships in the Richards family from the entrance of the second generation to the retirement of the founder and throughout the succession process.

Conversely, resistance to change negatively impacted shared leadership in all stages of the succession process according to our results. For example, recalcitrant employees at Classic Funeral Homes made the entrance of the fourth generation of successors into the business difficult, refusing at first to accept the leadership of David Carlson (stage one and two of the succession process). At Delta Service, the operations manager attempted to block the training and advancement of Allen Richards (stage two to three of the succession process) and ultimately left the company. The employees at Classic Funeral Homes have only slowly accepted technological changes implemented by the successor group (stage four).

In stage one and two of the succession process, succession planning by the prior generation has its greatest impact on the development and implementation of shared leadership in multi-generational family firms according to our respondents. For instance, Berry Press survived only because of the foresight of Jensen Harden in succession planning (stage one). Classic Funeral Homes moved into the fourth generation only because a third-generation leader bought the stock of cousins and consolidated the business back into his nuclear family (stage one).

Two negative elements impact shared leadership in stage three and four of the succession process – failure to release control and reporting relationship confusion. In failure to release control, prior generation leaders can make life difficult, as in the case of Ace Refrigeration, if they hang on to control for too long. In extreme cases, founders may cast a shadow on successors that impedes their ability to manage the firm (Davis and Harveston, 2001). Here, the founder retains a significant role in the business even after the next generation has supposedly taken over. The term refers to an inappropriate involvement, possibly causing disruption in the firm. The second negative factor – reporting relationship confusion – is found in shared leadership situations in which there is more than one leader. Here, employees find it difficult to respond to multiple family members at the top of a company. Family members should clearly delineate responsibility for different areas of the firm. For example, at Classic Funeral Homes, Karen Carlson directly supervises the funeral home operations of the family business. In another example, employees at Ace Refrigeration remarked that a leadership team of five equal owners (four siblings and one cousin) can be confusing as these family members move from management positions in stage three to leadership positions in stage four of the succession process.

The two factors mentioned by most respondents as having the greatest impact on the implementation of shared leadership were increased decision time and high-quality decisions. Although employees could become anxious while waiting for important decisions, respondents recognized that the decisions were of higher quality in all four cases in our study. For example, employees at Classic Funeral Homes had to adjust to longer waiting periods for the four equal family owners of the fourth generation to arrive at important decisions. Each of the four individuals owns 25 percent of the

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business. With an even number of family owners, it is necessary for the top management team to reach a consensus for decision-making, which takes time. At Berry Press, the members of the leadership group (four family members and three non-family members) realized that together they accomplished more than they could have with only one leader making decisions. They described their decisions as far better than any one of them could have done alone.

Conclusion

In this exploratory study, we have noted trends toward the increasing involvement of multiple family members in the leadership of the family firm (Aronoff, 1998). We have investigated eight factors affecting family firms in relation to the sharing of leadership among multiple family members in multi-generational firms. We have noted three factors that affect the development and implementation of shared leadership in all four stages of the succession process: long-term orientation, close communication, and resistance to change. Our results show that prior generation succession planning impacts multi-generational firms most directly in stages one and two of the succession process. We found that failure to release control and reporting relationship confusion negatively impacted multi-generational family firms in stages three and four of the succession process. Finally, increased decision time had a negative affect on the implementation of shared leadership, but this affect was countered by higher decision quality in stage four of the succession process.

We encourage family business practitioners to consider the concept of shared leadership for the next generation in the family business. We regard shared leadership as a viable choice for multi-generational family firms which face an increasingly complex and competitive environment. Using, a case study approach, our qualitative study focused on four multi-generational family firms, chosen as examples of the development and implementation of shared leadership. We seek to build theory as to the factors affecting shared leadership. We perceive the practice of shared leadership to be a growing phenomenon. Although our study is rich in detail and description, we recognize its limitations as to sample size. The development and implementation of shared leadership in the context of multi-generational family firms warrants further empirical research. Broader samples comparing family firms to non-family firms and longitudinal studies are needed. Examples of successful and failed attempts in shared leadership could yield interesting results. Our study contributes to the understanding of shared leadership, highlights the positive attributes of family involvement in this form of leadership, and warns family leaders against the negative elements associated with shared leadership.

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