Succession in the family business: drivers and pathways

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Abstract

Purpose – The succession process represents one of the most critical events in the family business lifecycle. The purpose of this paper is to explore this process while focussing first on the drivers behind the choice of successor and, second, on the impact of this choice on the entrepreneurial behavior of the siblings.

Design/methodology/approach – The qualitative approach was used in which multiple case analyses were performed. A total of 12 cases were purposively selected from the Lebanese private sector, and semi-structured interviews were conducted with the successors and the founders when available. The interview data were transcribed and a coding scheme was created to generate relevant categories. Those categories were named and later re-assessed by an external researcher to ensure inter-rater reliability.

Findings – The three dimensions of social capital were found to have a profound influence on the succession decision with much focus on familial stewardship as an emerging cognitive driving force. When "familial stewardship" is shared by incumbent and sibling, it strengthens the latter's chances of being chosen as successor. Further, a succession pathways model was introduced that depicts the siblings' behavior following the succession decision which seems to often trigger further entrepreneurship.

Originality/value – This study is distinct as it introduces a new cognitive construct that helps rationalize the successor-selection decision in a Middle Eastern context. It also goes beyond the succession event to depict potential entrepreneurial behavior triggered by succession.

Keywords Social capital, Entrepreneurship, Succession, Family firms, Familial stewardship, Succession pathways model

Paper type Research paper

1. Introduction

One of the most critical processes in the family business is the succession process (Brockhaus, 2004). Succession is defined as those actions and events that lead to the transition of leadership from one family member to another (Sharma *et al.*, 2001). The initial statistics (Beckhard and Dyer, 1983; Ward, 1987) suggest "only about 30% of family businesses survive into the second generation, 10-15% are still viable into the third generation, and only about 3% operate into the fourth generation or beyond." Unfortunately, those statistics have not changed Family-firm-institute (nd). This alarming rate of failure compels researchers in the field to delve deeper into the process of succession, searching for insight.

This paper examines succession decisions as they relate to the theory of social capital since evidence of this theory's influence has been confirmed in a number of activities of the family firm (Pearson *et al.*, 2008; Discua Cruz *et al.*, 2013). The social capital perspective offers a deep probing into the non-tangible capacities available to the family business, providing it with the ability to make decisions – including those related to succession – based on multiple levels of thought and analysis.

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Furthermore, it is useful to investigate succession in a non-Western cultural context as cross-cultural research on family business dynamics ensures that theories are not "culture bound" (Handler, 1994; Dyer and Sanchez 1998). Several non-western family business studies in China (Dou and Li, 2013), Honduras (Discua Cruz *et al.*, 2013), Malaysia (Zainol, 2013), and Finland (Laakkonen and Kansikas, 2011) among others serve to augment the family business audience's awareness and appreciation of a multi-cultural perspective. This paper explores drivers and pathways of succession in Lebanon, a Middle Eastern country representing a collectivistic culture that values family and tradition.

This study will attempt to answer two main questions: first, what are the drivers behind the choice of successor in the family business? And second, what are the siblings' occupational pathways emerging from the succession decision? The study will therefore make the following contributions: first, the concept of "familial stewardship" is introduced as a cognitive construct that acts as a key driver of the choice of successor thereby addressing the first question. Second, a succession pathways model (SPM) is introduced that depicts the entrepreneurial behavior of family members following succession, thus addressing the second question. The paper will first discuss the previous research on succession in the family business and will set the theoretical framework used as reference for the study. It will then describe the methodology used, state and discuss the results, and explain the major contributions and limitations of the study.

1.1 Succession in the family business: a theoretical perspective

Because research on family business mirrors the main concerns of that business (Chua *et al.*, 2003a), and since succession remains a big issue for the family firm, it is essential to research succession from a myriad of perspectives, hoping that a multi-color lens might lead to a deeper understanding of the drivers and pathways of the succession decision (Chua *et al.*, 2003b).

In its beginnings, literature on family business succession described it as a long-term process of socialization into the business through "a life-time of learning experiences" (Longenecker and Schoen, 1978), a view later enforced by Ward (1987) in his seminal work "Keeping the Family Business Healthy."

Tagiuri and Davis (1982) introduced the three-circle model in which they explained how family, ownership, and business notions have an overlapping influence on the family business. Gersick *et al.* (1997) extended this model by adding the time factor, thereby exploring generational transitions from controlling owner to sibling partnership to the cousin consortium (Hoy, 2012). In her review paper of family business succession, Handler (1994) directed future research toward the influence of culture and family dynamics on family business succession.

The need to plan for succession was underscored by numerous contemporary studies (Axelrod, 2002; Negrea, 2008; Rothwell, 2010; Spanier, 2010). However, in a study of Philippine family businesses, Santiago (2000) found that a smooth succession was not entirely dependent on succession planning, but rather on the succession process being consistent with family values. This is later supported by Distelberg and Blow (2010) in their insightful study of family businesses from an ecosystem perspective that shows how unified values play a significant role in the proper functioning of the family business.

Distelberg and Sorenson (2009) further developed the systems view of the family business succession such that motives for selecting the successor are influenced by system membership. A member of a system is more likely to be selected than a non-member. Alternatively, Gilding *et al.* (2015) beg for a closer inquiry into the motives of family business incumbents from the perspective of harmony vs continuity.

Nevertheless, the choice of the most suitable successor may still be determined by primogeniture (Stavrou, 1999). Along the same lines, Vera and Dean (2005) highlight the challenges daughters face in family business succession, detecting a general preference for the oldest offspring (regardless of gender) to take over the business.

From a different standpoint, stewardship theory sheds light on the behavior of the incumbent in choosing his or her successor. The non-opportunistic selection decision is embedded within the incumbent's set of responsibilities as steward of the family business. The literature described a good steward as that who was altruistically motivated to serve organizational interests, and that leaders were inclined to be good stewards if they belonged to a collectively oriented culture (Davis *et al.*, 1997). This may have some relevance to the current study since it is conducted in a Middle Eastern context of collective orientation.

A recent study using the grounded theory approach was able to reveal four key influences that potentially facilitate or constrain the incumbent's approach to succession (Solomon *et al.*, 2011). These four influences are the business within, marriage, adult children, and vision of retirement, implying that the stage in the individual's lifecycle has a profound influence on his or her approach to succession.

Of great relevance to this study is the concept of social capital and the potential role it plays in making the succession decision. Sirmon and Hitt (2003) identify five types of resources that family firms, more than others, are likely to possess, social capital being one of them, as confirmed later by Sharma (2008) and Pearson *et al.* (2008). The importance of social capital and social interactions were further underscored in several other studies (Long, 2011; Chrisman *et al.*, 2012, 2013). Consequently, this study holds the proposition that the dimensions of social capital are expected to influence succession, one of the most important processes of the family firm. To this end, I dedicated the first section of this study.

The Social Capital theory is a broad concept that refers to the "relationships between individuals and organizations that facilitate action and create value" (Adler and Kwon, 2002). The three dimensions of social capital are structural, cognitive, and relational, all of which constitute the bundle of relationships connecting family members in a family business.

The structural dimension of social capital includes family ties that make available to the family business certain existing and familiar network ties (Pearson *et al.*, 2008). It can be reasonably argued, then, that the succession process may be influenced by the strength of family ties and the frequency of interaction among the family members, making the structural dimension of social capital a prominent factor affecting the choice of successor.

Whereas the structural dimension refers to the strong and enduring family ties that characterize family members and bind them together, the cognitive dimension comprises the group's shared vision and purpose, as well as the unique language, stories, and culture of a collective (Pearson *et al.*, 2008). So, when family members share a common vision and meaning for the family business, they act as stewards who prioritize its interests (Discua Cruz *et al.*, 2013). It is therefore expected that, when choosing a successor, the incumbent will try to identify that who shares the same vision of the family business.

The relational dimension of social capital is described by Nahapiet and Ghoshal (1998) as having four aspects: trust; norms; obligations; and identity. In a family business, and due to the frequent communication and interaction, it is expected that trust may gradually evolve into a valuable resource (Arregle *et al.*, 2007) and that the incumbent's choice is likely influenced by the degree of trust he or she has in certain family members and the extent to which they share the same norms and standards of conduct, thus shifting their behavior from self-seeking to collective action (Adler and Kwon, 2002). As obligation is one of the salient norms in a family business, it follows that the incumbent would choose, for successor, a family member who demonstrates a strong sense of obligation to the business and the family. Identification with the family firm constitutes the fourth aspect of the relational dimension, making it a criterion in successor selection.

Research related to the influence of the succession decision on the occupational behavior of the siblings (Lansberg, 1999; Grote, 2003) is quite modest. Though sibling relationships and rivalry have been given considerable attention (Friedman, 1991; Swogger, 1991; Avloniti *et al.*, 2014), they have been mostly viewed as factors affecting succession, as opposed to variables affected by succession. Though Lansberg (1999) suggested that siblings could leave the family business and start businesses of their own, Grote (2003) argued that this would not solve the problem of succession but rather of the vocational behavior of certain family members. Nordqvist *et al.* (2013) suggest that studies on how succession planning is related to key entrepreneurial processes and outcomes could provide interesting input and certainly warrants further investigation for which I have devoted the second section of this study; i.e. succession pathways in the family business.

2. The context of the study

This study was conducted in Lebanon, a small Middle Eastern country almost half the size of Maryland. It is characterized by its remarkable diversity; it is a cultural mosaic of people with various religious, educational, and socio-economic backgrounds (Stel, 2013). As in any Middle Eastern nation, tradition plays a very important role in the lives of the Lebanese. Values of piety, family, accountability, and community are central drivers of behavior. Yet, in the same country, values of competitiveness, personal interest, and egoism are equally prevalent. The Lebanese economy is highly characterized by entrepreneurial activity led by the private sector where 98 percent of firms are SMEs (Mezher *et al.*, 2008). Family firms make up 85 percent of the private sector (Fahed-Sreih *et al.*, 2010), rendering the Lebanese business environment a suitable context for this study.

Furthermore, in Middle Eastern culture, gender remains an important consideration in most decisions, and is expected to have significant influence on the choice of successor in a family business. Fahed-Sreih (2006) points out that although men have historically dominated Lebanese culture; women are entering the work force and starting businesses. However, when it comes to the succession of a family business, men are taken far more seriously than women.

From the socio-political perspective, Lebanon and the region have been undergoing significant political turmoil leading to instability and lack of security leading up to fragility (Stel, 2013). This has been a deterring factor to most businesses in the private sector, especially the average family firm which now encourages its younger members to travel abroad where the prospects of work and education in a safe environment are more promising (Hourani and Sensenig-Dabbous, 2007). This makes the selection of a successor even more challenging since the most desirable successor may have already chosen a career in a foreign country; hence the significance of this study at this point in time.

3. Methodology

3.1 The method

This study required an up-close examination for which case study research was deemed most appropriate. According to Yin (1994), case studies allow for an in-depth analysis and a more detailed investigation that may be necessary to answer how and why questions.

Furthermore, this study employed the multiple case analysis method for its instrumentality in examining the succession process on the ground and in different organizational and family contexts. The goal of a multiple case study is to replicate findings across the selected cases (Yin, 2009), thus the evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust (Herriott and Firestone, 1983).

3.2 The sample

The unit of analysis was the family business, and all family businesses examined in this study, hereafter referred to as "cases", were purposively selected to mirror the business environment as regards to geographic dispersion, sector, and size. The snowball sampling technique was particularly useful when some firms in the sample suggested the names of other family firms they knew of, and that had recently undergone or had been undergoing succession at that time, thus yielding situations where the phenomenon under study could be closely examined.

According to Eisenhardt (1989), a number between four and ten cases usually works well and ensures sampling adequacy (p. 545). For practical reasons, eight cases were purposively selected, and interviews were scheduled with the family members that lasted between 1.5 and 2 hours each. After the data analysis generated some mixed results mostly associated with business size and formalization, it was decided to expand the sample to include four additional firms of various sizes[1], raising the total number of cases to 12, in the hope that expanding the sample would help confirm/explain the inconsistency of the generated results. This decision was informed by Morse *et al.* (2002), who advised the investigator to be responsive and demonstrate an active analytic stance to ensure rigor in the research approach. Morse *et al.* argued that efforts to ensure validity and reliability should be made by the investigators during the process, rather than by reviewers of the completed work. This decision was instrumental in confirming the influence of contextual factors on the type of stewardship commitment observed in the study. This is further explained in the results section below.

3.3 The participants

The participants in each of the 12 cases included key family members: the designated successor in all cases; and the founder (or the siblings if founder was deceased). Interviewing members of different generations (senior and junior generations of the family business) allowed for the gathering of data from multiple perspectives to gain a better understanding of the succession process. Most interviews were followed by telephone calls with interviewees for clarification or confirmation when needed. The interviewees were assured of absolute confidentiality.

3.4 The data

The semi-structured personal interviews were conducted in late 2013 over a period of seven months yielding 264 pages of notes. A standardized interview question-set was used in order to increase the consistency of the collected data. The interviews were conducted in the native language of the author, transcribed and, only when permitted, they were recorded. As the reliability of the data are considered to be only as good as the competency of the interviewer, the author conducted three pilot interviews before the onset of the study in order to hone her interviewing skills, thus trying to increase interviewer reliability.

At the end of each interview, the author reviewed (by way of oral summary) with the interviewees the basic points that were relevant to the study in order to ensure accuracy of the data and correctness of interpretation. This process is termed "respondent validation or member checking" and involves sharing the researcher's interpretations of the data with the participants who therefore have the opportunity to discuss and clarify the interpretation, and contribute new or additional perspectives on the issue under study (Krefting, 1991; Long and Johnson, 2000), thus leading to higher credibility. In addition to data gathered from the successor and founder/sibling, company brochures – when available – were examined for triangulation. The multiplicity of sources of evidence and member checking help ensure construct validity which involves establishing correct operational measures for the concepts being studied (Rowley, 2002; Yin, 2009). Various tools for analyzing the data were used including a running diary for recording reflections and often informing follow-up phone interviews. Most importantly, it was deemed essential to leave an audit trail for the data to ensure auditability (Sandelowski, 1986) by way of noting, explaining and justifying the steps undertaken by the author at each stage. This was demonstrated when the researcher clarified how and why the sample was expanded from an initial eight to a total of 12 cases, and what system was used in data analysis (below). Auditability is considered instrumental in increasing the validity of the data.

3.5 Analyzing the data

Data analysis followed a highly systematic approach. The author initially conducted within-case analysis and coded emergent themes liberally whether or not they matched the elements of the theoretical framework of the study. These write-ups were instrumental in generating insight (Gersick, 1988), and allowed for the emergence of unique patterns in each case before pushing to generalize patterns across cases (Eisenhardt, 1989). After all cases had been within-case analyzed, the author started to conduct cross-case comparisons. The delay was intentional so that premature identification of patterns could be avoided. The assistance of an external researcher was sought for partial review of the data to ensure inter-rater reliability. Three cases were randomly selected and the external researcher reviewed the data and suggested major categories independently (Burnard, 1991), which were then compared with the author's category coding. A discussion ensued and agreement on the final coding was reached. Pertinent data were later translated into English and reported in the results section below.

4. Results

The study yielded 12 cases spanning 11 different industries, and ranging in size from 8 to 1,200 employees. The successors' generations ranged between the second ($n = 8$) and the third ($n = 4$), and they were mostly men ($n = 10$) with only three women. One large company had two managing successor cousins, man, and woman of the third generation. The mean age of the successors in this study was 41.5 years, and 11 out of 12 had a college education, five of whom were MBAs. In five of the 12 cases, the author interviewed the founder and successor, while in the rest, the author met with the successor and one of the siblings (founder was either deceased or otherwise unavailable). Refer to Table I for the general characteristics of the firms in the sample.

4.1 Social capital drivers

4.1.1 Influence of the structural dimension on the selection decision. The data reveal that, in selecting their successors, the founders take into consideration, first and foremost, their nuclear family. The incumbent founds his choice on his desire to have his own children, rather than anybody else, take over this valued asset he calls his own. "My Dad called me after graduation and told me that I was needed here. He explicitly told me that he wanted me to take over. He was tired and wanted my help, though he could have chosen anybody else from his team. He preferred to put a family member in charge," (food processor). His ties with his children are stronger and more durable than ties with any other friend or relative. It is those "structural" ties that bind the family members to the business, to its present and future. "From the very beginning, our father wanted us to be involved, all three children. He depended on our updated skills, and we depended on his experience and wisdom. We were totally dependent on each other" (paint producer). According to the successor of Appliance Retailer-2, "It was understood early on by family members and employees that my brother and I would eventually take over. That's why Dad often took my brother and me to the company so that we would gain exposure." Influence of the structural dimension here is supported by previous literature where it was implicitly accepted that the successor would always be chosen from the family (Fahed-Sreih, 2006; Birley *et al.*, 1999). However, the results of this study place even greater emphasis on the

Business sector	Generation	Successor's Gender	Successor's Education	Successor's Age	Degree of formalization	No. of employees	Size
1. Retail	Third	Male	First year college	43	High	93	Large
2. Accounting and auditing	Second	Female	MBA, CPA	50	High	35	Large
3. Paint production	Second	Male	BBA	61	High	Over 1,000	Large
4. Food processing	Third	Male	MBA	40	High	25	Large
5. Packaging and retail	Second	Female	MBA	25	Low	15	Small
6. Plumbing materials	Second	Male	Engineer	52	Low	11	Small
7. Home appliance retail-1	Second	Male	MBA	33	High	30	Large
8. Home appliance retail-2	Second	Male	MBA	55	Low	10	Small
9. Generators and agricultural products	Third	Male and female	BBA	31 and 40	High	1,200	Large
10. Wood factory	Second	Male	High school	24	Low	12	Small
11. Fish auction	Third	Male	1st year master's	52	Low	8	Small
12. Printing services	Second	Male	High school	34	High	40	Large

Table I. General firm characteristics role that "family ties" play in the successor-selection decision, given the collective context in which this study was conducted. Primogeniture is not a consideration but a natural implication guiding the succession decision.

4.1.2 Influence of the cognitive dimension. In grooming the selected successor, the founder spends much time and effort teaching him or her not only the ins and outs of the business but also how to perceive things according to the former's value system: "He taught me what's right, what's wrong, what's acceptable and what's preferable," (food processing). The founder wants the successor to see eye to eye with him at least on the basics, so he trains him or her to think and act like he does. The result is much agreement between the successor and the founder on values and principles as pertaining to the business and life. They have a common vision.

However, that vision differed among the cases. In three out of the eight initial cases, there was a strong understanding of the family business as a source of stability and sustenance for the nuclear family. Business decisions were consistently made in light of what's best for the family. The business was meant to serve the family and not the other way around. This was how the founder saw it, and how he taught the successor to see it during the "grooming" years. Both founder and successor were stewards, but stewards of the family first, then the business. Their stewardship of the family business fell subject to their stewardship of the family itself. "My Dad's primary concern is our immediate family. I think he has spent his entire life to build this business so that it can secure our future […] In a way, I feel this way too, and I intend to safeguard it for the family" (packaging and retail).

To take this one step further, if the well-being of the family was in terminating the current business and establishing a different one (one of the interview questions), then both founder and successor would collaborate to do so in the best interest of the family. The ultimate objective of growing, sustaining, or terminating the family business was ensuring the survival and prosperity of the family. Hence, I termed this kind of stewardship "familial stewardship" which is a care-taking action toward the family that grounds business decision making in the best interest of the family itself. It follows that all decisions leading to the well-being of the family will be adopted, and that if there ever were competing interests, then the family's interest would supersede. A coding guide is presented below (Table II) to show a sample of the data leading to the construct that emerged from this study, namely, "familial stewardship."

In the remaining five (out of eight initial) cases, there was evidence of a stewardship commitment that was directed at the business and its assets, as opposed to the family. The successor of the large retailer in the sample declared: "My Dad and I don't see eye to eye on everything, but we do agree that the business is our number one priority" (retail). Similarly, the founder of the accounting and audit firm observed: "My daughter knows her responsibilities toward the business. She knows that the survival and growth of the business require her total dedication and commitment." Further, Appliance Retailer-1 stated, "We believe in the business and that it can grow many-fold. Our plans are very ambitious. The business is our lives!" In those firms, there was indeed a common understanding of stewardship commitment by both founder and successor; but a commitment toward the business first and foremost. This confirms the influence of "entrepreneurial stewardship" which aims to build and grow the business's assets, not just maintain them, for future generations" (Discua Cruz *et al.*, 2013, p. 31). In contrast, "familial stewardship" focusses on the family not its assets.

Raw data	Code	Category
My dad's primary concern is our immediate family. I think he has spent his entire life to build this business so that he can later hand it over to my brother and me	1. Family service	Familial stewardship
He feels that the family business can secure our future […] The business can be his (the son's) source of livelihood	2. Family security	
To survive, the business must be healthy – efficient and effective, so that it can support the family	3. Family support	
We did it for the entire family	4. Entire family	
I stay only because my participation is important for the family I am still in that business because its income is needed to support my aging mother	5. Family obligation	
The second generation members are contemplating the idea of splitting the business up between them. Remember, the family is getting bigger I do not know if we would feel the same way when each of us has his/her own family Since he had no college education, working for, and later running the family business was the best thing to do	6. Fit business to family needs	
My kids are more important than any business	7. Family priority	

Table II. Partial coding guide for "familial stewardship" construct

Though it may seem that stewardship of the family and stewardship of its assets address the same subject matter, this is not necessarily so. Often times, growing the family assets comes at the expense of the well-being of the family, and vice versa. This opinion is supported by Sharma *et al.* (1997) who advised not to assume that what is good for a family is good for its business, or vice versa, but rather realize that there are usually trade-offs between the needs of the family and those of the business (Sharma *et al.*, 1997). Therefore, "familial stewardship" and "entrepreneurial stewardship" are seen as two distinct constructs addressing different issues.

As mentioned above, "familial stewardship" was salient in only three of the initial eight cases, while "entrepreneurial stewardship" was dominant in the five remaining ones. These mixed results prompted the author of the current study to look into the characteristics of all eight cases to investigate the probable causes of inconsistency. Cross-case comparison of the company-descriptive data for the initial eight cases showed that there was a difference in size and degree of formalization between the first three cases and the remaining five such that the first three had fewer employees (between 8 and 15) and significantly lower annual revenues (no permission to disclose), while the rest had more employees and significantly higher annual revenues. In addition, the first three firms were not highly formalized or keen on following rigid rules or procedures, nor did they have a formal organizational structure. In contrast, the remaining five firms were far more formalized. This information shed light on two variables (namely, size and formalization) that may have had an influence on how the family business was perceived by the family members, and consequently on the shared system of meaning that constitutes the cognitive dimension of social capital. In other words, it was suggested by the cross-case comparisons that size (as depicted by number of employees and annual revenues) and the degree of formalization may influence the type of stewardship commitment (familial vs entrepreneurial) that the incumbent and successor shared, and which later played a key role in successor selection.

To confirm the influence of those variables, the author decided to expand the sample size to include four more family businesses (spanning the size continuum suggested by the EC and varying in their degrees of formalization). The objective of this expansion was to see if the findings of the original eight-case sample could be replicated. In choosing the additional firms, care was also taken to reflect the business environment in terms of geographic and sectorial diversity. The four additional interviews lasted about 1 to 1.5 hours and generated a total of 19 pages of notes. By this time, the author was able to direct the interview path more efficiently since the constructs under study were now clearer. The data soon revealed that size and formalization were indeed determining factors of how the family business was perceived by the founder and successor. Family members of the less formal, smaller business (<15 employees and lower revenues) showed commitment to the "familial stewardship" construct, while the larger and more formalized business showed commitment to "entrepreneurial stewardship", thus providing greater confidence in the results of the study. It can therefore be inferred that the founder would most likely choose a successor who shared the same vision of the family business that corresponds to the attributes of that business. "Business growth is our big obsession […]" (Assembly of generators and electric boards). "I get up for one reason everyday: the business!" (printing services).

4.1.3 The relational dimension. The data analysis revealed that only two of the four elements of the relational dimension (namely, trust and obligation) emerged as factors influencing the choice of successor.

4.1.3.1 Trust. Mayer *et al.* (1995) identified three aspects of trust: trust in ability, integrity, and benevolence. The data from the cases in this study revealed that, in choosing a successor, the founder placed heavy emphasis first on the integrity and second on ability of the successor. The rationale was that "ability could be built with time and experience" (wood factory). "My son was almost 20 when I sent him off to get some new machines. I had to help him build self-confidence and learn the industry early on. How else would he learn?" (printing services). On the other hand, "integrity is not something you can compromise – it is essential for the survival of the business, and thereafter, the family" (accounting and auditing). "I think he trusts my honesty and good intentions, but he knows that I need a lot of training and hands-on experience" (packaging and retailing). "I'm proud of my son for I know he has the highest moral standards. Not only do I trust him; everybody does. This is essential in our kind of business – lose trust and you lose your business!" (fish auction).

4.1.3.2 Obligation. The feeling of obligation strongly emerged from the data as a common value. "I took charge because it was either that or the competition would eat us up," (successor of home appliance 2). The successor of the food processing factory felt the same way: "I didn't think twice when my father called me and said he needed me at the factory. I left whatever I was doing at the university and hurried back home," (food processing factory). The founder chose a successor who shared this feeling of obligation with him, a successor who would sacrifice his comfort and own self-interest for the sake of the family. Figure 1 summarizes the influence of all three social capital dimensions on the selection decision, while emphasizing the importance of the cognitive dimension.

4.2 Succession pathways in the family business

The second research question of this study addressed the occupational behavior of the siblings following the succession decision. A careful analysis of the data revealed that

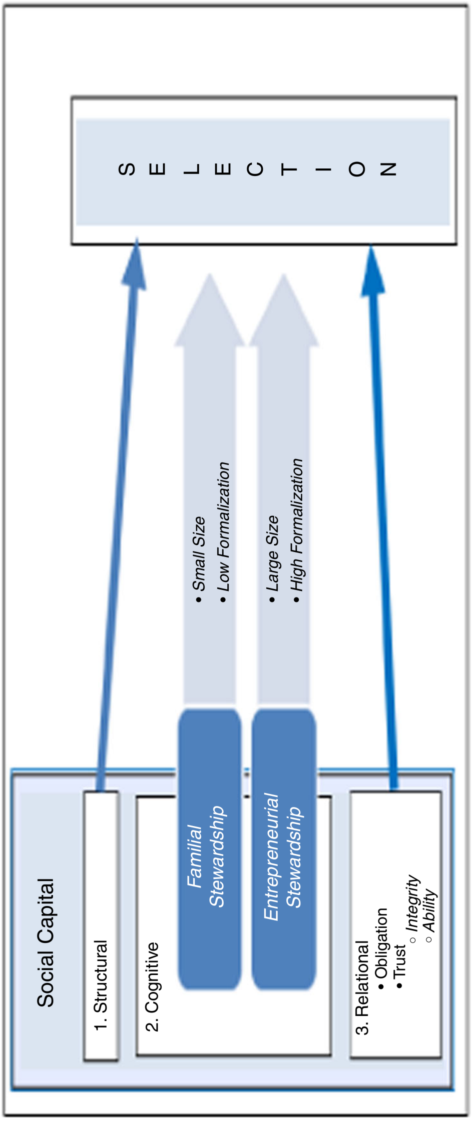

Figure 1.
Social capital drivers
of succession

the succession decision, besides securing a leader who ensures continuity for the family firm, often triggers entrepreneurial behavior potentially undertaken by the siblings. This section depicts the impact of the succession decision on the occupational behavior of the family members: those who choose to stay away from the family business, and those who choose to be part of it, including the successor.

4.3 The siblings who opt out

Being the descendants of the founder, family members in this study find themselves destined to play a role in the family business. Alternatively, they may choose to opt "out" for a variety of reasons: some siblings may search for outside employment or entrepreneurial pursuits in which they can better actualize themselves. "My brother chose to pursue an academic track rather than run the business; that's where he could find himself," (accounting and auditing). Others may like the safety and stability of outside employment (eldest son of wood factory's founder). Then again, they may feel driven to undertake their own entrepreneurial venture separately from the family business, thus initiating a new entrepreneurial track that helps define their identity and address their need for self-actualization. "I couldn't remain in my Dad's shadow; I had to find my own space" (founder of wood factory). "I didn't want to continue the old line of business; I wanted to seize the new opportunities that were arising," (packaging and retail). For those and similar reasons, second generation family members may decide not to partake in the management of the family business and to be excluded from the succession process altogether, while embarking on their own entrepreneurial venture.

4.4 The siblings who opt in

The remaining family members who "opt in" the family business generally do so driven by both entrepreneurial aspiration (individualistic driver) and obligation (collectivistic driver). They are compelled to assume the roles of stewards of the family business charged with the responsibility of not only maintaining but also developing it further through collective entrepreneurship. "Naturally, I feel an obligation to take charge of the family business, but I also find pleasure in doing so. It's challenging and I enjoy it," (retail). "We're looking to expand the business regionally. We feel like we're materializing our Dad's dream. It's our dream too!" (food processor). This demonstrates the tendency of the siblings to pursue collective entrepreneurial action after the succession decision is made.

However, as the siblings start having families of their own, their individualistic driver becomes stronger and they try to break away from the family business in pursuit of their own individual entrepreneurial venture that they may one day hand over to their own children. "My brother has recently started a restaurant in a neighboring country, and is currently considering another venture. These are his personal ventures," (food processor). "My eldest brother has gone into real estate even though he still works at the family business. His real estate venture is his own," (plumbing materials). Here, the individualistic driver triggers the sibling's need to pursue his/her own personal venture thus initiating yet another entrepreneurial pathway.

4.5 The obliged successor

In some cases, the successor may feel compelled to take charge of the family business as a means of sustaining the parents' livelihood. However, due to the lack of genuine interest and passion for the business, they are not likely to grow or expand it, thus leading it to face extinction with the end of the obligation. "I had to take over the business because my Dad's health did not permit him to continue to manage it. I had an obligation to step in," (home appliance retail-2). "After my brother's decision to start his own business, I felt obliged to help my father with the business. Now, I'm running the business only to support my aging mother. In the long term, I see myself running my own accounting firm," (fish auction). This situation would eventually result in the divestment of the family business, and perhaps the startup of a new "more interesting" venture, starting a new entrepreneurial path.

4.6 Resulting entrepreneurial pathways

It is important to mention that the succession pathways identified above may likely result in four instances of entrepreneurship: the first is initiated by the next-generation family member who opts out of the family business and decides to venture out on his own; the second by the designated successor and non-selected sibling who decide to independently start their individual (as opposed to collective) entrepreneurial venture; the third by the successor and non-selected sibling who decide to collectively undertake new entrepreneurial ventures in the name of the family business; and the fourth by the obligation-driven successor who may divest the family business and start a new venture for which he may have more passion. These results propose that more attention needs to be paid to the post-succession behaviors of non-selected siblings since they too can be an important source of entrepreneurship. Figure 2 graphically depicts the various pathways resulting from the succession decision and often leading to new entrepreneurial ventures.

5. Discussion

Distelberg and Sorenson (2009) underscored the value of social capital resources in the family business, stating that access to these resources was the primary component keeping the family business system (FBS) together (p. 75). The current study confirms the influence of social capital on succession, one of the most sensitive family business processes. More importantly, it makes a valuable contribution to our understanding of this process by introducing the concept of "familial stewardship," a cognitive construct of social capital which has been shown in this study to play a deciding role in the choice of successor. This study also depicts the occupational behavior of the siblings after the succession decision by introducing the SPM as a tool that can be used by the incumbent, or other decision makers in the family business, to foresee potential tracks of entrepreneurship in the future of the family firm, and thereby plan accordingly. These two contributions are discussed in more detail below.

5.1 Familial stewardship

The results of this study showed that the cognitive dimension of social capital had the greatest influence on the choice of successor, making the shared vision of the business a determining factor in the selection decision. The founder will choose the successor who shares with him the same type of commitment to the family and business, confirming previous research which underscores the importance of unified values (Santiago, 2000; Distelberg and Blow, 2010). However, this study was able to find a link between shared commitment type and contextual factors, namely, size and degree of formalization. Accordingly, "familial stewardship" emerged as a distinct type of commitment to the family in smaller-sized firms, having, at its heart, the objective of promoting the

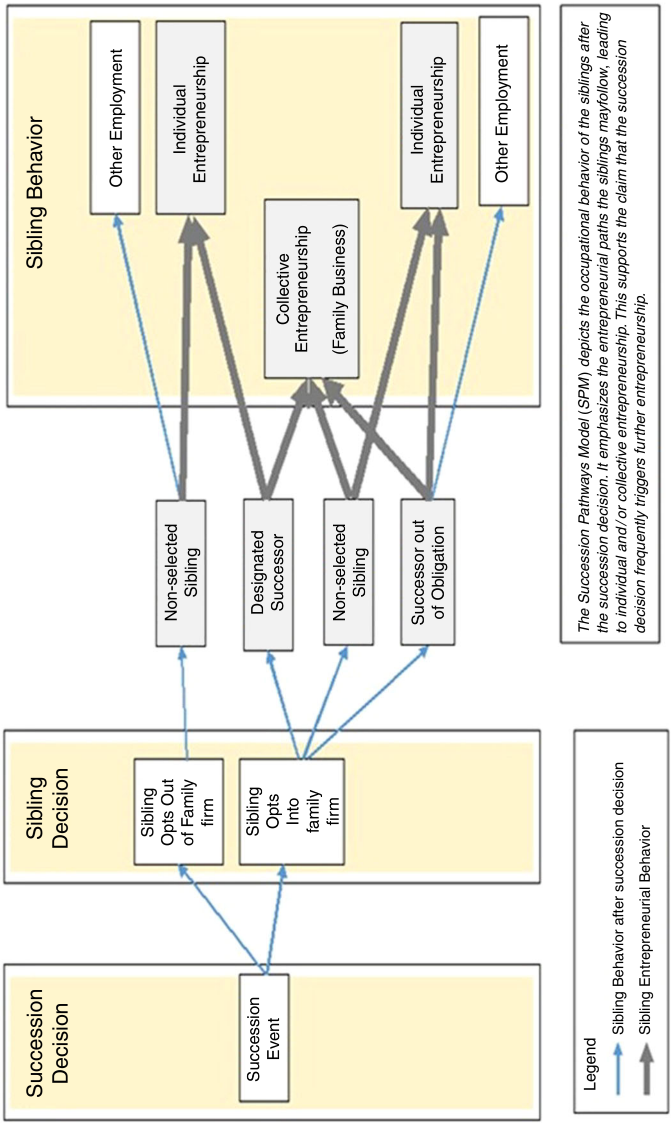

Figure 2.
The succession pathways model (SPM)

long-term well-being of the family. Though this objective frequently aligns with business goals, it may sometimes come at their expense.

In fact, previous research under the general systems theory has led theorists to argue that healthy family systems and healthy business systems may often seek opposing goals (Levinson, 1971). More specific to this study, Sharma *et al.* (1997) state that in a FBS, family-system goals, and resources are valued by the family members more than business system goals and resources. This idea is crystallized in the concept of "familial stewardship," where family members demonstrate an unwavering commitment to family goals over business goals/needs in smaller firms. For example, so long as family interest is protected, a decision that may directly serve a member of one's nuclear family is considered to be acceptable despite its potentially negative consequence on the family business. Appointing one's son, straight after graduation, to a managerial position to get his feet wet is considered common place despite the adverse consequences this decision may have on the performance of the firm or on the morale of its employees. After all, the founder and his wife want the firm to provide training ground for their son to enhance his administrative capabilities. Their goal here, obviously, is to benefit their son, not the business. In their eyes, the firm falls subject to familial interest. So family-system goals supersede other goals in smaller and less formalized family firms, but not in larger, more formalized firms where business goals are prioritized. It is the underpinning of "familial stewardship" to the contextual variables of size and formalization that constitute this study's extension of existing theory.

Vivid examples from the data, in support of "familial stewardship", are observed when the founder designates as successor his young, inexperienced daughter (packaging and retail), or assigns managerial duties to his younger son who lacks business knowledge and skill (wood factory) or, in extreme cases, decides to liquidate the business with the end of obligation to aging parents who pass away (Appliance Retail-2, fish auction). Such decisions come at the expense of the business, even though the objective may have been to provide training and character-building ground for the children. This is consistent with Chrisman *et al.* (2012) who pointed out that family business goals may often be non-economic in nature.

Thus, "familial stewardship" in the form of care-taking actions toward the nuclear family, as opposed to the business, is not uncommon. Gilding *et al.* (2015) introduced the term "Individualization" which represents succession decisions made in favor of family harmony at the expense of business continuity. However, the current study has pinned down the "familial stewardship" construct in relation to the context of size and formalization, confirming the influence of a shared stewardship commitment on the successor-selection decision. Therefore, it can be reasonably concluded that familial values of stewardship represent an important cognitive dimension which often guides succession decisions in the family firm.

5.2 SPM

Zellweger *et al.* (2012) argued that focus should shift from the firm to the family level of analysis because such a shift would unravel extended entrepreneurial activity, which may be missed when analysis is limited to the firm level. This probably explains why in this study, whose scope is extended to include the siblings' behavior, new entrepreneurial paths other than those of the firm emerged. Those paths were undertaken by the siblings after the succession decision, suggesting that the succession decision itself constituted a source of potentially viable entrepreneurial activity.

The SPM depicts how, after the succession decision, siblings may choose to undertake entrepreneurial action individually and/or collectively. Specifically, siblings who "opt out" of the family firm may eventually create their own startup, driven by individualistic motives such as self-actualization, independence, or even frustration with the succession decision. Whatever the reason, "opting out" constitutes a noteworthy entrepreneurial pathway.

Alternatively, siblings who "opt in" do so either out of obligation to their founding parents, or because working at the family business is challenging to them. If obligation is what motivates them to run the family business, then their motivation will end with the end of obligation, leaving them with the highly viable option of divesting the family firm and investing in a new more exciting venture, thus marking another entrepreneurial pathway.

If challenge is the motivating driver, then the successor and the non-selected siblings who "opt in" would likely engage in collective (for the benefit of the family firm) and/or individual (for their own personal benefit) entrepreneurial activity. To them, entrepreneurial action is rewarding whether driven by individualistic or collectivistic motives, thus marking two additional distinct entrepreneurial pathways as depicted in the SPM.

It is important to mention that lifecycle stages were shown to be linked to individualistic/collectivistic drivers which influence the entrepreneurial behavior of the siblings. In this study, the family member who "opts in" is initially driven to undertake collective entrepreneurial activity, but as this person's nuclear family grows, he or she becomes more individualistically inclined and begins to seriously consider individualistic undertakings. Previous literature seems to support these findings. Solomon *et al.* (2011) underscored the influence of lifecycle elements, particularly marriage and adult children, on the family members' approach to succession. Further, Aldrich and Cliff (2003) suggest that family members' roles – during and after succession – often change thereby affecting the pool of opportunities and resources available for new venture creation.

This supports our results which confirm that the succession decision in the family firm may well instigate family members, for various reasons, to contrive of entrepreneurial opportunities of their own, thus branching out of the family firm into multiple entrepreneurial ventures, either alone (wood planks, food processing), or with other family members with whom they share cognitive and/or relational aspects of social capital (paint manufacturer, generators). Therefore, though the selection decision may cause disappointment in the non-selected siblings, the long run effect is encouraging as it potentially triggers entrepreneurial action as a vocational choice. The SPM depicts the four instances of entrepreneurial action triggered by the succession decision, marking a useful point of departure toward a more focussed investigation of this issue. Indeed, "a family's involvement and its influence on a firm seem to be sources of unique entrepreneurial opportunities" (Chrisman *et al.*, 2010).

6. Conclusion and implications

This study investigated the issue of family business succession, an issue that remains problematic for many family firms. The study first examined the factors that may influence the successor-selection decision under the social capital lens; and second, explored the influence of that decision on the siblings' occupational behavior. The qualitative approach was used and multiple cases studies were conducted using the interview technique. Findings of the study confirmed the influence of all three dimensions of social capital on the succession decision, underscoring the influence of the cognitive construct "familial stewardship" as a deciding factor underpinned by size and formalization as contextual variables. "My son knows his responsibilities toward the family, a priority in any decision making done at the firm," (wood factory). The study also produced the SPM which depicts the entrepreneurial behavior undertaken by siblings after succession. The SPM shows a set of occupational paths that siblings may embark on in response to the succession decision, thereby identifying distinct entrepreneurship engagements triggered by that decision. "My brother has chosen to start a small business in a neighboring country on his own […] it's his baby project, apart from the family business," (food processor).

The findings of this study have important practical and theoretical implications. In practice, "familial stewardship" was found to have a profound impact on how successors are selected, particularly in smaller firms. This helps answer questions like: "Why did the founder subject one sibling and not another to the socialization process? Why was a particular sibling selected to engage in challenging undertakings? Why was that sibling, and not another, chosen as official successor?" The "familial stewardship" construct rationalizes the founder's choice of successor. It highlights the founder's need for a successor who shares a common commitment to family interest as the ultimate objective of running the firm. When "familial stewardship" is understood as the construct underlying the founder's choice of successor, tension, and conflict during and after the succession decision are substantially reduced. Efforts will be directed toward activities that lead to a smoother and more effective succession since the founder's choice is clearly rationalized. The founder will seek the successor who shares this same commitment to the family and places it above all else even the business itself.

Therefore, when practitioners are involved in planning the succession process in a small family firm, care must be taken not to impose a successor who does not demonstrate this type of stewardship commitment toward the family. In the succession planning process, practitioners need to inform and guide the successor-to-be in discerning and taking those actions that are directed toward the family's best interest. A successor with a different type commitment is likely to experience considerable conflict with the incumbent and later with the family when he or she prioritizes business interest or self-interest over the interest of the family. Therefore, encouraging the potential successor to become a "familial steward" enhances his or her chances of being selected for, and later succeeding in the successor's role, making the founder comfortable that his family is in good hands, and decreasing potential for future conflict, one of the fastest growing concerns in the family business (Danes and Olson, 2003).

The theoretical contribution this study makes is related to the subject matter of succession in the family business. "Familial stewardship" is introduced as a cognitive construct emerging from the cognitive dimension of social capital, and shedding light on the influence of shared cognitive values on the succession decision. The identification of this specific type of stewardship potentially extends researchers' interpretation of the cognitive dimension, and highlights the impact of familial commitment on one of the most business-oriented decisions: Succession. The results of this study serve to underpin the concept of "familial stewardship" to correlative contextual variables such as size and formalization, inviting further investigation of the effect of these and other variables on the succession decision. Moreover, the SPM constitutes another potential contribution to the literature which seems to focus on the precursors of succession while almost ignoring its impact on the occupational direction on the non-selected siblings. The SPM depicts the latter's behavior and identifies four instances of entrepreneurship triggered by the succession decision – a potentially valuable contribution to the literature. These instances of entrepreneurship also invite further investigation into the means of helping them materialize and become fruitful new ventures. According to Gilding *et al.* (2015), "people are motivated by a combination of individualistic utility maximization, social upbringing, and collective interests – in different ways in different contexts," a notion that the family business literature is reluctant to, but should, acknowledge.

7. Limitations

This study has shed some light on the drivers and pathways of the succession process. Nevertheless, this study has its limitations. First, though the sample was selected from different geographic regions, sectors, sizes, and religious orientations, they were all Lebanese and operating mostly in Lebanon. Therefore, the results of this study should be approached with caution. In order to obtain generalizable results, it is recommended that a more diverse sample be selected, which includes family businesses from other Middle Eastern nations to help ensure the transferability of the results, a criterion that improves their validity (Morse *et al.*, 2002).

Second, this study used purposive sampling which has its own limitations. However, due to the lack of officially registered records and public rosters of family firms in Lebanon, purposive sampling was deemed an appropriate method under the circumstances. Third, though this study identified size and formalization as two variables that affect the type of stewardship commitment, it does not preclude the existence of other variables that may also have an effect, especially if a multi-national sample was used.

Fourth, the SPM was informed by cross-sectional interview data analysis. However, it may be improved by a longitudinal study that depicts the entrepreneurial behavior of the siblings as related to the succession decision. Such an approach may shed light on possible other factors that may act as precursors to successor selection and to entrepreneurial actions following succession. Note that this study did not focus on the precursors of the succession pathways which presumably warrant a dedicated investigation. For example, what role does sibling rivalry, among other factors, play in drawing those pathways? Finally, the depicted relationship between size and formalization on one hand, and stewardship commitment on the other is mainly correlative not causal. It would prove useful to further investigate the existence and nature of a causal relationship between those variables in future studies.

Note

1. The four additional cases were selected based on the size categories identified by the European Commission Recommendation of May 6, 2003 concerning the definition of micro, small- and medium-sized enterprises (European Commission, 2003). According to the EC recommendation, a business falls into one of five categories: micro (< 10 employees), small business (< 50 employees), medium (< 250 employees), large ($< 1{,}000$ employees), and enterprise ($> 1{,}000$ employees). For practical reasons, the "large" category was dropped from the analysis.

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