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## Successful Family Firm Succession: Transferring External Social Capital to a Shared- leadership Team of Siblings

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**Abstract**

Studies on succession in family business have recognized the importance of the transfer of social capital to ensure a firm’s continuity and growth. However, although previous research has focused on succession as a one-to-one phenomenon, more and more successions in the real world are collective successions. Therefore, this study focuses on the transfer of external social capital (ESC) from a predecessor to a team of siblings because succession to a shared-leadership team changes the traditional way of transferring ESC. Using a qualitative analysis of six Canadian family companies, we show how a sibling succession process evolves for ESC transfer. We also demonstrate how predecessors transfer operational ESC on an individual basis and strategic ESC on a collective basis to the shared-leadership team. The findings also explain how successors acquire their predecessors’ ESC and use their own ESC to renew firm ESC. Those outcomes are summarized in seven propositions.

**Keywords: sibling succession, external social capital, family business, shared-leadership team**

## **1. Introduction**

Business succession is one of the most important challenges for a family firm (Handler, 1994; Brockhaus, 2004; Benavides-Velasco et al. 2013, Cisneros et al. 2018). Most family firms do not survive transgenerational transfers (Ayres, 1990; Handler, 1994; Le Breton-Miller et al., 2004). The transfer of a family firm from one managing owner to the next generation is a complex operation involving the transmission of both tangible and intangible resources (Le Breton-Miller et al., 2004)<sup>1</sup>. Some intangible resources, such as the managing owners' social capital (SC), are difficult to transfer as they are intricately linked to the predecessor (de Alwis, 2016). SC is defined as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet & Ghoshal, 1998, p. 243).

Given that SC is a key asset for family firms (Janjuha-Jivraj, 2003; Arregle et al., 2007; Kontinen & Ojala, 2012; Mani & Lakhal, 2015; Sanchez-Famoso, 2015; Herrero, 2018; Sanchez-Ruiz et al., 2019), it must be transferred and managed to ensure the long-run survival of the firm (Steier, 2001; Aragon-Amonarriz et al., 2017; Schell et al., 2018; Sanchez-Ruiz et al., 2019). Subsequently, SC must also adapt to the firm's long-term orientation. Thus, transferring SC to future generations is a major challenge (Aragon-Amonarriz et al., 2017; Schell et al., 2018). The literature distinguishes between internal SC and external SC (ISC and ESC). ISC (or bonding form of capital) in family firms derives from relationships between family members inside a family firm (Arregle et al., 2007;

<sup>1</sup> For a classification of resource types, see Grant (1996).

Herrero and Hughes, 2019)<sup>2</sup>. External SC (or bridging form of capital) derives from networks of external relationships.

A recent study of family firms in Quebec (Canada)<sup>3</sup> shows that 62% of them have more than one generation involved in managing the company. Furthermore, 88% of those companies have at least two family members on the board<sup>4</sup>. According to Astrachan et al. (2003), “[c]ontrary to the American stereotype of the lone hero, roughly one in nine respondents reports having more than one CEO leading the family business. Looking ahead, 35.1% say co-CEOs are possible in the next generation” (p. 12). Therefore, family firm successions involving more than one successor (family teams comprising siblings) involved in shared leadership is a common practice<sup>5</sup> (Cater & Justis, 2010; Farrington et al., 2011; Cater & Kidwell, 2014; Cisneros & Deschamps, 2015; Cater et al., 2016; Cater & Young, 2018; Bövers & Hoon, 2020). ESC transfer research has explored successions from a predecessor to a unique successor (Tata & Prasad, 2010; Schell et al., 2018), but little attention has been paid to transfers from one predecessor to several successors, even though it is well known that maintaining and renewing the predecessor’s ESC are crucial to the firm’s sustainability (Steier & Greenwood, 2000; Lwango & Coeurderoy, 2014; Schell et al., 2018). It is unclear how ESC is transferred inter-generationally from an individual to a group (or to more than one person) and how successors integrate intra-generationally their own ESC with that of the predecessor. This study aims to fill this gap.

<sup>2</sup> ISC in family firms is also commonly termed family social capital (FSC)

<sup>3</sup> Cisneros et al. (2021)

<sup>4</sup> Advisory board or board of directors

<sup>5</sup> Even a consulting book on family business succession (Walsh, 2011) edited by the firm KPMG Canada deals with the notion of a “management succession team.”

We conducted a qualitative analysis of six Canadian cases of sibling succession, including interviews with 22 predecessors and successors of family firms located in Quebec, Canada. This study contributes to the literature in numerous ways. We specify the evolution of a sibling succession process with regard to the transfer of ESC. We illuminate the process of transfer and acquisition of ESC by demonstrating that ESC is first transferred inter-generationally on an individual basis, when it concerns the operational dimension of each successor's managerial responsibilities (e.g., operational decision-making), and then on a collective basis, when it concerns strategic management (e.g., making strategic decisions in a shared-leadership team). We also demonstrate that a collective succession team can be a key to successfully consolidating and increasing a family firm's ESC. Finally, we explain how successors acquire and renew the firm's ESC with their own network and offer seven research propositions for understanding how to enhance the transfer of ESC to a shared-leadership team of sibling successors.

The remainder of this paper is organized as follows. The next section reviews the existing literature on ESC, the issues raised by its transfer, and shared-leadership team succession. Section 3 explains our qualitative methodology. Section 4 presents the results. Section 5 presents the discussion of our results. Section 6 offers conclusions, limitations, and future research directions.

## **2. Literature review**

The literature review is organized in two parts. First, we describe ESC and establish the key role of the CEO. Second, we present the existing knowledge on ESC transfer in the context of a collective succession.

### **2.1 External social capital (ESC) in family firms**

SC theory posits that resources are embedded in relationships possessed by an individual or a social unit (Bourdieu & Wacquant, 1992; Burt, 1992; Coleman, 1988; Granovetter, 1983, 1985; Nahapiet & Ghoshal, 1998). SC is then the sum of actual and potential resources embedded within the firm (bonding form of capital, or ISC) or available through and derived from a network of external relationships (bridging form of capital, or ESC) (Nahapiet & Ghoshal, 1998; Adler & Kwon, 2002; Payne et al., 2011). Existing literature distinguishes between ISC and ESC. We focus on ESC transfers in this study. ESC is a source of socialization, support, and interactions for the managing owner and a means for creating business opportunities for the company (Schell et al., 2018; Sanchez-Ruiz et al., 2019).

ISC has garnered substantial research interest (Steier, 2001; Janjuha-Jivraj, 2003; Arregle et al., 2004; Coeurderoy & Lwango, 2008; Mani & Lakhali, 2015; Herrero & Hugues, 2019; Sanchez-Ruiz et al., 2019; Sanchez-Famoso et al., 2015), including its transfer from one generation to the next (Coeurderoy & Lwango, 2008; Salvato & Melin, 2008). However, even though it is essential for a firm to maintain a balance between ISC and ESC (Salvato & Melin, 2008), the transfer of ESC has not garnered the same research interest despite being crucial (in the form of intangible assets such as contacts and networks) for a firm's economic stability (Janjuha-Jivraj, 2003; De Freyman et al., 2007; Schell et al., 2018).

ESC is a valuable asset for firms because it enhances their ability to acquire external knowledge and resources through networking (Gronum et al., 2012; Garcia Villaverde et al., 2018; Lee et al., 2019). ESC can increase firms' financial performance (Bosma et al., 2004), corporate growth (Baron & Markman, 2003; Runyan et al., 2006; Honig et al., 2006), research productivity (Salaran

& Maritz, 2009), innovation (Molina-Morales & Martínez-Fernández, 2010), and internationalization (Kontinen & Ojala, 2012).

While ESC provides collective benefits for a firm, its origin is anchored in individuals (Bourdieu, 1980; Coleman, 1988; Putnam, 1995a, 1995b; Lin, 1999), who establish, maintain, and develop personal networks with diverse external stakeholders. Scholars have analyzed the effects of SC on firms not at the individual level but *via* the individual in the context of the organization to which they belong (Adler & Kwon, 2002; Payne et al., 2011). Owners or CEOs create, develop, maintain, and operate an external network that provides access to various beneficial resources (Lee et al., 2019; Sanchez-Ruiz et al., 2019). In nascent and small firms in particular, the positive influence of entrepreneurs' ESC is clear (Davidson & Honig, 2003; Kim & Adlrich, 2005; Stam et al., 2014). It is also clear that in SMEs, a CEO's ESC positively influences business referrals (Chollet et al., 2014), recognition of entrepreneurial opportunities (Cao et al., 2015), or corporate risk-taking (Ferris et al., 2017). As a consequence, ESC is said to be lost when the founder/CEO exits a firm, thereby negatively influencing firm performance (Bamford et al., 2006).

In many family firms, power and ownership are centralized (Miller et al., 2003) due to the great stability of the position of the CEO (McConaughy, 2000), which allows for the establishment of strong personal relationships with external stakeholders and little necessity to distribute knowledge over time within the firm (Hatak & Roessl, 2015). As a result, the predecessor is often the only depository of knowledge in the family firm, which is rather tacit (Steier, 2001) and informal, especially when it comes to valuable external connections (Geindre, 2009). This leads to an outsized dependence on the predecessor's knowledge (Hatak & Roessl, 2015). Thus, as a CEO has strong influence over ESC and since ESC is even more likely to be strongly dependent on the



predecessor, succession is a critical juncture because it increases the risk of losing ESC. Only a few studies have focused on the transfer of ESC during the succession process in family firms (Steier, 2001; Tata & Prasad, 2010; Schell et al., 2018), even though it is crucial to the sustainable performance and survival of family businesses (Tata & Prasad, 2010; Schell et al., 2018).

## **2.2 Transferring external social capital (ESC) in family firms**

Cabrera-Suarez et al. (2001) argued that the success of a family firm succession depends on the appropriation of the predecessor's knowledge and relationships by the successor. The succession process, as well as the predecessor's and successor's roles during this process, has received adequate research attention (Handler, 1990; Gersick et al., 1997).

Several studies (Steier, 2001; Tata & Prasad, 2010; Schell et al., 2018) have demonstrated the importance of ESC transfer from one predecessor to one successor in family firms and have provided insight into the succession process. Steier (2001) stated that transferring and managing ESC is crucial if the family firm wants to grow or even survive. Failure to transfer ESC may lead to renunciation of succession (Geindre, 2009). Schell et al. (2018) explained how ESC, and hence its transfer, is crucial to the sustainability of the family firm.

Steier (2001) identified four kinds of successions, implying different methods of transferring ESC: unplanned succession, rushed succession, natural immersion, and planned succession with the deliberate transfer of ESC. According to Steier (2001), in a family firm, the next generation's capacity to manage ESC depends on the extent of succession preparation and the methods used to manage the ESC transfer. Schell et al. (2018) proposed the concept of the influence of the succession context. The ESC transfer depends on the successor's absorption capacity and relational competence, as well as the predecessor's willingness to transfer their network (Tata & Prasad,

2010). This capacity to “preserve the pre-existing predecessor network and build up his own” is called by Schell et al. (2018) the *generation-gap effect* (p. 320). Thus, successors can appropriate the resource “network” because they have the capacity to mobilize it. Throughout the succession process in a family firm, successors are increasingly more informed about the predecessor’s important past network contacts who are no longer part of the company’s ESC. Thus, a *renewal-of-network effect* can occur “if former relationships are known and if the successor can reactivate them” (Schell et al. 2018, p. 320). Therefore, according to Schell et al. (2018), successors mainly exploit the predecessor’s existing business relationships and explore former or neglected business contacts, but they do not seem to add new ESC from their own networks.

ESC transfer is linked to the characteristics of the predecessor and the successor, as well as to the quality and duration of their relationship (Sanchez-Ruiz et al., 2019). Steier (2001), Tata and Prasad (2010), and Schell et al. (2018) have emphasized that ESC transfer has to be planned, like any other transfers, to increase the chances of success for the successor. They also shed light on the successor’s profile and their proactivity as key elements of a successful transfer of ESC.

### **2.3 Transferring family firm to a shared-leadership team**

Passing family companies on to a sibling succession team is becoming common practice (Cater & Justis, 2010; Cisneros & Deschamps, 2015; Cater et al., 2016; Cater & Young, 2018). For Cater and Kidwell (2014), “[t]he solution of choosing multiple successors may represent an easy way out for the leader, or a decision that makes practical use of the family’s human resources” (p. 218). That practice requires successors to share the risk of ownership, business strategy (organizational objectives) decisions, and the pursuit of family wellbeing (Gersick et al., 1997). It also contributes to maintaining family harmony and continuity (Cater et al., 2016). Thus, such processes create “a

co-leadership constellation at the top” (Bövers & Hoon, 2020, p. 114) described as a sibling succession team.

Within family businesses, such teams are characterized by their collective leadership. Several authors claim that collective leadership is appropriate for family businesses (Ward, 1991; Gersick et al., 1997; Lansberg, 1999; Cater & Young, 2018; Hidayati et al., 2020). Furthermore, collective leadership is a trend in younger generations, with millennial family members seeming comfortable working in a team with a collective leadership style (Hidayati et al., 2020). Cater and Justis (2010) refer to such teams as “shared-leadership teams.”

Shared leadership is defined as “a dynamic, interactive influence process among individuals in groups for which the objective is to lead one another to the achievement of group or organisational goals or both” (Pearce & Conger, 2003: p. 1). Pearce and Conger (2003) also note that the “influence process often involves peer, or lateral, influence, and at other times involves upward or downward hierarchical influence (p. 1).” Several authors (Carson et al., 2007; D’Innocenzo et al., 2014; Wang et al., 2014) point out that shared leadership has a positive impact on team effectiveness, and team performance (Ensley et al., 2003), and that it is also advantageous for developing team social capital (Day, 2000; Day et al., 2004). Bövers & Hoon (2020) state that shared leadership at the top of family firms “is a critical factor that can provide a unique competitive advantage” (p. 129).

Despite the relevance of the topic, only a few studies have focused on family business succession and shared-leadership teams. According to Cater and Young (2018), to qualify for consideration for a place on the successor team, successors have to display honesty and integrity, possess intelligence, achieve higher education qualifications, and undergo training in the management of

the family firm. Successors should also be interested in the family business and its operations, want to lead the family firm, and be committed to the family. According to Cater et al. (2016), predecessors select the successors and decide their positions in the team. In line with other authors (Hugron, 1991; Hugron & Dumas, 1993; Cadieux, 2007) studying the family succession process, Cater and Kidwell (2014) describe four stages in how leadership develops in successor teams. Following a preliminary stage during which the predecessor has only vague thoughts of retirement, those four stages are: 1) the beginning of a retirement plan and looking for successors; 2) the evaluation of the possible successors once they have been integrated into the business; 3) the creation of the successor team and gradual reduction of the predecessor's leadership involvement; 4) the predecessor's exit by retirement (or death), at which point the successor team takes over the management of the family firm. Cater et al. (2016) highlight five major aspects of the successor team formation: predecessor leadership, division of tasks, development of team member skills, establishment of a pecking order, and division of ownership. Farrington et al. (2012) identify three main determinants of team success (in terms of financial gains for the firm and team harmony): possessing physical resources, skills diversity, and strategic leadership. Cisneros and Deschamps (2014) add other factors to be considered: having successors prepared and competent is necessary, but their skills and expertise have to be complementary; roles within the team have to be clear and specific; communication has to be fluid. Furthermore, Bövers & Hoon, (2020) state that the team members should integrate their shared leadership activities into concerted actions, with mutual affirmation, using their shared entrepreneurial spirit and recognizing their complementarity. A study by Cater et al. (2016) on the successor team performance identifies a "positive track" resulting in team commitment and a negative one causing the team dissolution, including the possible failure of the family firm. Finally, Cisneros and Deschamps (2014) also note that

predecessors should retain mentor roles after passing the baton, implementing a family council can be helpful, and the involvement of neutral, competent, and legitimate (for predecessors and successors) advisors can be useful.

Although most family firms do not survive transgenerational transfers, collective successions are common practice, with the transfer of SC being of major concern in ensuring the long-term survival of the firm. Research on family business succession related to social capital or shared-leadership team issues is scarce. The existing literature on family business succession helps us to understand ESC transfer and how shared-leadership succession teams are created and perform. However, it does not explain the complexity of transferring ESC from a single person to a shared-leadership team, nor how the members of such a team can integrate their own ESC with that of their predecessor's. That constitutes a clear gap in the existing literature on ESC transfer in family firms.

### **3. Methods**

The complexity of family business successions (Birley, 1986; Brockhaus, 2004; Cadieux et al., 2002; Chittoor & Das, 2007; Lambrecht, 2005; McGivern, 1978; Mickelson & Worley, 2003; Sharma, 2004), the scant literature on this topic (Steier, 2001; Schell et al., 2018), and the exploratory nature of our research questions (Yin, 2008) legitimize our use of an inductive and qualitative approach (Eisenhardt, 1989) based on a multiple case method. This approach offers a better understanding of the problem (Sekaran, 2003) and permits us to gain deeper insights that could be used to create conceptual frameworks (Miles & Huberman, 1994). This method has been widely used to study family business succession (Cadieux, 2007; Cadieux et al., 2002; Chittoor & Das, 2007; Ibrahim et al., 2001; Lambrecht, 2005; Mazzola et al., 2008; Mickelson & Worley, 2003; Aragon-Amonarriz et al., 2017; Steier, 2001; Schell et al., 2018). In addition, this method

facilitates the exploration of different events or phases in the evolution of family firms' successions (Lambrecht, 2005; Cisneros & Deschamps, 2015). Similar to Steier (2001) and Schell et al. (2018), we consider the multiple case method because our research question seeks to gather more information about "how a phenomenon takes place ... and which processes can be identified and described" (Schell et al., 2018: p. 314).

### **3.1 Sample**

Eisenhardt (1989) stated that randomization is not necessary when selecting case studies but building a theoretical sampling and identifying cases where the studied phenomenon could be observable in a transparent way is more fruitful. Hence, to investigate this phenomenon extensively, we chose to analyze family firms that had successfully completed the succession process. Moreover, as suggested by De Massis and Kotlar (2014), we built a polar-type sampling method using extreme cases. As Patton (1998) and Stinchcombe (2005) demonstrate, extreme cases provide more depth and richer data than typical cases. We selected and compared extreme cases to generate reflexivity because those cases "excel at rendering visible what is taken for granted" (Chen, 2016: p. 33).

For the purposes of this research, successful succession means the following: (1) a smooth transfer of leadership, and ownership (Friedman, 1986; Ward, 1991; Cadieux et al., 2002; Thevenard-Puthod; 2020); (2) a "subsequent positive performance of the firm and ultimate viability of the business" (Le Breton-Miller et al. 2004: p. 306); (3) the satisfaction of stakeholders with the outcome of the succession process (Handler, 1990; Cabrera-Suarez et al. 2001; Le Breton-Miller et al. 2004), and with the performance of the firm (Sharma et al., 2003). In this sense, our study seeks to illuminate how ESC is acquired by a sibling team in a successful family business succession.

Hence, we selected companies that had successful and smooth sibling succession processes, to clearly identify their networks, understand the nature of their relationships, and learn how these were transferred and integrated (i.e., the companies maintained a close relationship between the predecessors and successors, maintained a continuing exchange between them, and even identified (in some cases) key contacts before starting the succession process).

Other criteria for our theoretical sample are that the successors hold a majority share of the family firm's capital, and that the companies should be physically near one another (i.e., in Montreal, Canada and its suburbs) and should be private. Because there is no family business database in Montreal's province, Quebec, we followed the example of studies from the same country (Cadieux, 2007; Cadieux et al., 2002) and proceeded iteratively to select our cases (Yin, 2008) using mainly the researchers' contacts "to ensure access to the sensitive information required for the research project, professional contacts and the experience and closeness of one of the authors of this research were essential in selecting the final case studies" (Aragon-Amonarriz et al., 2017, p. 165).

We retained six companies after reaching data saturation, as defined by Eisenhardt (1989). Four companies are now managed by the second generation, and two are managed by the third generation. During data collection, the successors were actively involved in the management of their company. In each of the six cases, the father (predecessor) had been the managing director and principal owner. After the succession, three companies (1, 3, and 6) were jointly managed by the sibling successors (as co-CEOs). In the other three cases, the older brothers were the managing directors, and the siblings were part of the management team. However, in Company 2, a shareholder, one of the siblings, did not work in the Company. The complementarity of the sibling

teams was checked by psychometric personality profile tests. The six companies operate in different sectors and employ 50–1,500 employees (Table 1).

	<b>Business sector</b>	<b>Predecessor</b>	<b>Successors</b>	<b>Functions</b>
Company 1	Construction	Father (a)  (2 <sup>nd</sup> generation)	1 son, 1 daughter  (3 <sup>rd</sup> generation)	Daughter (A) and Brother (B), co-CEOs
Company 2	Industrial commercialization	Father (b)  (2 <sup>nd</sup> generation)	3 sons  (3 <sup>rd</sup> generation)	Brother (C), CEO; Brother (D), top management team member; Brother (E), shareholder but not working at the company
Company 3	Industrial commercialization	Father (c)  (1 <sup>st</sup> generation)	2 sons, 1 daughter  (2 <sup>nd</sup> generation)	Brother (F), Sister (G), and Brother (H), Co-CEOs
Company 4	Construction	Father (d)  (1 <sup>st</sup> generation)	2 sons, 1 daughter  (2 <sup>nd</sup> generation)	Brother (I), CEO; Sister (J) and Brother (K), top management team members
Company 5	Manufacturing	Father (e)  (1 <sup>st</sup> generation)	2 sons, 1 daughter  (2 <sup>nd</sup> generation)	Brother (L), DG; Sister (M) and Brother (N), top management team members
Company 6	Insurance broker	Father (f)  (1 <sup>st</sup> generation)	2 sons  (2 <sup>nd</sup> generation)	Brother (O) and Brother (P), Co-CEOs

**Table 1: Description of the companies and respondents**

### **3.2 Data gathering**

We collected data through individual and semi-structured interviews (primary sources). We based the interview guide not only on social capital and family business succession literature but also on our knowledge of those topics and our observations from the field. To improve the clarity and



comprehensiveness of the questions, the interview guide was reviewed by two external readers (see the interview guide in the Appendix 1). We conducted the interviews during formal meetings. In each company, we interviewed the predecessor and all the successors (the people interviewed are in the columns “predecessor” and “successor” in Table 1). Twenty-two interviews (6 predecessors and 16 successors) lasting between one and three hours were conducted, recorded, and transcribed. As the study advanced, we added questions to the interview guide based on the information obtained from the interviews already conducted. Some predecessors and successors were contacted again (by phone or email) to answer the new questions. We also gathered data from various secondary sources (e.g., webpages, financial records, newspapers, and family participation in conferences or workshops).

### **3.3 Data analysis**

Because perceptions from predecessors and successors regarding family business succession may differ, triangulating data from primary and secondary sources was important in this study. Six distinct, extensive case studies were formulated from these data sources, and the case-replication method was employed. According to Yin (2008), “the replication logic is analogous to that used in multiple experiments” (p. 54). Hence, multiple cases were used as independent experiments, permitting the researchers to compare and contrast to identify emerging trends. These comparisons “clarify whether an emergent finding is simply idiosyncratic to a single case or consistently replicated by several cases” (De Massis & Kotlar, 2014; p. 18). Thus, to respect the rigor and logic of replication (Yin, 2008), each case description was written independently as a “whole” (p. 56) and then cases were compared to each another and the literature.

Data processing occurred in two steps. First, after transcribing the interviews, the researchers discussed and compared their observations and notes. A coding grid was elaborated to summarize the information from each interview. We separately cross-referenced the information from each company's interviews and corroborated the versions with secondary data. This greatly reduced the retrospective rationalization bias (Yin, 2008). Then, we coded the content of the interviews and formed categories. Being an exploratory inductive study, some categories were determined beforehand, and others were redefined and fine-tuned as researchers learned from the data. It took several steps back and forth between the data and cases to model our results. Similar to Steier (2001) and Schell et al. (2018), we used graphs to help us identify and clarify the networks and their nature and evolution.

Deepening the analysis, as mentioned above, we worked with extreme cases (family companies that have had a successful sibling succession). In the interviews, the participants spoke of their perception about the evolution of the acquisition of ESC by the siblings during the succession process. Following the analysis of the results obtained from the first four cases, we focused on understanding the intergenerational transfer of ESC (based on our initial categories: motivations for transferring to several siblings, sibling succession planning, sibling succession implementation, sibling succession evolution, ESC dimensions, identified contacts, etc.). Here, the transfer was from the predecessor to a team of successors and not to a single individual. We noted how the dimensions of ESC were understood, reinforced, enriched, and consolidated in connection with the gradual acquisition of its network of contacts.

Subsequently, we compared the predecessor's network of contacts before starting the succession process with the successors' existing network of contacts. We found that successors retained some

of the predecessor's contacts but discarded others. Also, in contrast to previous studies, we noted that at the end of the succession process, the network contained contacts inherited by the predecessor and new contacts of the successors. Hence, we aimed to distinguish these: Which contacts came from the predecessor? Which contacts belonged to the successors themselves, and how were these included in the network? Among the new contacts, we found some who had already worked with the company and were added by successors who were working in the company before the succession process started (insiders). Others were added by successors who were working outside the company; these contacts were included after the succession process started (outsiders), but they had no prior links to the company. Also, by trying to understand the dynamic of insiders and outsiders regarding the ESC acquisition process, we learned that there had been a gradual selection and reconfiguration of ESC by the successors. Further, we realized that there had been a vertical and horizontal transfer of contacts (that is, within the sibling team).

We have started analyzing four cases and noted that except for Company 1, the team of successors largely shared strategic decision-making, but each team member had their own well-defined operational functions (e.g., operations, finance, marketing, HR, etc.) and was free to make decisions concerning their functional area. Therefore, we added new categories to see how the nature of the contacts (strategic or operational) could be relevant to this study. In addition, we added two more companies in which the operational functions of the successors were more clearly and formally delimited than in previous cases. In the new companies, there were more outsider successors, and hence, we added more questions to the interview guide for strategic business contacts than for previous cases. Each time we added categories and questions to the interview

guide, we not only applied them to the next interview but also contacted the previous participants again to obtain more information.

Finally, we recoded our data following two main questions: How was the evolution of the ESC transfer from one predecessor to a shared-leadership team? How was operational and strategic ESC transferred inter-generationally and renewed intra-generationally? (see the final data coding in the Appendix 2.)

#### **4. Results**

Drawing on the four phases of a succession process (Handler, 1990; Hugron & Dumas, 1993; Cadieux, 2007; Cater and Kidwell, 2014), our findings are presented as follows: first, we demonstrate how the ESC is transferred from one predecessor to a shared-leadership team; second, we demonstrate how the siblings' team acquires and renews ESC inter-generationally and intra-generationally.

##### **4.1 Evolution of the ESC from one predecessor to a shared-leadership team**

We present the results as they appear chronologically under the succession process.

###### **4.1.1 Gaining an in-depth understanding of the predecessor's ESC**

In all cases we examined, at least one child was formally or informally designated to succeed the predecessor owner-manager. They were already present in the family firm (insider successor) before the arrival of their siblings (outsider successor(s)). In most cases (1, 2, 4, 5, 6), insider successors were instigators of team-based succession; they motivated their siblings to join the family firm and share leadership. In all cases, participants agreed that the decision to start a collective succession was a co-decision between insider successors and fathers. This motivated

outsider to join the successor team and was an important contribution to the success of the succession.

	Quotes (1)
Predecessor (f), Company 6.	At first, I wanted to transfer the ownership of the company to my two children and the leadership only to my elder son (who was already working in the company), but after I talked with him, we decided to take in my other child (who was working elsewhere).
Successor (A), Company 1.	After several discussions, my father and I agreed that my brother should join me in taking over the company. I insisted so much that we could take over the company together.

In four companies (2, 4, 5, and 6), insider successors had been in direct contact with the company's business partners since they were young. In all six cases, successors who had been already working in the company (insiders) helped with booking meetings with their fathers, transferring the ESC to those who joined afterward (outsiders) in various ways. The role of insiders' reinforcement of outsiders' ties with the predecessor's contacts is important; having experienced a natural immersion in the company, insiders' links with predecessors are strong, and they are able to provide this support to outsiders.

	Quotes (2)
Predecessor (d), Company 4.	My son (who was already working in the company) helped me a lot to integrate my two other children. I think his experience and his point of view paled off aspects that were in my blind spot.
Successor (B), Company 1.	Quite often, my father was so busy, and it was my sister who advised me on how to deal with this or that supplier. She even accompanied me to some meetings with them. She explained the importance of those suppliers and the best practices to negotiate with them.

The first phase of the succession process was an opportunity to establish contact with the predecessor's ESC and gain business-specific tacit knowledge and the associated relationships. In cases 2, 4, and 6, an inventory of the company's contact network was established in preparation for its transfer.

	Quotes (3)
Predecessor (b), Company 2.	Following the advice of one of our advisors, I set up a list of people with whom I deal, like clients, suppliers, bankers, etc. The idea was to decide when and how to introduce them to my children.
Successor (I), Company 4.	After participating in a symposium on family business succession, my father and I started a kind of registry (list) of companies, organizations, and people who have a connection with our business.
Succession (L), Company 5.	We learned the business on the spot; we started by doing small jobs during the summer holidays or more regularly on weekends. We have been involved in several positions within the company.... We have had the chance to meet different stakeholders like customers or suppliers who were dealing with my father ... we observe and try to learn the way to do business with them.

In the other cases, the transfer occurred informally and gradually. In all cases, successors evolve progressively within the company, occupying different functions, gaining experience, and trying to identify their functional/operational specialization inside the successor team. In all cases, the predecessor tried to introduce (formally or informally, planned, or unplanned) his network contacts and increasingly acquainted his children with the most important stakeholders. We note a high level of commitment from all participants in the ESC transfer, specifically in becoming acquainted with the predecessor's network contacts. Contact is established with business partners, even though these partners remain suspicious at first view.

	Quotes (4)
Predecessor (e), Company 5.	My children were given a free hand to find their place in the company. The only condition is that they had to step up the ranks... By having complementary profiles, they ended up finding their roles... where they can most perform and contribute to the company.
Successor (G), Company 3.	I started working in the company since I was a child. I had the chance to touch everything. Over time I found my space, my tasks... it is linked to my strengths and ambitions.
Succession (P), Company 6.	One of the reasons I agreed to take over the business was the complementarity with my brother (who was already working within the company). I had to start from below, but I went up quite quickly, always taking on different responsibilities from my brother and related with my experience.

#### 4.1.2 Understanding ESC codes under the predecessor's guidance

In this second phase, predecessors gradually help their successors to become familiar with their contacts and business networks and emphasize the importance of the relationship with each

business partner. Predecessors show their children the “way of doing things.” Successors listen, observe, and learn. Children are driven to understand “the codes and vocabulary” used in relationships with business partners. Predecessors allow successors to take part in meetings, but they remain referees and are empowered to negotiate with business partners. Subsequently, by providing feedback to successors on their participation, predecessors take on the role of mentors. Then, successors begin to engage with stakeholders. They gain experience and understand the “unspoken” elements and the “elasticity” of negotiations. Thus, successors start building a relationship with the family firm’s business partners with a common language and trust.

	Quotes (5)
Predecessor (f), Company 3.	My children started participating with me in meetings with our different partners. I wanted to teach them the way of doing, the vocabulary that we use and, in some way, how to decode them.
Successor (O), Company 6.	My father introduced my brother and me to the people with whom we would do business ... customers, bankers, agents ... he allowed us to work with them gradually... The idea was to learn how to deal with them.
Successor (B), Company 1.	After business meetings, my father called me to the office to give me his opinion and advise me on my interactions during the meetings... sometimes I did not agree with him but I knew he wanted me to improve.”

In this phase, in most cases (2, 3, 4, 5, 6), the predecessor informally identifies the strategic partners introduced to the siblings. In all companies, except Company 1, children became acquainted with the operational partners according to their area of competence. Once contact with the family firm partners are established, successors evaluate them for possible future use.

	Quotes (6)
Predecessor (d), Company 4.	When my child was getting ready to deal with the purchases, we started to contact the suppliers... starting with the small ones but sometimes meeting with the larger ones. The idea was to build a relationship between them... a relationship that could be solid in the future.
Successor (O), Company 6.	My father and the former sales manager start to introduce me our customers... that was more or less in a gradual way. As I am in charge of the commercial aspect, I am the one who nurtured and maintained relationships with clients.
Succession (J), Company 4.	We (predecessor and successor) sat down, nothing formal, ... my father wanted to help me to analyze our suppliers that we met because I would be in charge to work with them. My father wanted that I know them very well to establish solid ties.

### 4.1.3 Strengthening the successors' position with ESC under the predecessor's guidance

This third phase is defined by the joint engagement of the predecessor and successors with business partners. Several business meetings are held to allow successors to express their opinion before and during these meetings, reinforcing their individual leadership. Successors gain credibility as potential managing owners through their integration into the family firm network. Subsequently, their appropriation of tacit knowledge and willingness and commitment to assume shared leadership are key elements of their sibling partnership. Feedback from the predecessors on the conduct of business meetings is likely to lead to “strong discussions” (companies 1, 4, and 6), but without serious consequences.

In this stage, during negotiations with the strategic stakeholders, the successors can express their vision as a team, propose a business strategy, and seek potential synergies with them. This is particularly noticeable in cases 2, 4, 5, and 6, where the transfer of networks to successors strengthened their sense of legitimacy and acceptance by the business community, laying the foundations for the siblings' succession.

	Quotes (7)
Predecessor (a), credibility.	At a given moment, my children were taking part in reunions with our main clients. They were involved in the negotiations and, even if I had the last word, I think it gave them credibility vis-à-vis those customers.
Successor (C), Company 2.	Several times dad told us about the importance of a particular supplier or customer for our strategy and the future of our company. He told us how he saw this long-term relationship.
Succession (D), Company 2.	Relationships have been built gradually with the different suppliers. They trusted us and we exposed our ideas, our intentions ... where we saw one another.

Also, a proactive interaction with the stakeholders linked to successors' day-to-day tasks reinforces successors' self-confidence and seems to strengthen the trust-based relationship.



	Quotes (8)
Predecessor (F), Company 6.	Little by little, I left room for my child to negotiate with the people we had to meet for doing his job as sales manager. By that time, my child had a lot of initiative to work with them.
Successor (L), Company 5.	I had gained experience and already knew the people in front of me quite well... I was negotiating just like my father, and then he and I would talk about it in his office or mine.
Successor (N), Company 4.	I gradually took over everything that was required in dealing with suppliers.... [O]ur relationship was already well established but dealing directly with them and making decisions gave me confidence in what I was doing regarding my daily activities.

#### 4.1.4 Taking ESC ownership by assuming an operational function

Unlike the previous phase, predecessors fully entrust each of their children with various management positions within the company. Predecessors pass on their ESC to the siblings. In each case, predecessors assist successors (individually or collectively) by advising them. They begin playing the role of advisors (if needed) rather than mentors. Predecessors may play a mediating role between successors to help them “get used to joint successors leadership” (Company 6; Predecessor F). Most predecessors continue to provide guidance to their successors if the latter so request (cases 1, 2, 4, 5, 6).

ESC appropriation by the successors is well established and official. Successors communicate directly with the family firm’s stakeholders are responsible for decision-making, and assume their role within the firm. Trust between the predecessor’s networks and the successors is solid, since they have secured the predecessor’s business partners. The predecessors’ contacts that do not meet the sibling (new) expectations are not retained. Thus, part of the successor’s ESC is not retained. Successors continue to work with the predecessor’s contacts that agree on the new vision. Thus, successors trust them and value the fact that these contacts are knowledgeable about the family firm.

	Quotes (9)
Predecessor (d), Company 4.	At some point, the children are the ones who deal with everyone. People come to say hello in my office, but it was with them that everything was decided.
Predecessor (f), Company 6.	If the children cannot agree among themselves to make an important decision, they contact me after the meeting with the partners and I serve as a mediator. I'm helping them to make the decision.

This fourth phase coincides with transferring leadership from the predecessor to the siblings as part of the succession process. The strengthening of the successors' empowerment during this phase accelerates the sibling succession process, as well as the assumption of management of the company and the implementation of the successors' own vision and objectives. Shared leadership is consolidated, and the sibling team assumes the management and ownership of the family firm. Successors have now imposed their way of doing business. However, at the time of our research, the predecessors of companies 1, 2, 4, and 6 had not completely withdrawn from the firm; they were still physically present and even occupied the same offices as before. Although they were no longer directly involved in decision-making, they still wanted to be kept abreast on the company's activities. Their presence when business partners are nearby is increasingly symbolic; it "reassures the business partners" (Company 5; Predecessor E). Additionally, the predecessor can play the role of mediator, where needed, and reinforce the shared leadership. In three cases (1, 2, and 3), the predecessors assumed an informal public relations role.

	Quotes (10)
Successor (L), Company 5.	In some cases, we decided together to dispose of some of my business partners contacts, my suppliers, most of them, because they don't meet our expectations. We think that they are overtaken by technology or market trend.
Successor (I), Company 4.	I am very grateful with my father because, before taking over the company my brother and me, he allowed us to close the deals with the company's main partners. I think that permitted us to fit our mutual interests.

## 4.2 How the sibling teams acquire and renew ESC inter-generationally and intra-generationally

Our results indicate that ESC is transmitted differently depending on its nature. When ESC has a strategic value (strategic management like making strategic decisions in a team that shares leadership), it is collectively transmitted to the entire sibling team regardless of their individual functions within the family firm. As the sibling team shares leadership and ownership, predecessors consider that everyone must deal with the main partners for making strategic decisions (e.g., acquisitions, strong investments, exclusive partnership, etc.). In some cases (1, 2, 4, 5, 6), predecessors remain in the firm even after the succession process to advise the successors, but also “to reassure strategic partners” (Company 1; Predecessor A) without overstepping their advisory role and respecting the new leaders’ decisions.

	Quotes (11)
Predecessor (f), Company 6.	After making the decision to transfer the business to my children together... for me, it was clear that all of them had to meet and negotiate with the company’s major partners as co-leaders and co-owners.
Successor (C), Company 2.	We have grown by making acquisitions, centralizing purchases, and implementing a better information system. Our suppliers and bankers were aware of this and had to keep up with us.... We make together those important decisions and all or one of us deal with the partners.
Succession (N), Company 4.	With the partners that we could qualify as strategic, it took more time to deal directly with us [the siblings] instead to deal with my father. After a while, the face of the company was no longer my father’s but ours [the siblings] and they [business partners] had to deal with us to move forward... but I think seeing him reassured them.... [T]hey got a sense of continuity.

By contrast, operational ESC (day-to-day management such as making operational decisions limited to a functional area) is transmitted inter-generationally in an individual way to each successor according to their functional role (e.g., marketing director, HR director, etc.) with the exception of Company 1. This operational ESC transfer takes place gradually as the succession process moves forward and the siblings define their operational functions. Once the succession

process is completed, each successor negotiates with their ESC independently, in their way and without consulting the others.

	Quotes (12)
Predecessor (d), Company 4.	In fact, my kids and I have very different ways of doing things. For me it is important to meet all suppliers and customers personally and to close business with a handshake. My children have split contacts regarding their individual responsibilities... Unlike me, they often negotiate at a distance using the internet and everything is contractual.
Successor (N), Company 5.	As purchasing manager, I gradually took over everything that was required in dealing with suppliers... [O]ur relationship was already well established but dealing directly with them and making decisions gave me confidence in what I was doing.
Succession (K), Company 4.	Once I officially took over the position ... I also assumed the corollary tasks and responsibilities... When I exercise my functions, I don't need to check with my brother or my sister how to deal with the contractors. I was the one telling employees what to do and how to deal with our contractors...

In all cases, as the succession process is underway, we observe that successors progressively integrate contacts from their previous experiences. They also expand their strategic ESC by becoming active members of various organizations that support and bring businesspeople together. For example, two successors were presidents of YPO Montreal<sup>6</sup>. They actively engage with communities of leaders by conducting conferences or participating in competitions (Case 4). Finally, the network is also strengthened through philanthropic actions (Case 2). At this point, successors assemble their own ESC and the predecessors' ESC they retained. Thereafter, siblings collectively strengthen and renew their ESC.

	Quotes (13)
Successor (N), Company 5.	I have called former colleagues at the university who work in consulting firms larger than the one we used to seek their advice or point of view on a particular issue. I felt that they had a more modern or innovative perspective. After some meetings, they become our (the siblings) advisors.

<sup>6</sup> YPO (formerly Young Presidents' Organization) is a global network of young chief executives, with approximately 24,000 members in more than 130 countries (Source: 2016 YPO International Fact Sheet).

Each member of the sibling team also engages individually with operational partners. They add new contacts that they met outside of the company to better perform their functional roles. Companies 2, 3, 4, and 5 rely on business contacts to identify new trends and explore new business opportunities. Such a network is also used to re-evaluate current partners and reduce risks “perception” (“not having all the eggs in the same basket,” Successor C, Company 2).

	Quotes (14)
Successor (F), Company 3.	In my network, there are not only my father’s contacts ... [but also] my own contacts... I met them attending seminars and trade fairs, others have been introduced to me by other contacts outside the company... [W]e launched new operations, so I looked for new suppliers and customers.

ESC transfer is complete, and successors seek to develop it further. They consider networks (that underpin ESC) to be an entrepreneurial resource that requires continuous development, management, and renewal to maximize its effectiveness. Insiders consider their new external contacts very useful to implement product changes, adopt new technologies, be aware of new trends, learn new methods, and contact new customers and suppliers.

	Quotes (15)
Successor (D), Company 2.	Those contacts of my brother who have worked for large companies help us to see how we can transform our company to make bigger, more technologically sophisticated, and more proactive.
Succession (F), Company 3.	Our key employees, our accountant, our suppliers, our customers... well... our network was built around my father's close relationships. Upon my arrival, we called on recognized consulting firms and built a formal and independent board of directors with well-known entrepreneurs. It took us to another level. Many of these contacts I built when I was working outside.

## 5. Discussion

Our findings provide insights about ESC transfer to a shared-leadership team of siblings during a family business succession and, implicitly, how these patterns differ from a one-to-one succession. In this section, we highlight that inter-generational ESC transfer begins at the early stage of the

first phase and, therefore, accelerates the implication of successors in the transfer process. Our results also suggest that ESC is not homogeneous; there are two types: operational ESC and strategic ESC, which are transmitted inter-generationally in different ways. The renewal of the family firm's ESC is conducted by successors in an individual or intra-generational manner. Based on our findings, we developed seven propositions highlighting aspects which can be used to enhance ESC transfer to a shared-leadership team of siblings.

### **5.1 How ESC is transferred from one predecessor to several siblings**

There are fundamental differences between one-to-one successions and collective successions, as well as how they emerge and evolve. In collective successions, the predecessor and their management team (or part of it) are replaced by siblings, making the succession process more complex. Moreover, leadership and ownership in collective successions are shared in different ways and with various configurations (Cater & Kidwell, 2014; Cisneros & Deschamps, 2015). These particularities could positively (or negatively) influence ESC transfer and renewal. It could make it easier, quicker, and more efficient as it introduces a reassessment and strengthening of the successor ESC.

#### **5.1.1 Complementarity between *natural* and *official* immersion**

We studied successful shared-leadership team successions and, as do Cater and Young (2018), we recognize the successors' interest in the family business operations and desire to lead it as being necessary factors in the success of collective succession processes. However, according to our findings, successors do not always integrate into the company in the same way.

Following Steier's taxonomy (2001) for successions and SC transfer, we observe two different types of immersion: *natural immersion*, when successors have experience within the family firm

through part-time jobs during their childhood (insider), and *official immersion*, when they join the company during the succession process following previous professional experience outside the family firm (outsider). In one-to-one successions, successors experiment with either type of immersion. However, in the case of siblings with at least one insider and one outsider successor, the process is redesigned and traditional roles are challenged. We observe that family firms in such a situation have to cope with the fact that outsider successors need to be acculturated and acquire ESC for the company. However, they also benefit from the insider's experience. Our findings also reveal that insider successors who had experienced a *natural immersion* and decided, together with predecessors, to start a collective succession actively and directly participate in the transfer of existing ESC to outsiders. The transfer of ESC to a shared-leadership team of sibling successors is therefore positively influenced and starts at the early stages of the succession process. The process of ESC transfer remains gradual even if the time required for each succession varies (Steier, 2001; Schell et al., 2018).

We partially echo the Schell et al. (2018) view that the predecessor is the “fundamental driver” (p. 321) of network transfer. Our results reveal that when it comes to ESC transfer, the predecessor is accompanied by an insider successor. Therefore, although predecessors are a fundamental driver, their omnipotence is qualified by the insider successor, with both becoming key players in the decision-making processes. Contrary to Cater et al. (2016) and Schell et al. (2018), our findings confirm that predecessors are not the only architects of successful collective succession (Cisneros & Deschamps, 2015).

Therefore, we suggest the following proposition:

***Proposition 1: The insider successor (those who experience natural immersion) plays an active role in transferring the existing ESC to outsider successors (those who experience official immersion).***

### 5.1.2 Complementarity between inter-generational transmission of operational ESC and strategic ESC

As the succession process evolves, the gradual involvement of successors in operational functions (e.g., operations, finance, marketing, HR, etc.), even strategic issues, leads to a dual transfer of ESC. We observe that predecessors transfer strategic connections to the sibling team and operational connections to each successor according to their roles. Therefore, two different types of ESC are transferred simultaneously but not always with the same level of progress. Unlike previous studies (Steier, 2001; Tata & Prasad, 2010; Schell et al., 2014), we make a distinction here between strategic and operational ESC transfers.

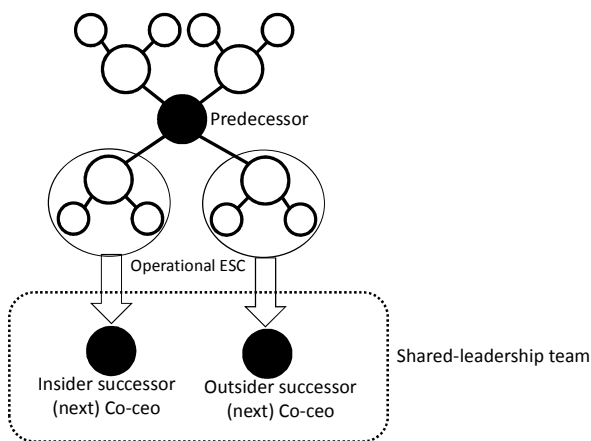


Figure 1: Inter-generational operational ESC transfer (from predecessor to each successor individually)

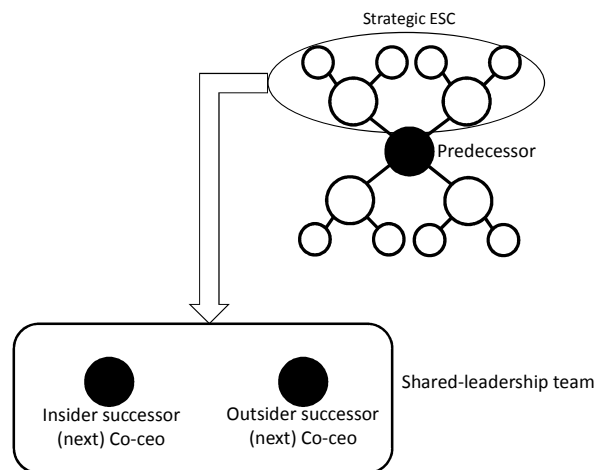


Figure 2: Inter-generational strategic ESC transfer (from predecessor to the shared-leadership team)



When organizations move from a one-person “heroic leadership style” (Bövers & Hoon, 2020, p. 114) toward team-based designs in response to increased complexity, rapidity of changes, and growing competition, an interest in shared-leadership emerges (Barnett & Weidenfeller, 2016; Wang et al., 2014). Shared-leadership team members cope more effectively with the complexities of the current context. However, although recent years have seen an increasing amount of research into shared-leadership, studies focusing on team member performance remain scarce (Chiu et al. 2016). Team members in all the companies in our study show to be competent (Wang et al., 2014), with complementary profiles (Cisneros & Deschamps, 2014; Thevenard-Puthod, 2020) and skills (Farrington et al., 2012). They recognize their complementarity and share entrepreneurial spirit (Bövers & Hoon, 2020). Chiu et al. (2016) state that team members’ task- related competences reinforce shared-leadership team performance. Moreover, those members should contribute their own resources (knowledge, skills, abilities, and social capital) to teamwork development (Day et al., 2004). However, some challenging aspects, such as decision-making and task distribution within the team, could cause management problems (Cisneros & Deschamps, 2014), or even succession failure (Thevenard-Puthod, 2020). In keeping with Cisneros and Deschamps (2015), Cater et al. (2016) and Barnett and Weidenfeller (2016), our findings, with the exception of those regarding Company 1<sup>7</sup>, reveal that each team member had their own well-defined operational functions, was free to make decisions concerning their functional area, and *operational* ESC was transferred individually to each successor in accordance with their company role and daily tasks. Thus, with the exception of Company 1, in the successful shared-leadership team successions

<sup>7</sup> In the case of Company 1, both successors had the same strategic and operational functions, which led to confusion and communication problems with ESC. Although succession was successful in this company, this situation was a cause of conflict between the successors.

studied, the content of an *operational ESC transfer* (Figure 2) was determined by the development of the role held by the successors and how far they have progressed with the succession process.

Those arguments lead to the following propositions:

***Proposition 2: The ESC related to operational functions (e.g., operations, finance, marketing, HR, etc.) is partially transferred to the siblings according to their operational roles.***

On the other hand, in the cases studied, *strategic* ESC was transferred to and shared by all the successors (Figure 3). This ESC enhances their ability to acquire external knowledge (Gronum et al., 2012; Garcia Villaverde et al., 2018; Lee et al., 2019). Business referrals (Chollet et al., 2014), and entrepreneurial opportunities (Cao et al., 2015). In all the cases studied, the shared-leadership team members share information, knowledge (Mehra et al., 2006), tasks, and decision-making regarding organizational objectives and priorities (Ensley et al., 2003). Such sharing expands information flow (Chen et al., 2008; Gronum et al., 2012; Garcia Villaverde et al., 2018), enhances opportunities for shared decision-making (Hatala, 2006), and improves team performance (Chen et al., 2008). Shared-leadership team members' complementary skills and profiles could contribute to the creation of a holistic and collective decision-making process. That is also consistent with the findings of Farrington et al. (2012), who stated that successful successor teams tend to share strategic decision-making.

Those arguments lead to the following propositions:

***Proposition 3: The ESC related to strategic issues is collectively transferred to and shared by the team of siblings.***

### **5.1.3 Complementarity between shared successors' vision and the strategic ESC of predecessor's contacts**

During the third phase of the succession process, predecessors delegate relevant aspects of transactions to successors while continuously providing advice. Unlike previous studies (Steier, 2001; Tata & Prasad, 2010; Schell et al., 2018), which demonstrated one-to-one transmission, members of a shared-leadership team in a collective succession have to discuss and agree on strategic matters and potential synergies before meeting predecessors' ESC and addressing these issues. Successors have the opportunity to provide their vision and business strategy during these meetings. Successors gain credibility and strengthen trust-based relationships with stakeholders. The relationship (informal and friendship-based) between predecessors and their contacts evolves when successors take over the company.

The last phase mainly focuses on regenerating and consolidating the new ESC. In this phase, ESC appropriation by successors is well established and official, and the successors lead negotiations with the family firm's stakeholders. The transfer of strategic ESC is complete and effective when successors mature as a new shared-leadership team and predecessors begin to withdraw from the family firm. Contrary to Cater and Kidwell (2014), predecessors do not step aside completely, as they remain close to the successors and advise them. They sometimes mediate between successors and external networks. Although successors strengthen their legitimacy throughout the succession process, they are only fully accepted by the predecessors' ESC at the end of this phase. In accordance with Steier (2001), successors achieve an optimal network configuration in the last two phases of the succession process. At this stage, the predecessors' ESC is acquired and the successors' own ESC is developed and consolidated. Some of the predecessors' relationships are

abandoned, confirming the findings of Tata and Prasad (2010). However, unlike other studies (Steier, 2001; Tata & Prasad, 2010; Schell et al., 2014), in our cases the successors decided whether to retain strategic contacts collectively and operational relationships individually.

The generational change in a company's management and team leadership transforms the relationship with ESC (notably strategic ESC) and changes its evolution, as there are more people in the company (i.e., successors) to develop it. Relationship maintenance and dynamics differ even though successors are aware of the need to preserve and strengthen ESC. Similarly, unlike their predecessors, successors' shared leadership can generate synergies and develop new projects that frequently involve a family firm's ESC. The importance of networks is that they unify and empower (Nahapiet & Ghoshal, 1998) the sibling succession team. Thus, our research complements that of Steier (2001) on the successor leadership that emerges in the latter stages of the succession process when successors change how they do business and no longer follow their predecessors' strategies for conducting negotiations.

Therefore, we propose the following:

***Proposition 4: Outsider and insider successors decide collectively whether to retain the predecessor's business contacts based on their individual operational goals and collective strategy.***

## **5.2. Increase of ESC intra-generationally by the sibling succession team**

According to our findings, the predecessor's ESC belongs to the firm at the start of the succession process, but the successors gradually acquire it (Figures 1 and 2) and make it their own. However, the successors also have their own business relationships, in addition to the predecessor's ESC.

### 5.2.1 An intra-generational renewal of strategic and operational ESC

Our results also reveal that, during the last two phases, successors expand their own ESC not only by integrating contacts from previous experiences (university or previous jobs) but also by becoming active members of various business networking organizations. In contrast with Schell et al. (2018), our findings show that the transfer of a predecessor's ESC and its combination with the successors' individual ESC provides both individual and collective intra-generational increases. Another addition to the Steier (2001) and Schell et al. (2018) arguments is that, in addition to successors embedding their individual ESC into the collective ESC, it can also be divided into strategic ESC and operational ESC. From our results, each successor (whether insider or outsider) adds their own personal strategic ESC to that of the entire shared-leadership team, with the strategic ESC (from both predecessors and successors) being shared collectively within the sibling team (Figure 3). Thus, the ESC transferred by the predecessor and the ESC added by the successors combine to form the family firm's ESC. Moreover, each successor (both insiders and outsiders) integrates their own personal or individual operational ESC with the operational ESC acquired from the predecessor, thus increasing the individual ESC of those successors responsible for each management function. That operational ESC is not always shared by the shared-leadership team (Figure 4).

Siblings collectively and individually strengthen and renew the ESC. In line with Schell et al. (2018), we observe a *renewal-of-network-effect* due to the predecessors actively encouraging their successors not only “to reactivate former network contacts” but also to try “to reactivate these contacts on their own” (p. 320). However, a company's growth requires the development of

networks and the acquisition of new relationships that are both diverse and complementary (Granovetter, 1983, 1985).

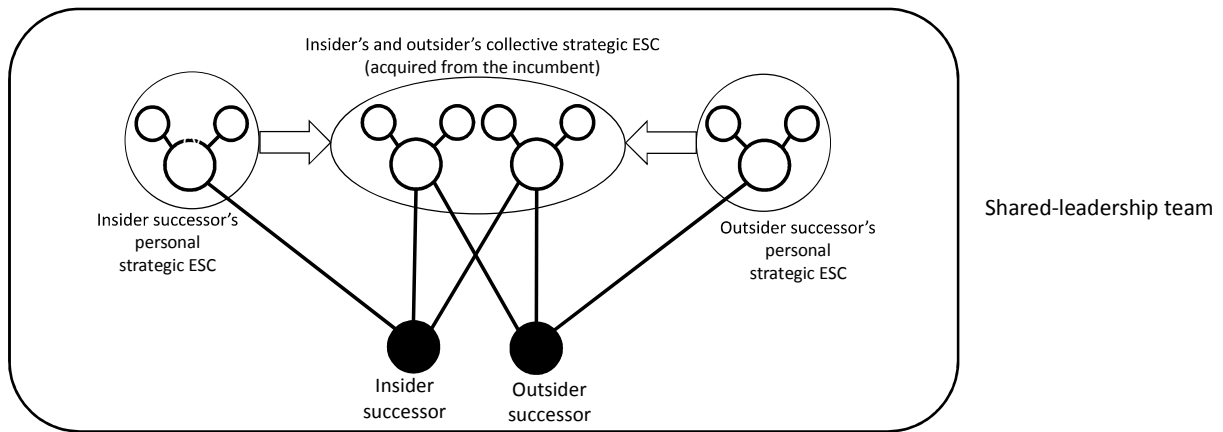


Figure 3: Intra-generational strategic ESC mutually added from successors to the shared-leadership team (successors' strategic ESC acquired from the predecessor + insider's and outsider's personal strategic ESC)

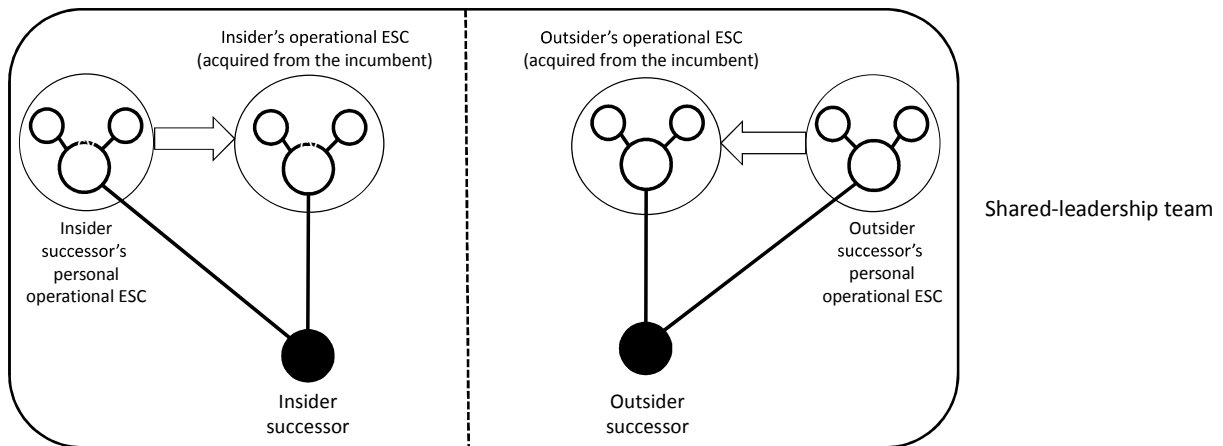


Figure 4: Operational ESC individually added from each successor (individual successor's operational ESC acquired from the predecessor + individual personal operational ESC)

Therefore, we propose the following:

***Proposition 5: Successors integrate their individual strategic ESC with that of the predecessor to reinforce and renew the family firm's strategic ESC.***

***Proposition 6: Each successor integrates their operational ESC with that individually transferred by the predecessor to reinforce and renew the operational ESC of their functional role (e.g., marketing director, HR director, etc.).***

#### 5.2.2 An enhancement of the business model by integrating outsiders' ESC

Schell et al. (2018) argue that changing a family firm's network structure (generation-gap effect) "may enable innovation within the network" (p. 321). Our results reveal that successors who had previously worked in the family firm strengthened both the strong and any existing weak ties. However, we found that those who joined later brought new weak ties with them. The outsiders' new weak ties bring new networks that allow the team to transcend the organization's formal structure and avoid redundant ties. That seems crucial in providing new knowledge, resources, credibility, and innovation (Pirolo & Pressuti, 2010), enacting entrepreneurial opportunities (Burt, 1992; Cao et al., 2015), developing a more ambitious vision, and regenerating the business model. Therefore, we suggest the next proposition:

***Proposition 7: Outsider successors' ESC provides the company with new knowledge, resources, credibility, and innovation for expanding entrepreneurial opportunities.***

Our research complements the Schell et al. (2018) findings by demonstrating that successors not only explore predecessors' contacts to renew their ESC but also integrate new ESC of their own. That effect is multiplied in sibling teams. We also note that the integration of own ESC occurs without prior planning.

## **6. Conclusion**

In this paper, we sought to understand how ESC is transferred from a predecessor and acquired by a shared-leadership team of siblings during a family business succession process. We aimed to fill the gap in the understanding of, on the one hand, how ESC is transferred from an individual to a collective perspective and, on the other hand, how successors integrate their own ESC with that of the predecessor's. Our findings also reveal the dual nature of the ESC transmitted/acquired (strategic and operational). This study extends the research of Steier (2001) and Schell et al. (2018) by offering qualitative evidence on the transferring ESC to a shared-leadership team.

### **6.1 Theoretical implications**

Regarding the evolution of the sibling succession process, unlike one-to-one successions, the predecessor is not the only player in the transfer of existing ESC to the succession team; the insider successor also plays a key role. This study also describes the complexity of the interaction between outsider and insider successors and their integration mechanism (either natural or official immersion), as well as the evolution of ESC acquisition by a shared-leadership team of siblings.

Our results make two other contributions to family business literature on succession. First, in the case of successor teams, we demonstrated the importance of transferring the network's contacts according to their nature in relation to a double role of the successors (i.e., as either operational or strategic ESC). There is not only an inter-generational transfer of ESC but also an intra-generational one that helps to create a combined ESC that prevents the "generation-gap effect" and ensures (and improves) the "renewal-of-network effect."

Second, our study reveals that successors renew ESC not only by exploring the predecessor's network but also by integrating new contacts from their own network. Categorizing them into



strategic and operational adds a richer diversity of contacts (especially outsiders' weak ties) and is useful to develop new projects for the family firm.

Our results also provide additional insights into previous studies (Farrington et al., 2012; Cisneros & Deschamps, 2014; Thevenard-Puthod, 2020) reporting that complementarity among siblings may enhance family firm transfer success. We illustrate how such complementarity is enacted by successors, both by capitalizing on their own resources when transferring operational ESC and by pooling their resources when it comes to transferring strategic ESC. We also believe that pooling strategic ESC may contribute to team commitment and therefore lead the siblings to follow the positive track described by Cater et al. (2016).

Finally, our main findings are summarized in seven propositions highlighting aspects which can be used to enhance ESC transfer to a shared-leadership team of siblings.

## **6.2 Managerial implications**

Our study demonstrates that sibling succession is a promising solution to maintain, regenerate, and increase a family firm's ESC at the critical moment of its transfer to the next generation. For a family firm's members and advisors, our study formalizes the process of transferring ESC from one CEO to a shared-leadership team. This process is gradual and depends on the performance of the successors and their legitimacy. We demonstrate that the individual operational responsibilities of the successors could lead them to develop their own ESC in addition to that transferred by the predecessor. The strategic, and therefore collective, responsibilities of the sibling team could lead the successors to merge their ESC with that of the predecessor.

Additionally, for practitioners, this study shows how successors combine their own personal contacts with the ESC of the shared-leadership team and why they decide to retain or discard an

incumbent's ESC. Advisory firms, suppliers, and other stakeholders ought to be aware of this when they change the contact person to align with the successors' vision and interests.

Finally, even if a large majority of researchers and consultants recommend that predecessors must step aside after transferring the baton, our study reveals predecessors' hidden contributions to the ESC. They remain close to the shared-leadership team and advise successors. Their continued presence in the company, which is symbolic and reassuring to business partners, could become an unusual strategic advantage for the family firm.

### **6.3 Limitations and future research**

This study has certain limitations. We focus only on relational networks that are outside the organization's boundaries (ESC). This topic could be enriched by also considering ISC. In addition, as the study investigated only six Canadian family firms, the results are not generalizable. We only studied companies whose predecessors were men; studies on family firms with female predecessors might yield different results. It might also be interesting to focus on hybrid collective successions (composed of both family members and employees). Alternatively, future researchers might investigate operational and strategic ESC that has been transferred in a collective manner to a team (even if the operational functions of team members are well defined). Furthermore, we only studied cases in which sibling team succession was successful. It would be worthwhile to study sibling successions that were *unsuccessful* either because ESC was non-transferable (or only partially transferable) or because errors were made in the succession process, especially if this involved the disengagement of the predecessor. However, it is difficult to study cases of unsuccessful family succession because of the unavailability of those involved in addressing the issue. Family firms are notorious for having the tendency to close themselves off to outsiders when a sensitive issue has

to be addressed. In addition, it would be conceivable to validate (externally) our results by formulating a questionnaire based on the elements identified by this study; the data collected would come from a statistically representative sample of family firm successions. Also, comparing sudden collective successions with planned ones would be instructive and would complement our results.

Predecessors' SC may also be changing and evolving during the process. In most systems, SC is dynamic rather than static. We have studied the transfer of ESC from one individual to multiple individuals. This indicates that the process of managing and transferring SC will become even more complex in the future, and it would be interesting to explore this avenue.

Finally, our results reveal that one of the triggers why predecessors decide to transfer the family firm is because the manner of doing business with partners has changed (e.g., degree of formality or remote working). Also, pertaining to the current COVID-19 pandemic and the social distancing rules, we believe that the succession process and ESC transfer are evolving. This suggests new ways of creating and managing SC. We believe that it would also be interesting to study this phenomenon.

## 7. References

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## Appendix A: Interview guide.

### General information about the firm

- Sector
- Number of employees
  - o Before the start of the succession process
  - o After the succession has started
- Primary market
- Turnover (revenues or general income of the firm)
  - o Before the start of the succession process
  - o After the succession has started
- Members of the top management team
  - o Before the start of the succession process
  - o After the succession has started
- Distribution of the firm's capital (ownership of the firm)

### General information about the leaders of the firm (predecessor and successor[s])

- Leader's profile
  - o Academic background
  - o Professional experience
  - o Previous experience in the family firm

### Information about the succession process

#### o *Questions for the predecessor*

- § Did you plan the succession process? If so, could you describe how it was planned and who participated in the planning process?
- § What were your motivations for transferring the business?
- § Why did you transfer [leadership of] the firm to several children?
- § Why do you think your children joined the family firm?
- § How did your children join the firm?
- § How was the top management team structured?

- § How was work carried out within the top management team?
- § How did you resolve delicate situations or conflicts...
  - ...within the top management?
  - ...of a purely familial nature but linked to the succession process?
- § How were tasks and responsibilities transferred?
- § When did you decide to end your leadership of the firm?
- § What (if any) are your current roles and responsibilities?
- § How did you decide to leave the company? How did the [decision process] occur?
- § What is transferred between ownership and leadership?
- § How is the ownership of the firm shared after succession?
- o *Questions for the successor(s)*
  - § Was the succession planned? If yes, did you participate in the process? How?
  - § What were your motivations for joining the firm and taking over [its leadership]?
  - § Why did you agree to take over the firm with your siblings?
  - § At what level in the firm's hierarchy did you join? What was your first position (responsibilities and tasks)?
  - § How did you develop within the firm?
  - § How was the top management team structured?
  - § How was work carried out within the top management team?
  - § How did you resolve delicate situations or conflicts...
    - ...within the top management?
    - ...of a purely familial nature but that were linked to the succession process?
  - § How were tasks and responsibilities transferred to you?
  - § Could you describe the daily functioning of the (successor) top management team?

- § How were you involved in the firm before the decision for succession was made?
- § What was the reaction of the employees?
- § How have you started to work with your brother/sister?
- § What type of meetings did you organize with your siblings? With the predecessor? With other family members (your mother for instance)?
- § Do you have a family council? If yes, how does it work?

#### **Questions about ESC**

- o Who are the main contacts in the business network of the company?
- o Do you have an inventory or a database of them?
- o Did you plan the transfer of the business network of the company? If yes, was it before or after the start of the succession process?

#### **Profile of the contacts**

- o For what company does this contact work?
- o What is the nature of their relationship with the company (formal or informal)?
- o How long have they been interacting with your company?
- o How is the contact related to the company (friendship, family, professional)?
- o What is their [level of] involvement?
- o How do you qualify the value of this contact (high, medium, low)?
- o Is this contact important for strategic issues? Why?
- o Is this contact importantly linked to operational functions or activities? Why?
- o How do you interact with this contact? As a team? Individually?

#### **Transfer of predecessor's contacts**

- o Who requested (or proposed) the transfer of this contact?
- o When did the successor(s) start to interact with this contact?

- o When did the successor(s) start to manage the relationship with this contact?
- o When did the predecessor(s) stop managing the relationship with this contact?
- o [Please describe] how the predecessors and successors participated in the process of ESC transfer?

#### **Successors' contacts**

- o How did you meet this person? In what context?
- o How is the contact related to you (friendship, family, professional)?
- o How would you describe your interaction with this contact? Are they close to members of the family?
- o How did you integrate this contact into the company's business network?
- o How did you decide to keep (or not to keep) your predecessor's contacts?
- o How do you know if the contact will be working only with you or will be shared by all of the successors?

## Appendix B: Data codes

1. *Theme*: Evolution of the ESC from one predecessor to a shared-leadership team.
  - 1.1 *Category*: Gaining an in-depth understanding of the predecessor's ESC.
    - 1.1.1 *Code*: **Deciding together** (father / insider successor) to start a collective succession [see Quotes (1), page 16].
    - 1.1.2 *Code*: **Insider successor participating directly** in the transfer of existing business network to outsider successors supporting and advising them [see Quotes (2), page 16].
    - 1.1.3 *Code*: **Establishing an (formal or informal) inventory of ESC** and introducing them gradually to successor [see Quotes (3), page 17].
    - 1.1.4 *Code*: **Successors evolving gradually** trying to identify which would be their functional/operational specialization inside the successor team [see Quotes (4), page 17].
  - 1.2 *Category*: identifying key ESC and understanding ESC codes under the predecessor's guidance.
    - 1.2.1 *Code*: **Involving outsider and insider successors during meetings** and transactions when the predecessor deals with the business network [see Quotes (5), page 18].
    - 1.2.2 *Code*: **Identifying strategic and operational partners** to start building a relationship with them [see Quotes (6), page 19].
  - 1.3 *Category*: Strengthening the successors' position with strategic and operational ESC under the predecessor's guidance.
    - 1.3.1 *Code*: **Participating in negotiations with strategic stakeholders** [see Quotes (7), page 20].
    - 1.3.2 *Code*: **Participating in negotiations with operational stakeholders** [see Quotes (8), page 20].
  - 1.4 *Category*: Acquiring ESC by assuming the leadership as members of the shared-leadership team.
    - 1.4.1 *Code*: **Successors leading negotiations**, but predecessors continuing to advise them [see Quotes (9), page 21].
    - 1.4.2 *Code*: **Successors imposing their own vision and their way of doing business** [see Quotes (10), page 22].
2. *Theme*: Transferring operational and strategic ESC inter-generationally and renewing ESC intra-generationally.
  - 2.1 *Category*: Transferring ESC inter-generationally.
    - 2.1.1 *Code*: **Transferring collectively strategic ESC** to the sibling team [see Quotes (11), page 22].
    - 2.1.2 *Code*: **Transferring individually operational ESC** to each successor [see Quotes (12), page 23].
  - 2.2 *Category*: Acquiring ESC intra-generationally.
    - 2.2.1 *Code*: **Integrating individual strategic ESC to the entire sibling team**, and the strategic ESC (from both predecessors and successors) [see Quotes (13), page 24].
    - 2.2.2 *Code*: **Integrating their own personal operational ESC** with the operational ESC acquired from the predecessor [see Quotes (14), page 24].
    - 2.2.3 *Code*: **Integrating outsider successors' ESC** to provide the company new knowledge and resources [see Quotes (15), page 24].