EURAM 2013 13th DEMOCRATISING MANAGEMENT
GALATASARAY UNIVERSITY, ISTANBUL, TURKEY 26TH - 29TH JUNE 2013

FAMILY BUSINESS SUCCESSION - TRUST AND GENDER ISSUES IN FAMILY AND NON-FAMILY SUCCESSION.

Michael Henry - henrym@macewan.ca
GRANT MACEWAN UNIVERSITY
Ronel Erwee - erwee@usq.edu.au
UNIVERSITY OF SOUTHERN QUEENSLAND
Eric Kong - kongeric@usq.edu.au
UNIVERSITY OF SOUTHERN QUEENSLAND

SIG: FAMILY BUSINESS RESEARCH
TRACK: FAMILY BUSINESS RESEARCH GENERAL TRACK

ISBN No: 978-975-8400-35-5

Family business succession - trust and gender issues in family and non-family succession.

ABSTRACT

Small business is the most common firm structure in the Canadian economy and accounts for the single largest share of economic activity. As the founders of these firms move to normal retirement age, they begin the transfer of the business to a family or non-family member. When the second generation assumes control of the firm, issues related to generational transfer of knowledge become important. Tacit knowledge has been identified as a key strategic resource and passing this knowledge from the founder to the successor is a key element in successful transition. This study explored the relationship of gender differences in tacit knowledge transfer in family business succession and the role of trust in the succession process. A qualitative methodology based on the analysis of multiple case studies is used for this research. Eight cases of family business succession were investigated, with data collected from public sources and interviews with founders, successors (family members and non-family members), and key observers. The role of trust in family business succession is supported by the study's findings, but the findings expand on the existing literature by differentiating between relationship trust and business competence trust and defining the two types of trust as essential. This study supports prior knowledge that female successors are often viewed as having less leadership ability than male successors. In this study, however, females experienced more business socialisation than reported in prior studies.

Keywords: Family Business, Trust, Family Business Succe

Family Business Succession—Trust and Gender Issues in Family and Non-Family Succession

Introduction

Small business—a business with less than 100 employees—is the most common business structure in the Canadian economy and accounts for the single largest share of economic activity, 48% of private sector employment, and 26% of GDP. Small business is the most widespread form of business, representing 98% off all businesses and 24% of GDP in the province of Alberta, Canada (Canada 2009). As the founders of small family businesses begin to reach retirement age, they typically begin the transfer of the business to family or non-family members.

Family business succession is a process that takes place over a number of years. Researching the family firm from a resource and knowledge basis leads to viewing the succession process as a longer-term process, not as one event, and as a series of stages or phases (Fiegener, Brown, Prince & File 1994; Sharma 2004). Since family firms are often transferred from one generation to the next, it follows that research should consider the process as generational (Lambrecht 2005). Although knowledge and knowledge transfer in a family business can take both explicit and tacit forms, the unique nature of knowledge in the family firm is that much of the knowledge is held as tacit and exists as a unique resource for the family business (Sirmon & Hitt 2003; Zahra, Neubaum & Larraneta 2007).

Trust is an important factor in business and when a group of individuals are connected in the family context, the existence of the firm goes much beyond the economic rationale (Sundaramurthy 2008). Based on their finding that the dominant variable in successful family business succession is family relationships, Morris, Williams, Allen and Avila (1997) state that a family business leader's first priorities should be building trust, encouraging open communication, and fostering shared values among family members. In their study they found that trust was one of the two critical issues in family business relationships (along with affability). Trust is important to the family business and often serves as competitive advantage for the business (Steier 2001).

The role of gender—and specifically daughters—in generational family business transfer has received little or moderate research attention even though women are increasingly considered as potential successors of family firms (Dyer & Sanchez 1998; Habberman & Danes 2007; Le Breton-Miller, Miller & Steier 2004; Vera & Dean 2005).

The quality of trust relationship affects the process of knowledge transfer, particularly the transfer of tacit knowledge. Considering the gender variable having impact on the quality of the trust in the relationship, we should consider gender as an issue in the knowledge transfer process in generational transfers of the family firm.

An effective approach to understanding generational transfer of family business is to study the different experiences of founders and successors when the successor is a family member and when the successor is a non-family member. There is evidence that the experience of the successor who is a family member is different from that of the non-family successor (Cromie & O'Sullivan 1999; Santiago 2000). Using the variables of founder–successor and family–non-family provides insight on how the succession process is affected by family relationships, history, and dynamics.

The aim of this research is to investigate trust and gender issues in family business succession among family and non-family successors.

Overview of the Literature

Since 1988 the issue of succession from one generation to the next is a common theme in the family business literature (Goffee 1996; Lansberg 1988; Wang, Watkins, Harris & Spicer 2004; Zahra & Sharma 2004). Succession has been identified as a “dominant strategic issue” (Morris, Williams, Allen & Avila 1997). Aronoff (1998) suggests that one of the major trends in family business research is that the study of succession is a generational issue with more complexities than the prior approach of financial succession planning . Other investigators have agreed that research in family business succession is not only important (Handler 1994; Yan & Sorenson 2006), but has the potential to expand our understanding of strategic and management issues beyond the context of family business to business succession in general (Haag 2005). The influence of personalities, interpersonal family dynamics, **trust, gender**, and the development, management and transfer of knowledge (especially informally held knowledge) require different approaches. and likely explains why the business succession research agenda has emerged more recently.

More recently researchers have developed a **knowledge-based view** of the firm that is useful in studying the family firm (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001). This approach looks at how firms create, acquire, use, protect, and transfer knowledge. The emotional commitment and relationships inherent in family firms and the intensity of firm members’ interactions due to their family relationships provide an “interesting arena to study” knowledge integration in the family firm (Chirico & Salvato 2008). The knowledge-based view of the firm distinguishes between explicit and tacit knowledge.

This typology provides a framework that defines explicit knowledge as that knowledge that can be easily transferred or codified. Tacit knowledge is more difficult to transfer as it is the kind of knowledge that is not immediately evident and may be embedded in the processes, culture, and relationships in the organization (Nonaka & Takeuchi 1995; Polyani 1966). Tacit knowledge is particularly relevant to the family firm—typical direct or indirect involvement in the firm by family members at an early age serves to develop deep levels of firm-specific tacit knowledge (Chirico & Salvato 2008) and may provide an advantage to the family firm in responding to changing competitive environments (Zahra & Sharma 2004).

In their review of perceived nepotism in family business succession, Lee, Lim and Lim (2003) propose that the common practice of having a family member as successor is not a function of nepotism, but instead is based on the successor's "idiosyncratic knowledge" and that the degree to which the family firm operates with this form of knowledge is related to the likeliness of the successor being a family member. This idiosyncratic knowledge is firm specific and one could argue that it is often held tacitly. The question of how this knowledge is transferred in family business succession has been raised recently by Cadieux (2007) in her discussion of founder and successor roles in the succession process.

The Role of Trust in Family Business Succession

Trust is of central importance to the family business (Eddleston, Chrisman, Steier & Chua 2010) and is a competitive advantage in that business (Davis & Harverston 1998). The effective use of trust in family firms as a resource contributes to a firm's success, including the successful generational transfer of the firm (Anderson, Jack & Dodd 2005; Cabrera- Suarez, De Saa-Perez & Garcia-Almeida 2001). The relationship between the founder and successor (and between the successor and other family and business members) and the degree of **trust** in the relationship(s) has been cited as a contributing factor in effective succession.

Brockhouse (2004) describes the role of these relationships as allowing the successor to gain understanding about the culture and intricacies of the firm. A strong relationship between the founder and the successor is key to successful transfer. In their review of the research on factors influencing family business succession, Morris, Williams and Nel (1996) list the trust among family and business members as a determinant of successful transition. The role of trust in permitting the founder to relinquish control of the firm and the absence of that trust leading to resistance has been found in small and medium sized businesses, and in firms owned by women (Cadieux 2007; Cadieux, Lorraine & Hugron 2002; Handler 1994).

In their review of family business succession, Le Breton-Miller, Miller, and Steier (2004) list the quality of the founder–successor relationship defined by respect, understanding, trust, and cooperation as the second most common variable in the reviewed research. Eddleston, Chrisman, Steier and Chua (2010, p. 1061), in their introduction of governance and trust in family firms, conclude that “manifestations of trust appear to be fundamental determinants of the differences that exist between family and non-family firms.” Sundaramurthy (2008) points out that the evolution of trust among family members begins with interpersonal trust (based on relationships and emotions) and later moves to knowledge-based trust.

A relationship with a high degree of trust between the founder and the successor will be characterized by a high degree of sharing of information, stories, relationships, and knowledge that make up the social and knowledge capital that are important to the firm’s success. This is especially important in the transfer of tacit knowledge. The nature of tacit knowledge transfer is that the knowledge does not become explicit in the transfer process and the transfer or sharing of knowledge is premised on trust in the relationship, whether the relationship is a dyad or a team (Nonaka 1994). The researcher proposes that in this process, where tacit knowledge transfer is completed and the knowledge remains tacit, the success of the knowledge transfer is significantly determined by the relationship between the holder (family business founder) and the receiver (successor). The trust relationships that contribute to the success of the family business also contribute to knowledge transfer and successful succession. Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida (2001) argue that trust is one of the distinctive assets of the family firm and its competitive success is based on the "tacitness" of the knowledge embedded in the firm.

Proposition 1: The degree of trust between the founder and the successor affects the tacit knowledge transfer process in family business succession.

Gender Differences in Family Business Succession

Research about the role and involvement of women in family businesses is limited by fragmentation and a lack of empirically based study (Martinez Jimenez 2009). This research gap is further evidenced in that much of the research on parent–child relationships in the context of generational transfer of family business has focused on the father–son dyad, with little attention paid to gender differences in family business succession (Habberman & Danes 2007). Although there was some acknowledgement of gender as a factor in family business transfer in the 1980s and 1990s (Barnes 1988; Cromie & O'Sullivan 1999; Lansberg 1988), little research focused on the differences between the experiences of sons and daughters taking over the family business. Prior to 1990, women ran 25 per cent of the businesses in the United States and Canada and although this percentage rose to more than one-third by the end of the 1990s (Brush & Hisrich 1999), the level of research in business succession in the 1990s involving women remained low with most of the business succession research focused on businesses run by males (Gersick, Davis, McCollom Hampton & Lansberg 1997; Handler 1994).

Brockhaus (2004) and Sharma (2004) identified gender and women taking leadership roles in family firms as variables in family business succession needing more study. Perricone, Earle, and Taplin (2001) identified the need for more research on the roles of women in family firms and Vera and Dean (2005) found that daughters in their study who had succeeded their mothers had more challenges than those who succeeded their fathers. Their recommendations for research include a suggestion to investigate differences between cross-gender and same-gender succession. This research neglect is puzzling because while the role of gender, and specifically daughters, in generational family business transfer has received little or moderate research attention, women are increasingly being considered as potential successors of family firms (Dyer & Sanchez 1998; Le Breton-Miller, Miller & Steier 2004; Vera & Dean 2005).

One of the early studies to specifically address gender issues examined succession in the context of the Canadian family agribusiness. Dumas et al. (1995) found that women were not seen (nor saw themselves) as the natural successor and therefore had to work harder to establish their identity as the successor. The researchers called for more study to understand why women seemed to be less likely to think of themselves as successors. In an earlier study, Dumas (1990) discovered that founders were more likely to see their sons as successors and that situations where daughters were identified as successors tended to be limited to those generated by a crisis in the family or business. Iannarelli's (1992) PhD research supports this view that daughters and sons have different socialization experiences relative to entering the family business and future succession.

Since much of the earlier research on family business succession focused on the non-relationship aspects (skills, cognitive, economic, planning), and little research has focused on the emotional issues, the impact of gender differences related to the identification of the success and how this difference may impact the succession process has received relatively little focus (Dumas 1990). Beyond issues of identity, the personal and social dynamics of family business succession may play a key role in the succession process, but again there is limited research in this area. In their discussion of the succession process from resource and knowledge-based views, Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida (2001) do acknowledge gender as a factor, but only insofar as it is reflected by the quality of the relationship between the founder and successor and how that can affect the nature of tacit knowledge transfer.

Recently, more importance is being placed on founder–successor relationship factors in contributing to effective succession (Dunneman & Barrett 2004). Martin (2001) in a study of UK family businesses found that daughters had less access to training, qualifications, and networking opportunities than sons and that sons were viewed as the "designated heirs" to the business. This lack of access and preparation is reflected in the socialization patterns that have, at least historically, socialized women to believe that they are not suited for leadership in the family business (Galiano & Vinturella 1995). This difference or discrimination in socialization patterns by gender could clearly affect the nature of knowledge transfer between generations in the succession process.

The quality of communication, particularly as it relates to the development of trust between the founder and female successor and the resistance that might arise internally in the organization was also a gender-specific factor identified in Cadieux, Lorrain, and Hugron's (2002) study of four female-led firms. The researchers acknowledge the limitation that their study did not include male-led firms, which, if included, would have provided comparison.

In a review of the literature on family business and succession planning, Dunemann and Barrett (2004) identified for further study the issues of personal relationships in business as they relate to succession planning in family businesses and the particular attributes of the successor that would contribute to successful transition. Given the well-established body of research on gender differences between children and parents (mother–daughter, father–son, father–daughter, and mother–son), it is reasonable to assume that the consideration of gender differences in family business succession is worthy of further investigation.

Sharma (2004), in her overview of the research in family business studies, supported the need for further research on gender differences and Sambrook (2005) identifies gender as an issue in succession. Ip and Jacobs (2006) also acknowledge that gender in business succession is an issue that warrants attention when considering family business.

Haberman and Danes (2007) reported differences in women's experience in father–son family business transfers and father–daughter transfers. Using FIRO (fundamental interpersonal relationship orientation) theory as a framework for their investigation, they found that the father–son and father–daughter transfers differed on the inclusion dimension of the theory and on the subcategories of structure, connectedness. and shared meaning. Extrapolating from this, it is reasonable to associate connectedness and shared meaning with trust in the relationship.

There is some research focusing on gender differences within the nature of the parent–child/founder–successor relationship and specifically how trust affects the relationship (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001). There is evidence that gender differences in founder–successor relationships are related to the socialization process (Dumas 1992) and that gender specific family socialization is carried into the business socialization process (Habberman & Danes 2007). The quality of the trust relationship affects the process of knowledge transfer, particularly the transfer of tacit knowledge. Considering that the gender variable affects the quality of that relationship, it follows that we should consider gender as a variable in the knowledge transfer process in generational transfers of the family firm. In her literature review, Martinez Jimenez (2009) identifies five topics that emerge: women's invisibility, emotional leadership, succession and primogeniture, professional career in the family firm, and running the family. Martinez Jimenez suggests a comparative case study approach to gender-based succession research. This current research will focus on the succession issues and explore differences by the gender of the successor.

Proposition 2: The successor's gender affects the tacit knowledge transfer process in family business succession.

Method

A multiple case study methodology was used to investigate the process of tacit knowledge transfer in the intergenerational transfer of family and non-family firms.

Sample: A total of eight "successors," eight "founders," and eight "key observers/senior employees" were recruited using a call for volunteers through regional business networks in north-central Alberta, Canada. The firms selected for the study include four firms that are development-related (real estate management and development and related professional services firms) and four firms from the service and retail sectors.

Process: All of the founders are male and the eight successors are evenly divided by gender and between family and non-family members. The structured interviews with the successors ask them to reflect on their experiences in the family firm from the time they first began contact with the family business (as a family member, employee, or in any other capacity) to the point in time where they were fully responsible for the leadership of the family business. The interviews with the founders focus on each founder's awareness of knowledge transfer to the successor to the point in time where the successor became fully responsible for the leadership in the family business. The key observer/senior employee interviews focus on their observations of the relationships and interactions between the founder and successor.

Data analysis: Qualitative content analysis provides more than extracting and counting the frequency of objective concepts in the text; it integrates the text with the context and enables the researcher to extract meaning, themes, and patterns that may be latent in the text (Hsieh & Shannon 2005). This research relies on a qualitative content-analysis method that involves the researcher analyzing the data in depth by reviewing the raw text several times, listening to the recorded audio, developing a thematizing and categorization framework, and returning to the data to code them by theme and category. The coding used in brackets is linked to cases and the interviewees; for example, Case C-1 refers to Case Number 1 of the 8 cases; S1 refers to Successor 1 and KO refers to a Key Observer. The data is analyzed to present the findings on three research questions.

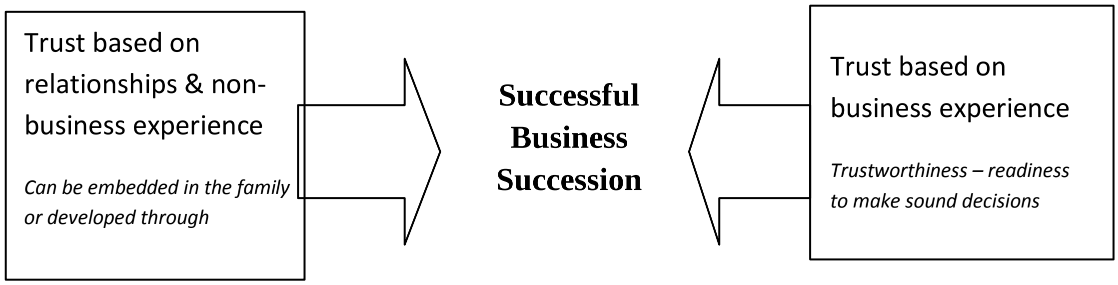
Results

Research Question 1 Does the level of perceived trust and degree of closeness of the relationship between the sender and receiver of tacit knowledge differ depending on the length of the relationship between the two individuals?

The analysis of the data suggests that a **high degree of trust** between the founder and successor is indeed a prerequisite to successful business succession. However, the data suggest that there may be another dimension of trust at work here. In response to questions about the relationship of the successor(s) in terms of the degree of trust, firm founders consistently differentiated between “family trust” and “business acumen trust”. In response, one founder (C5, F) replied to the question of whether he trusted his sons that of course he trusted his sons: “They would never knowingly do anything to hurt me.” However, when asked if he would have permitted his sons at an early age or at the point of their entry into the company as employees to have complete control of his financial portfolio, he indicated that he would only do so if he trusted their judgment or their ability to make sound business decisions.

One founder (C1, F) differentiated between *family trust* and *trustworthiness*. Trust in the family was an inherent part of the family dynamic and connected to the primary relationships. On the other hand, *trustworthiness* was, in his view, something that was earned by the successor through experience and demonstrated capability and could develop between the founder and successor over time (presumably regardless of whether the successor was family or non-family). In fact, he saw his responsibility as the firm founder to create situations where the successor could experience his trustworthiness—or his ability to be trusted to make sound business decisions.

Figure 1. Concepts of trust and trustworthiness



Further analysis of the data from non-family successions reveals that a similar dynamic may be at play in non-family business succession, albeit with one key temporal difference.

As stated, in family succession situations, the founders reported having an inherent trust in the successor. It is reasonable to assume that this *sense of trust is embedded in the family relationships* and *developed over the life of the family member successor*. Responses from the founders where the successor was a family member consistently presented the trust in the successor as a given—that is, as an inherent component of the relationship. Some founders went so far as to verbally or nonverbally express some surprise or disbelief that the question was even being posed. When the interviewer clarified that trust was being examined in many dimensions (for example, asking the founder if they would trust the family member successor with their financial portfolio decisions), founders consistently acknowledged that while they trusted the family member successor, the successor did not always have the *maturity* or experience to be *trustworthy* in the sense of business decision-making. This distinction was made consciously by some founders and was only identified in response to probing questions by others. The distinction was also made by successors—exclusively when the successor was a family member. One family member successor (C2, S) was adamant that the founder–parent did not trust her, but after a probing question seeking clarification, revealed that, from the successor's perspective, the founder–parent trusted the successor, but did not view the successor as ready to be fully trusted with major business decisions.

However, it is also important to acknowledge that *founders with non-family successors expressed trust in the successors*. When asked when the sense of trust became apparent, responses varied from early when the non-family successor had worked as an employee to when the succession was near completion. Founders with non-family successors distinguished less between trust (described as the sense of trust in families or long-term friendships) and business trustworthiness. When probed about whether they trusted the successor beyond the trustworthiness of being capable of making business decisions, all founders with non-family member successors indicated that a significant degree of trust had indeed developed.

Founders and successors developed trusting relationships and founders recognized at least a degree of business-capable trustworthiness in the successors, independent of whether the successor was a family member. The marked difference was the *origin of the trust*. In successions where the successor was a family member, there was clear evidence that the relationship trust was founded in the family relationship and developed over the lifetime of the successor. In non-family successions, the trusting relationship developed in a much shorter time.

There is some evidence that the stage of the business transfer has an effect. For example, in one case (C5, FH, C5, S2) where the second family successor initiated the process that began the development of business trust, the older sibling had assumed leadership in the business prior to the entrance of the second sibling. The second sibling had pursued graduate business education (unlike the founder and older sibling). At the time the second son graduated, the family firm was experiencing some management and financial pressure and contrary to his original plans, he joined the firm at the expressed request of the founder and older sibling. After demonstrating business success in addressing these issues, the second sibling still did not hold an independent leadership role in the business. He assumed a major independent leadership role after insistently requesting a major role. Analysis of the data from all of the interviews related to this case supports that it was around this point that the second sibling was viewed as trustworthy in independently making business decisions. In another succession to a family member (C1, F), the founder reported a conversation that prompted him to, for the first time, consider retirement. It was only after this decision and the process of identifying family members as successors (previously the plan had been to sell to the partners, but when the time came, the partners were also interested in retirement and not interested in buying each other out) did the founder begin to create the scenario in which the family member successor could develop business trustworthiness.

Research Question 2 How does the degree and nature of trust between the founder and successor of a family business affect the tacit knowledge transfer process?

The degree and nature of the trust between the founder and successor does appear to affect the tacit knowledge process. In addition to the temporal dimension discussed earlier, there does appear to be a connection between relationship trust and business trustworthiness.

In most cases, the establishment or existence of relationship trust appeared as a foundation for, or even pre-requisite to, the development of business decision trustworthiness.

In one case (C7, HF) the development of relationship trust and business decision trustworthiness did not follow the same pattern. In this business, the successor was recruited by a business broker and the agreement to purchase the business was made while the founder and successor established a more than business–casual relationship. It is worthwhile noting that the continued success of the business, according to both the founder and non-family successor, is in large part due to the founder continuing to have a consultative role in the business for almost three years after the sale. During this period, the founder assumed the role of a mentor and coach. Both founder and successor described their current relationship as a friendship with a high degree of trust and the founder pointed to the business decision trustworthiness of the successor by indicating he would be open to "doing business" with him again.

Table 1. Degree and nature of trust between the founder and successor of family business affecting the tacit knowledge transfer process

	DEVELOPMENT FAMILY	DEVELOPMENT NON-FAMILY	SERVICE–RETAIL FAMILY	SERVICE–RETAIL NON-FAMILY
Male *Relationship Trust*	Family trust assumed	Trust developed over the years that the successor worked as employee for the founder, prior to being identified as the successor	Family trust assumed	Trust developed after the business transfer had been negotiated, through the transfer process (two years of mentoring after the business sale).
Male *Business Trustworthiness*	Developed through planned skill and knowledge development (articulated curriculum) after the successors had been named	Developed through planned skill and knowledge development (articulated curriculum) after the successors had been named	Developed through providing experiential opportunities for skill and knowledge development after the successors had been named	Trust developed after the successor had deposited purchase commitment in escrow and assumed business control
Female *Relationship Trust*	Family trust assumed	Trust developed over the years that the successor worked as employee for the founder, prior to being identified as the successor	Family trust assumed and validated through mutual experiences when the successor became an adult	Trust developed over the years that the successor worked as employee for the founder, prior to being identified as the successor
Female *Business Trustworthiness*	Developed through providing experiential opportunities for skill and knowledge development after the successors had been named	Trustworthiness began to develop when successor was hired as employee *May be related to successor's life circumstances (age and family) or professional*	Developed through the prior employer–employee experience	Trust developed over the years that the successor worked as employee for the founder, prior to being identified as the successor

		commitment to educate next generation—distinct from identification as successor to this firm	

Research Question 3 Do the experiences of male and female successors differ in acquiring business knowledge in the family business succession process?

The data indicates that the experiences of male and female successors differ in acquiring business knowledge in family business succession. Acknowledging that the methodology in this study is case-based and not a broad survey of all family firms, it is worth pointing out that in the situation of at least one of the female successors, the succession selection was consistent with previous research. For example in Case 2 (C2, HF; C2, KO, C2, S), the "crisis" was that the identified male successor began to follow in the founder's footsteps, but early in his academic career chose a different academic/professional path. Only after the son made this decision could the daughter be considered as a potential successor in the firm.

Early Family Socialization

Based on the data, it appears that *daughters share in the early family socialization*. In these case studies, the daughters participated in family events, dinner table discussions, and attended family/business social events along with the sons. Daughters have similar recollections of family times being characterized by activities that crossed over to the business. Examples of this include children accompanying parents to client calls, being silent participants in client breakfasts, or children's travel games paralleling founders' [fathers'] work activity.

There is a further difference in experience based on gender once the successor is identified. In the cases involving male successors, the sons were either coached by the founder or in some cases were invited to participate in structured, experiential learning activities that, from the founder's perspective, would prepare the successor for increased levels of responsibility in the firm. In the case of daughters, it appears that the *founder is less likely to act as a coach or mentor* once the daughter is identified as the successor. In a father–daughter/founder–successor relationship, the founder appears to be more protective of the daughter and less willing to allow the daughter to experience failure or to make mistakes than he would be with a son.

In probing these relationships involving the father and daughter, it appears that there is a high level of *relationship trust* between the father and daughter, but that trust is *not developed into a business trustworthiness*, where the father recognizes or has trust in the daughter's competence to make decisions in the firm. Probing questions also reveal that the founders are typically high energy, dominant personalities in situations where the successor is male or female. When the successor is a son, however, this personality characteristic appears to be manifested as pushing the successor to learn and take risk; when the successor is his daughter, it is manifested in a sense of protectiveness. This sense of *protectiveness limits the ability of tacit knowledge transfer* between the founder and the daughter/successor and is likely a key factor in preventing or limiting the development from family trust to trustworthiness in business decisions.

This dynamic produces a process that can be described as spiralling where the founder's protectiveness inhibits his likelihood of entrusting the daughter with business decisions; in turn creates a sense of resentment in the daughter that she is not trusted by her father to make those decisions; and subsequently results in the daughter being perceived by the father as not being ready to make sound business decisions.

Role of Mother in Succession

An interesting gender difference emerged in family businesses in the relationships between the family successor and the parent who was not the founder. In the two cases of female family member successors, the female parent (the founders are both male) served as a confidante, sounding board, and occasionally informal intervener. In one case, the founder (C6, F) recalled that when the relationship between the founder and daughter/successor became tense or trying, the female successor would confide in the mother about the situational dynamics. In this case the mother did not always intervene (C6, S; C6, KO), but would occasionally provide advice or input to the founder about the particular situation.

In another case (C2), the key observer was the mother and she reported that both the founder and female successor would speak to her about their disagreements. In this case, the mother (key observer) reported that the daughter/successor would be the first to “vent” with her mother about disagreements with her father/founder, and that some days later the father/founder would speak to the mother (key observer) about the same situation (C2, KO).

In the two cases of male family member succession (C1; C5), neither founders, successors, nor key observers reported any discussion with the mother about the business or the succession process, excepting general family discussion about the business. In one case the founder and successors confirmed this limited discussion in response to probing questions (C1, F; C1, S1; C1, S2).

Discussion

The degree of trust between the founder and the successor affects the tacit knowledge transfer process in family business succession.

The literature identifies trust as a competitive advantage in family business and the need to create or nurture the trust between the founder and successor has been cited as a factor in successful business succession. The role of trust in family business succession is related to the degree to which the successor gained an understanding about the culture and intricacies of the family firm. In their review of 40 books and articles, Le Breton-Miller, Miller, and Steier (2004) refer to trust as one of the common variables in the research.

Noting that the sense of trust was reported present in all successions, in family succession the relationship trust grew in the family context and in non-family succession the trust grew through shared business experiences and the development of business competence. It could be argued that the business context trust was not solely determined by the length of the relationships, but was more related to the stage of the business transfer and the development of business competence and knowledge key to a successful transition from the founder to the successor. The findings of this research are not inconsistent with Sundaramurthy's (2008) cycle of trust model involving interpersonal, competence, and systems trust where interpersonal (relationship-based) trust is seen in the early stages and competence trust (trustworthiness) is seen at a later stage of the process.

The current research suggests that a distinction between family relationship trust and business trustworthiness is useful in understanding the trust dimensions of the relationship between the founder and successor. It does not appear that the trust between founders and family member successors is the same as that between founders and non-family successors. In terms of trustworthiness there appears to be a stronger parallel between the nature of the trustworthiness dimension of the relationship between the founder and successor when the successor is a family member. The degree to which the successor relinquishes control or decision-making is determined by the degree to which the founder deems the successor to be trustworthy.

It appears that there may be a minimum degree of trust necessary for effective tacit knowledge transfer. In all cases, family and non-family successors identified that there was a degree of trust between the founder and successor. In family and non-family successor cases there were many parallels in tacit knowledge transfer (stories, shared business experience), but in businesses with family successors there emerged stronger evidence of tacit knowledge transfer evidenced by the founder and successor using similar or the same mental models to describe their approach to the business. Table 1 points out that the nature of the trust differed between family and non-family successors. With family successors, the trust was commonly assumed and was connected to the family embedded trust. Non-family successors developed trust after they joined the business, during the period before and after they were identified as the successor. Although tacit knowledge transfer was evident in both family and non-family successor situations, the family successors more consistently used the same language, metaphors, and stories as the founders than did non-family successors, suggesting that there was a difference in the family member tacit knowledge transfer.

A reasonable conclusion is that family trust is distinct from business competence trust (trustworthiness) and that business competence trust is earned through experience in the business for both family and non-family successors. Further, such experience is gained through increasingly more significant decision-making and the effect of those decisions on business success.

It is also reasonable to conclude that the degree of tacit knowledge transfer to family member successors has a different character than tacit knowledge transfer to non-family successors, but the effect of that difference on the succession remains unclear.

Impact of Gender in Acquiring Business Knowledge

Dumas (1990) says it is usually assumed that sons will succeed in the business leadership position and daughters typically are identified as successors only when there are crises in the family or business.

There is evidence of this in the data, but it is limited to one female family member successor. In this case the daughter became the successor after the older son considered—but chose not to pursue—a career related to the family business. In the other case of a female family member successor, there were no sons in the family. A precondition for knowledge transfer in family business is trust between the founder and successor and this was consistent with male and female successors. The data lead to the conclusion that daughters' experiences with succession differ from sons' experience. Consistent with the nature of the father–daughter relationship described by Hollander and Bukowitz (1988), fathers (at least in one case) appeared to view daughters as having limited leadership ability and to shelter daughters from full participation in the business. This protectiveness is consistent with the finding by Dumas (1989) that daughters, more than sons, reported confusion between their roles as daughters and their roles in the family business.

There is some limitation in using structured interviews. This study relies on the recollections of founders, successors, and key observers, which are subject to the memories and the inherent biases and memory lapses in recalling past experience. The subjects for the study were not randomly selected and the selection may have been influenced by the nature of a researcher's network and the available subjects.

Future research can investigate the degree to which tacit knowledge transfer continues after the succession in the situation where the founder continues to play a role. A study examining the nature of tacit transfer on a continuing basis after succession could shed some light on the role of the family-embedded interpersonal relationships compared with the business interpersonal relationships after succession. Future research may overcome the difficulty in locating female successors or their relative reluctance in participating in research.

Conclusions

The role of trust in family business succession is supported by the study's findings, but the findings expand on the existing literature by differentiating between relationship trust and business competence trust and defining the two types of trust as essential to successful generational business transition.

The evidence is that there is a difference in the experiences of daughters and sons in the succession process. Being aware of this, founders are in the position of being able to change or compensate for their protective inclinations. Further investigation of gender differences should examine the succession process to daughters, contrasting experiences with male and female founders. Additional focus for future investigation should be on the interplay of relationship trust, business trustworthiness, and gender on the tacit knowledge transfer process.

References

Anderson, A. R., S. L. Jack and S. Drakopoulou-Dodd, 2005, “The role of family members in entrepreneurial networks: Beyond the boundaries of the family firm”. *Family Business Research*, *18*(2):135-154.

Aronoff, C. E., 1998, “Megatrends in family business”. *Family Business Review*, *11*(3):181-186.

Barnes, L. B., 1988, “Incongruent hierarchies: Daughters and younger sons as company CEOs”. *Family Business Review*, *1*:9-21.

Brockhaus, R. H., 2004, “Family business succession: Suggestions for future research”. *Family Business Review*, *17*(2):165-177.

Brush, C. and R. Hisrich, 1999, *Women-owned businesses: Why do they matter?* Boston: Kluwer Academic Publisher.

Cabrera-Suarez, K., P. De Saa-Perez and D. Garcia-Almeida, 2001, “The succession process from a resource- and knowledge-based view of the family firm”. *Family Business Review*, *14*:37-46.

Cadieux, L., 2007, “Succession in small and medium-sized family businesses: Toward a typology of predecessor roles during and after instatement of the successor”. *Family Business Review*, *20*(2):95-109.

Cadieux, L., J. Lorraine and P. Hugron, 2002, “Succession in women-owned family businesses: A case study”. *Family Business Review*, *25*:17-30.

Chirico, F. and C. Salvato, 2008, “Knowledge integration and dynamic organizational adaptation in family firms”. *Family Business Review*, *21*(2):169-181.

Cromie, S. and S. O'Sullivan, 1999, “Women as managers in family firms”. *Women in Management Review*, *14*(3):76-88.

Davis, P. S. and P. D. Harveston, 1998, “The influence of family on the family business succession process: A multi-generational perspective”. *Entrepreneurship Theory and Practice, 22*(3):31-53.

Dumas, C., 1989, “Understanding of father-daughter and father-son dyads in family-owned businesses”. *Family Business Review*, *2*:31-46.

Dumas, C., 1990, “Preparing the new CEO: Managing the father-daughter succession process in family businesses”. *Family Business Review*, *3*(2):169-181.

Dumas, C., 1992, “Integrating the daughter into family business management”. *Entrepreneurship Theory and Practice, 16*(4):41-55.

Dumas, C., J. P. Dupuis, F. Richer and L. St.-Cyr, 1995, “Factors that influence the next generation's decision to take over the family farm”. *Family Business Review*, *8*(2):99-120.

Dunneman, M. and R. Barrett, 2004, *Family business and succession planning*. Victoria, Australia: Monash University.

Dyer, W. G. and M. Sanchez, 1998, "Current state of family business theory and practice as reflected in family business review 1988-1997". *Family Business Review*, *21*(4):287-295.

Eddleston, K. A., J. J. Chrisman, L. Steier and J. H. Chua, 2010, "Governance and trust in family firms: An introduction". *Entrepreneurship Theory and Practice*, *34*(6):1043-1056.

Fiegener, M. K., B. M. Brown, R. A. Prince and K. M. File, 1994, "A comparison of successor development in family and nonfamily businesses". *Family Business Review*, *7*(4):313-329.

Galiano, A. M. and J. B. Vinturella, 1995, "Implications of gender bias in the family business". *Family Business Review*, *8*:177-188.

Gersick, K. E., J. A. Davis, M. McCollom Hampton and I. Lansberg, 1997, *Generation to generation: Life cycles of the family business*. Boston: Harvard Business School Press.

Goffee, R., 1996, "Understanding family businesses: Issues for further research". *International Journal of Entrepreneurial Behaviour & Research*, *2*:155.

Haag, K., Helin, J., & Melin, L. (2006). Practices of Communication in the Strategic Context of Succession Practices of Communication in the Strategic Context of Succession.

Habberman, H. and S. M. Danes, 2007, "Father-daughter and father-son family business management transfer comparison: Family FIRO model application". *Family Business Review*, *20*(2):163-184.

Handler, W., 1994, "Succession in family businesses: A review of the research". *Family Business Review*, *7*(3):133-157.

Hollander, B. S. and N. S. Elman, 1988, "Family-owned businesses: An emerging field of inquiry". *Family Business Review*, *I*(2):145-164.

Hsieh, H. F. and S. E. Shannon, 2005, "Three approaches to qualitative content analysis". *Qualitative Health Research*, *15*(9):1277-1288.

Iannarelli, C. L., 1992, The socialization of leaders in family business: An exploratory study of gender. Unpublished doctoral dissertation, University of Pittsburgh, PA.

Industry Canada, 2009, *Key small business statistics*. Ottawa, ON: Government of Canada.

Ip, B. and G. Jacobs, 2006, "Business succession planning: A review of the evidence". *Journal of Small Business and Enterprise Development*, *12*(2):326-350.

Lambrecht, J., 2005, "Multigenerational transition in family businesses: A new explanatory model". *Family Business Review*, *18*(4):267-282.

Lansberg, I., 1988, “The succession conspiracy”. *Family Business Review, 1*(2):119-143.

Le Breton-Miller, I., D. Miller and L. P. Steier, 2004, “Toward an integrative model of effective FOB succession”. *Entrepreneurship Theory and Practice, 28*(4):305-328.

Lee, K. S., G. H. Lim and W. S. Lim, 2003, “Family business succession: Appropriation risk and choice of successor”. *Academy of Management Review, 28*(4):657-666.

Martin, L., 2001, “More jobs for the boys? Succession planning in SMEs”. *Women in Management Review*, *16*(5):222-231.

Martinez Jimenez, R., 2009, “Research on women in family firms: current status and future directions”. *Family Business Review*, *22*(1):53-64.

Morris, M. H., R. W. Williams and D. Nel, 1996, “Factors influencing family business succession”. *International Journal of Entrepreneurial Behaviour & Research*, *2*(3):166-184.

Morris, M. H., R. O. Williams, J. A. Allen and R. A. Avila, 1997, “Correlates of success in family business transitions”. *Journal of Business Venturing*, *12*(5):385-401.

Nonaka, I., 1994, “A dynamic theory of organizational knowledge creation”. *Organization Science*, *5*(1):14-37.

Nonaka, I. and H. Takeuchi, 1995, *The knowledge creating company.* New York: Oxford University Press.

Perricone, P. J., J. R. Earle and I. M. Taplin, 2001, “Patterns of succession and continuity in family-owned businesses: Study of an ethnic community”. *Family Business Review, 14*(2):105-120.

Polanyi, M., 1966, *The tacit dimension*. Garden City, NY: Doubleday & Co.

Sambrook, S., 2005, “Exploring succession planning in small, growing firms”. *Journal of Small Business and Enterprise Development*, *12*(4):579-594.

Santiago, A. L., 2000, “Succession experiences in Philippine family businesses”. *Family Business Review*, *12*:15-35.

Sharma, P., 2004, “An overview of the field of family business studies: Current status and directions for the future”. *Family Business Review*, *17*:1-36.

Sirmon, D. G. and M. A. Hitt, 2003, “Managing resources: Linking unique resources, management, and wealth creation in family firms”. *Entrepreneurship Theory and Practice, 27*(4):339-358.

Steier, L., 2001, “Next-generation entrepreneurs and succession: An exploratory study of modes and means of managing social capital”. *Family Business Review*, *14*(3):259-276.

Sundaramurthy, C., 2008, “Sustaining trust within family business”. *Family Business Review*, *21*:89-102.

Vera, C. F. and M. A. Dean, 2005, “An examination of the challenges daughters face in family business succession”. *Family Business Review*, *18*(4):321-345.

Wang, Y., D. Watkins, N. Harris and K. Spicer, 2004, “The relationship between succession issues and business performance”. *International Journal of Entrepreneurial Behaviour & Research*, *10*(1/2):59-84.

Yan, J. and R. Sorenson, 2006, “The effect of Confucian values on succession in family business”. *Family Business Review*, *19*(3):235-250.

Zahra, S. A. and P. Sharma, 2004, “Family business research: A strategic reflection”. *Family Business Review*, *17*(4):331-346.

Zahra, S. A., D. O. Neubaum and B. Larraneta, 2007, “Knowledge sharing and technological capabilities: The moderating role of family involvement”. *Journal of Business Research*, *60*(10):1070-1079.