UNIVERSITY OF SOUTHERN QUEENSLAND

TACIT KNOWLEDGE TRANSFER IN FAMILY BUSINESS SUCCESSION

A Dissertation submitted by
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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. Financial and income and tax considerations have received the bulk of attention in research. This study focuses on knowledge transfer from the founder to successor. 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 transition that ensures the business is viable and remains in the family

A qualitative methodology based on the analysis of multiple case studies was 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. A total of forty interviews were conducted, with interviews focused on the history of the firm and others on the generational transfer of knowledge of the firm. A literature review provided a research foundation and a theoretical context that informed the case selection and interview protocol.

This study confirmed the theoretical construct that succession can be framed in socialisation terms (derived from societal socialisation theory), but adds that family and business socialisation while distinct, are not necessarily sequential or triggered by the identification of the family member as the successor. The study also supported the application of Nonaka and Takeuchi's (1995) knowledge spiral in the context of family business succession. 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, however in this study females experienced more business socialisation than reported in prior studies.

The contribution to practice includes some deliberative actions firm founders can take to support successful generational transition through successful tacit knowledge transfer. Other contributions to practice are strategies for supporting successful success by female successors and for facilitating tacit knowledge transfer to successors. The most significant contribution is reinforcing the value to potential future successors of early informal exposure to the business.

CERTIFICATION OF DISSERTATION

I certify that the ideas, experimental work, results, analyses, software and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

M. Henry__________________________________ ______________________

Signature of Candidate Date

Endorsement

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Signature of Supervisor Date

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Signature of Supervisor Date

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Most of all, I want to thank my life partner Jane Hewes and our children Ella, Jamie and Micah for their unwavering support and for being a constant reminder to me about what is important in life.

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1 CHAPTER 1 INTRODUCTION

1.1 Background to the Research

Small business – businesses with fewer than 100 employees – are a common firm structure in the Canadian economy, accounting for the single largest share of economic activity (48% of private sector employment 28% of the GDP) and the most widespread form of small business (98% off all businesses, 24% of the GDP) in the province of Alberta, Canada (Canada 2011) . In this context, the family firm is the most common form of small business (Chirico & Nordqvist 2010; Chrisman, Chua & Steier 2003). Post World War II, the province of Alberta was part of a western economic shift in Canada, from an agrarian-based economy to a natural resource and service economy. This economic shift was coupled with an increase in small and medium business development through the next three decades and beyond (Klassen 1999).

As the founders of these small and medium businesses move toward normal retirement age, they begin the transfer of the business to a family or non-family member. When the second generation assumes control over these firms, issues related to the generational transfer of knowledge become important. Financial, income, and tax considerations are the most obvious and have received the bulk of the attention in family business succession research. Less obvious, but equally as important in ensuring a successful transfer, are the dynamics of family relationships and of the transfer of business know-how to the successor.

Business know-how or knowledge plays an important role in the family firm and can exist as both explicit knowledge (knowledge that is available and easily identified) and tacit knowledge (knowledge that is not immediately known to all). Knowledge is a key resource that contributes to the success of the firm, and it is important to understand how this knowledge is created and transferred. A substantial body of literature focuses on the transfer of explicit knowledge in firms, but considerably less on the transfer of tacit knowledge in organisations, and in particular, in the context of family business. This tacit knowledge is one form of a firm's social capital; it is commonly embedded in the founder and understood to be a key factor in the founder's business success (Swart & Kinnie 2003). The transfer of this capital in the form of tacit knowledge to the successor is a major factor in ensuring successful generational transfer.

Studying the transfer of tacit knowledge in generational business transfer provides the opportunity to gain further understanding about the nature of this knowledge transfer process and the interpersonal dynamics that contribute to the success or failure of the transfer of the firm to the successor.

The background for this study describes the historical and contemporary role of small business in the Canadian and Albertan economies and provides an overview of the relevant literature. The literature review includes a discussion of relevant theoretical approaches drawn from the literature on family business succession, knowledge transfer, and the roles of gender, trust, and socialisation in family business. A model of tacit knowledge transfer in family business succession is proposed.

This introduction is followed by an outline of the research problem and questions, including a discussion of the scope of this particular study and the research's design, methodology, and limitations.

In this study the following terms are used:

The **family firm** is "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by a member of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua, Chrisman & Sharma 1999; De Massis, Chua & Chrisman 2008).

Tacit knowledge is the knowledge we have without knowing we know it (Polanyi 1966), or knowledge that is not immediately explicit, or embedded in the culture, routines, and internal processes of individuals and organisations. This knowledge is embedded in the values and culture in the family and in the firm and is often conveyed through stories and informal processes.

Section 1.8 provides expanded definitions for as well as an expanded list of terms and definitions.

1.2 Research problem-research issues and contribution to theory

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As the founders of family firms move toward normal retirement age, they begin the transfer of the business to a family or non-family member. The transfer of a family business from the founder to the next generation has received major attention by industry advisors and academics in Alberta and across Canada. The University of Alberta Business School, located in Alberta's capital city, has established a research Centre for Entrepreneurship and Family Enterprise to develop and disseminate knowledge regarding the management of family enterprise, and also the Alberta

Business Family Institute to provide educational programs for families (Alberta 2012).

Family business research focused on the specifics of family business is relatively recent (Tagiuri & Davis 1996; Varamaki, Pihkala & Routamaa 2002). Probably for this reason, a comprehensive theory of family business has not emerged as a dominant framework (Chrisman, Chua & Steier 2003). Financial and taxation considerations, issues of family dynamics, power, and influence, and questions about the elements that contributed to the founder's success of the firm have been the most common research focus. Relatively little attention has been paid to the issue of knowledge transfer as a process in family business succession, or to the issues of gender, trust, and socialisation as they relate to this process. This is not surprising given that the academic field of family business continues to develop its legitimacy among established academic areas of study (Rodriguez & Basco 2001). As well, more recent research has shown that the study of family business is by its nature multi-dimensional, and builds on several theories, each with its own body of literature. The recent (2010) establishment of the Journal of Family Business Strategy is an example of using an existing body of knowledge to increase our knowledge of family business.

1.2.1 Family Business

Theoretical approaches to studying the family firm include the agency-cost approach, the resource-based view, and the knowledge view. The agency-cost approach focuses on the family as a negative cost to doing business (Schulze, Lubatkin & Dino 2003). From this perspective, the family relationships and dynamics reduce the efficiencies and profitability of the firm. For example, a family member may be employed by the firm because of their family relationship, preventing the firm from employing the best person to add the most value to operations.

The resource-based view sees the family as a resource contributing to the success of the firm. This view sees the employment of a family member as a benefit to the firm, because the family member is likely to have more at stake in the success of the firm and to be willing to work harder, sacrifice more, and commit more to the firm. This approach is well suited to studying family firms, as it helps to identify those resources and capabilities that make successful family firms different from non-family firms (Chua, Chrisman & Steier 2003).

The knowledge-based view of the family firm distinguishes between explicit and tacit knowledge. This typology provides a framework that defines explicit knowledge as 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 organisation (Nonaka & Takeuchi 1995; Polanyi 1966).

Family business succession is a process that takes place over a number of years. Researching the family firm from a resource and knowledge basis requires that succession be a longer-term process, not one event (Fiegener et al. 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). This has led to the view that succession is a series of stages or phases.

1.2.2 Knowledge Transfer

Knowledge generation, knowledge management, and knowledge transfer from the founder to the successor are important for business succession to succeed (Sambrook 2005; Steier 2001). Although this knowledge can take both explicit and tacit forms, the nature of the knowledge as part of the familiness of a firm is primarily tacit. This tacit knowledge is often held by the owner and other key individuals, has significance for the development and maintenance of a firm's competitive advantage, and is more important to the family firm than to non-family firms (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Dyer 2003; Osterloh, Frost & Frey 2002). The tacit knowledge embedded in the founder is a strategic asset and is more effectively transferred than in a non-family firm (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001).

The socialisation process in family business succession includes the transfer of knowledge from the founder to the next generation successor. Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) work draws from family business succession theory and family socialisation theory in propositioning that two socialisation stages are at play when transferring knowledge in the generational transfer of family businesses. They suggest that knowledge transfer occurs at both stages of socialisation: family socialisation (begins at a very young age in the family setting) and business socialisation (occurs after the successor is engaged in the business and has been identified as the successor).

The concept of socialisation, as it relates to knowledge transfer, can be applied to the process of family firm succession (Brunaker 1996). Assuming that there is a relationship between family socialisation (as described by Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) study and tacit knowledge, the question becomes how and when this tacit knowledge (related to values, norms, and behaviours) is transferred from the founder to the successor.

Related to socialisation and the transfer of tacit knowledge is the degree of trust held in the family firm. The relationship between the founder and successor (and between the successor and other family and business members), and the degree of trust in these relationship(s) has been cited as a contributing factor in successful succession

(Anderson, Jack & Dodd 2005; Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Davis & Harverston 1998). Brockhaus (2004) describes the role of these relationships as allowing the successor to gain understanding about the culture and intricacies of the firm. In their review of 40 books and articles on family business succession, LeBreton-Miller, Miller, and Steier (2004) list the quality of the founder-successor relationship as defined by respect, understanding, trust, and cooperation as the second most common variable in the reviewed research.

The researcher proposes that in this process, where the transfer of tacit knowledge is completed and remains tacit, the success of this knowledge transfer is significantly determined by the relationship between the holder (family business founder) and the receiver (successor). The relationships of trust that contribute to the success of the family business also contribute to the 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, which is based on the tacitness of the knowledge embedded in the firm.

For the purposes of this research a broad definition of successful transfer from the founder to the successor is used. Sharma (2004) provides a useful framework for defining success in a family firm that considers success in terms of family dimensions as well as the financial success of the business. In this model the most positive success is where there both high financial an emotional capital exists. Other degrees of success may have high financial but low emotional success or high emotional but low financial success. A firm that have low financial and low emotional success is clearly not evidence of a successful transition from the founder to the successor.

1.2.3 Gender

Until recently, the bulk of 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 (Haberman & Danes 2007). This research neglect is puzzling because, while the role of gender, and specifically daughters, in generational family business transfer has received 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).

Research has pointed to the differences in female and male experiences as leaders in family firms. Barrett and Moores (2009) drew from prior research supporting a staged of learning in family firms and found that females and males experienced the same phased learning, but that the two genders carried out the learning phases in different orders. This is not to say necessarily that the succession process is phased, but rather that the successor learns in phases as a part of the succession.

The quality of trust in relationships impacts the process of knowledge transfer, particularly the transfer of tacit knowledge. Considering the gender variable having an impact on the quality of trust in relationship, it follows that researchers should consider gender as a variable in the knowledge transfer process in generational transfers of the family firm.

1.3 Research Focus of This Study

Varamäki, Pihkala and Routamaa’s (2002) case study of knowledge transfer in family business succession concluded that the transfer of tacit knowledge in small family business succession has been a neglected issue in family business research. This points to the need for more research; they suggest that “competence/knowledge” is one of the three elements that should be considered in the transitional process between generations. More specifically, researchers have noted that the family dimension in family business research has often been neglected (Dyer & Dyer 2009)

This study proposes to address this neglect and provide more insight into the process of tacit knowledge transfer in generational transfers of family businesses by comparing the successors' perceptions of tacit knowledge transfer in generational transfers of family firms where the successor is a family member and where the successor is a non-family member.

1.4 Research Problem

Do the experiences of the family-member successor and the non-family-member successor differ in the tacit knowledge transfer process in family business succession and if so, in what way?

1.4.1 Research Propositions and Research Questions

1.4.1.1 Proposition 1

The family business succession process differs depending whether the successor is a family member or a non-family member.

1.4.1.1.1 Research question 1a

Is the role of the founder impacted by whether the successor is a family member or a non-family member in generational family business succession and if so, in what way?

1.4.1.1.2 Research Question 1b

Does the family business succession process begin at an earlier stage when the successor is a family member than when the successor is a non-family member?

1.4.1.2 Proposition 2

In family business succession, there are differences in the process of tacit knowledge transfer to successors depending on whether the successor is or is not a family member.

1.4.1.2.1 Research Question 2a

Does the knowledge transfer process differ when the firm is being transferred to a family successor than when it is being transferred to a non-family successor, and if so, in what way?

1.4.1.2.2 Research Question 2b

Is the process of knowledge transfer from founder to successor characterised by more tacit-tacit transfer and less tacit-explicit transfer when the successor is a family member than when the successor is a non-family member?

1.4.1.2.3 Research Question 2c

Does the tacit knowledge transfer process follow the two-staged pattern proposed by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) when the business is transferred to a family member compared to when the business is transferred to a non-family member?

1.4.1.2.4 Research Question 2d

When the successor in family business succession is a non-family member, do the transfers of tacit and explicit knowledge occur in a parallel process or adhere to the spiral model proposed by Nonaka and Takeuchi (1995)?

1.4.1.3 Proposition 3

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

1.4.1.3.1 Research Question 3a

Do 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?

1.4.1.3.2 Research Question 3b

How do the degree and nature of trust between the founder and successor of family business affect the tacit knowledge transfer process?

1.4.1.4 Proposition 4

The successor's gender impacts the tacit knowledge transfer process in family business succession.

1.4.1.4.1 Research question 4a

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

1.5 Method

A multiple case study method is used because the focus of this research is to investigate the process of tacit knowledge transfer in intergenerational transfer of family and non-family firms, with an approach that seeks to explain how, when, and what tacit knowledge is transferred during the succession process, from the perspective of the successor. The study does not involve behavioural control and does focus on the founders' and successors' reflections on a past process and the research question in terms of how and when tacit knowledge is transferred, and therefore it is appropriate to use a case study approach (Yin 2003b).

A total of eight successors, eight founders and eight key observers/senior employees were recruited through a call for volunteers, through networks. All of the founders were to be male and the eight successors were evenly divided by gender. Further, the successors were evenly divided between family and non-family members. The structured interviews with the successors focused on a series of questions that asked them to reflect back 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 when they were fully responsible for the leadership of the family business. The interviews with the founders focused on the founder's awareness of knowledge transfer to the successor, to the point in time when the successor became fully responsible for the leadership in the family business. The key observer/senior employee interviews focused on their observations of the relationships and interactions between the founder and successor. This sample, limited to firms founded and operating in the northern and central region of the province of Alberta, Canada, satisfies the definition of a case study provided by Merriam (1998).

In order to minimize bias, due to the developmental stage and size of the firm, the sample is limited to firms that were founded more than 20 years prior to the transfer, that currently employ less than 500, and that the successor has assumed control of within the past 10 years. The selection of 8 cases is consistent with the parameters provided by Eisenhardt (1989) that in the multiple-case approach there are no ideal number of cases, but that a study of 4 to 10 cases usually provides sufficient data for analysis.

Interviews and requests for documents were the primary means of collecting data for the cases. Selection of founders and successors for interviews were determined after a request for and review of documentation from the firm verified that the successor and firm met the parameters established for interviewee selection. A literature review provided a secondary source of data for this study.

To provide advice on data collection and interpretation of findings, an advisory group of key informants were recruited from the MacEwan University School of Business Dean's Advisory Council and the Allard Business Chairs. The key informant group provided input at strategic points in the participant recruitment and data collection process.

1.5.1 Phase 1 Interview design

The interview instrument and schedule was designed with input from key informants. The key informants included founders of family firms.

1.5.2 Phase 2 Interviews

The study involved detailed, closed and open-ended questions in structured interviews with founders, successors, and key observers from eight firms: four from the development sector and four from the service/retail sector. After data analysis some participants were contacted to provide context and/or to clarify their statements.

1.5.3 Phase 3 Advisory group review and input

After data collection and interpretation, general findings were reviewed by the advisory group and alternative interpretations were explored.

The advisory group helped provide background on the regional economic history and to provide contacts and referrals for participant recruitment. The advisory group sometimes made initial contact with the participants as their advice was family firms (and privately held firms) are often reluctant to disclose or make public what they consider their private business matters. In some situations the advisory members approached potential participants directly to ascertain their willingness to participate. After consent the researcher contacted the potential participants.

The advisory group did not review participant data but rather responded to general findings and researcher interpretations. Clarification of specific data was conducted directly with the participants and did not involve the advisory group.

1.6 Justification for the Research

The motivations of entrepreneurs or founders to start family businesses range from generating income, family employment, building wealth, to the opportunity to engage in the start-up culture as well as number of other factors. There comes a time in every entrepreneur's life when they consider exiting or passing control of the business either to move onto other business challenges (serial entrepreneurs) or retirement. In the case of family business the founder is faced with the decision whether to pass the business onto a family or nonfamily successor. In both cases, the challenge of passing on accumulated knowledge, values and ways of doing business becomes a key to the successor's success. Embedded in this challenge are issues of family and business socialisation, family dynamics (particularly the difference between the relationship between the founder and male and female family member successors), trust, and the intergenerational transfer of knowledge.

The research community has responded to this challenge by conducting research on family business succession and the range of issues associated with succession.

In their review of the research of strategic management in family business, Sharma et. al. (1997) identified succession as one of three classifications within their broader Management and Ownership category. In their review they identify several subtopics used to categorize researching family business succession: succession planning, succession timing, interest of the next generation, and who should choose the successor. Intergenerational issues tended to focus on father-son power and conflict issues as well as on the differences between father-son and father-daughter dyad relationships in the context of succession. This review does not identify knowledge transfer in intergenerational succession as a topic that caught researchers' attention (at least before 1997).

Sharma (2004) in a update on the state of family business research identified tacit knowledge as an area of interest in succession, specifically as tacit knowledge impact firm performance. In her review, Sharma refers to this research as preliminary and she suggests that more research could increase understanding the contextual factors that enhance or impede knowledge transfer in family business succession.

Garcia-Alvarez et. al.'s (2002) focus on socialization and the questions that their model raises is viewed by Sharma as promising, but speculative and in need of more theory building and empirical study. Sharma (2004) also identifies a gap in the research in studying females in family business that the lack of systematic research leaves significant potential for additional study of women in family business. While she does not specifically identify knowledge transfer, trust or succession, her review points to a general vacuum that would logically include these dimensions.

A search of Google scholar indicates that Garcia-Alvarez et. al.'s study has been cited over 90 times in the 11 years since its publication, providing some evidence that researchers have taken up the challenge implied by Sharma's (2004) review. (While not all of the articles continued to build on Garcia-Alvarez et. al.'s model, this is evidence of some interest in follow-up research.)

Aside from the specific model proposed by Garcia-Alvarez et. al. (2002), broader interest in succession has continued to be strong among researchers interested in strategic management of family businesses and this research has been increasingly focused on improving the strategic management of firms (Carsrud & Braanback 2012).

This study of successors' perceptions of the transfer of tacit knowledge in the process of generational transfer of family business will be of interest beyond the research community and be attractive to family business transfer consultants and family businesses contemplating the transfer of control of the family business to the next generation.

An effective approach to understanding the 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 this variable provides insight on how the succession process is impacted by family relationships, history, and dynamics.

Family business succession continues to be a 'core' topic in the literature (De Massis et al. 2012). The influence of personalities, interpersonal family dynamics, trust, and gender, as well as how knowledge (especially informally held knowledge) is developed, managed, and transferred, requires different research approaches, and is likely why this research agenda has emerged more recently. Knowledge and trust continue to be of interest to researchers, specifically in the context of females in family businesses (Vera & Dean 2005).

This study adds to a growing body of research in family business and contributes to the expansion of knowledge about family business. Family business research is at an important stage in the history of family business research (Craig et al. 2009b) . While De Massis et. al. (2012) identify 27 studies since 1997 that deal with succession, there are few that specifically focus on knowledge transfer, socialisation, trust, and gender differences, leaving ample space for this study to contribute new findings to the body of research. A review of the annotated bibliography identifies three studies that focus (at least in part) on gender issues, eight that deal with issues of knowledge, embedded knowledge and related topics and two that examine trust issues. This review clearly demonstrates a gap in research activity that is addressed by this study, specifically in knowledge transfer, trust and gender differences in succession.

1.7 Delimitations of Scope

The actual transfer of tacit knowledge in this context is a process that evolves over a number of years and would require a longitudinal methodology to measure when and how the knowledge is transferred. This study is limited by the successors' perceptions and memories of the past process of acquiring or becoming aware of this knowledge at a particular time in the history of their firm.

Tacit knowledge has been referred to as that knowledge that is not yet spoken (Polanyi 1966). The study is somewhat limited by the nature of tacit knowledge and the typical family business member's understanding of tacit knowledge. Successors may recall their understanding of certain family business knowledge, but may indeed have possessed the tacit knowledge before they were aware of possessing it.

This study limits the sample to the development and retail/service industry sectors, in order to minimize differences as a result of the nature of the business. The study does not take into account the demographics of the Edmonton, Alberta region. The region is ethnically diverse, with large Ukrainian-Canadian, French-Canadian, Aboriginal, Indian-Canadian, Chinese-Canadian, and other groups. This study will not take into account cultural differences arising from the ethnicity of the study participants, nor whether the participants are first-, second-, third-generation Canadian, or more.

1.8 Definitions

1.8.1 Family firm- Family Business

A widely accepted definition of the family firm is adopted. In an effort to more clearly define family business Chua, Chrisman and Sharma (1999) conducted a comprehensive review of family business literature and defined the family firm is "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by a member of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua, Chrisman & Sharma 1999). This definition is founded in the behaviour as the essence of family business. This definition is re-affirmed by De Massis, Chua and Chrisman (2008) in their work on intra-family business succession. More recently De Massis, Sharma, Chua and Chrisman (2012) have acknowledged that there is not one commonly accepted definition of the family firm or business, but that some criteria for differentiation are emerging, including the existence of identity, intention for succession and non-economic goals in the family business. The definition provided by Chua, Chrisman and Sharma (1999) is used for this study. The terms "family firm" and "family business" are synonymous and used interchangeably in this study.

1.8.2 Familiness

Familiness as used in this study takes a multi-dimensional approach to defining the essence or the uniqueness that the family contributes to the business. The familiness of the business encompasses the involvement of family members in the business, the essence of the firm (is it family at its core) and is the business identified as a family business. This definition draws from Zellweger et. al.'s (2011) work where they consider the use of the term in past research and propose an extension of the term to include family firm identity.

1.8.3 Founder

The founder of the family firm is the originator of the firm, the first generation of the family engaged in the business.

1.8.4 Successor

For the purposes of this research, the successor of the family firm is that individual in the second generation who assumes or is planned to assume control of the firm.

1.8.5 Tacit knowledge

Tacit knowledge is the knowledge we have without knowing we know it (Polanyi 1966), or knowledge that is not immediately explicit, or embedded in the culture, routines, and internal processes of individuals and organisations.

1.9 Structure of the Study

This introduction is followed by Chapter 2, a review of the literature and the presentation of a model that integrates the theoretical frameworks and provides a context for the research problem, propositions, and research questions. Chapter 3 provides an outline of the methodology developed for this study, including a justification for the multiple case study approach and sampling. This is followed by Chapter 4, the analysis of the data collected for this study. Chapter 5 provides a conclusion and discusses the implications of the findings.

1.10 Conclusion

Family business succession is an important, yet relatively new, area of research. Early research focused on the issues of control, financial transfers, and other tangible factors. There is a growing body of evidence that points to the importance of knowledge transfer in this process, suggesting that the specific process of tacit knowledge transfer can be viewed through a process of socialisation that is substantially impacted by the level of trust between the founder and successor. There is clear evidence to point to gender differences in this process. This study proposes to use a multiple case study approach to investigate the nature of the trust and socialisation processes on the tacit knowledge transfer in generational family business succession.

2 CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This research focuses on the nature of tacit knowledge transfer in the context of generational transfer of family business? Family businesses are a significant contributor to the economy of the Province of Alberta in Western Canada, and the degree to which these businesses are successfully transferred to the next generation and remain viable, family-controlled businesses is an important issue. Successful transfer of the family business from the founder to the next-generation successor is dependent on a number of factors, including financial and taxation planning, intra-family relationships, and the transfer of knowledge from the founder to the second-generation successor.

There is substantial research on the financial and intra-family issues involved in family business succession, but considerably less research focused on the transfer of knowledge from the founder of the family firm to the next-generation successor. Knowledge in family business takes the form of explicit and tacit knowledge. Explicit knowledge is readily accessible, can be codified, and is often found in manuals or business documentation, or is shared through meetings, dialogue, and formalized settings. Tacit knowledge is more difficult to access..

While Civi (2000) points out that businesses have been discussing the issue of knowledge management for the past fifteen or more years, Prusak (2001) p. 1005notes that the quest to understand knowledge is much older and was considered by ancient Greeks when Aristotle "talked about know-how and know-what."

The contemporary concept of tacit knowledge comes from the work of Polanyi (1966), who describes it as knowledge that one does not know that one has until it is spoken. His work focused on the nature of knowledge as either tacit or explicit and understanding the personal nature of tacit knowledge.

Since Polanyi's (1966) work there has been a growing interest in the dynamic and management of knowledge in the organisational context (Haldin-Herrgard 2000; Nonaka & Takeuchi 1995). Nonaka and Takeuchi (1995) build on Polyani's work to study knowledge processes in Japanese companies. Their work had significant impact in generating renewed interest in knowledge management (Li & Gao 2003). Nonaka and Takeuchi (1995) provide a model of knowledge creation in organizations that defines knowledge a process described as the SEIC spiral composed of socialisation, externalisation, internalisation, and combination. Of particular interest for this study is tacit knowledge in the knowledge spiral.

More recent discussions of tacit knowledge have likened it to intuition, or the gut feeling that entrepreneurs refer to when describing what information led them to make a particular decision, or to the embedded knowledge that is embedded in the processes, culture, and history of the firm (Sharma 2004). This tacit knowledge is a key contributor to the success of the family firm, and so it is crucial that this type of knowledge be transferred from the firm founder to the successor in the generational transfer of the family firm.

2.2 Family business

2.2.1 Family Business in the Economy

Family business is the most common form of business, particularly among small and medium enterprises (Chirico & Nordqvist 2010). Family business as an institution has a long history (Pianna, Vecchi & Cacia 2012) and was considered as a major form of business structure but largely unstudied as a form of business. By the 1960s family business as an economic unit was seen merely as an intersection (or interference) of the family in business. This remained largely the dominant view until early in the new millennium when family business research emerged as a focus of study and began to be recognized by economists as more important than had previously been viewed (Schulze & Gedojlovic 2010) .

Family business is the backbone of the Canadian economy (Zahra 2010) and represents a significant part of national economies around the world including the United States (Astrachan & Shanker 2010; Kleiman & Peacock 1996-97).
The extent of family business as a proportion of the economy is debateable due to the range of definitions of 'family business' that have been used and due to the degree to which historical data collection considered family business in terms of collecting and coding data ranged over time and jurisdiction. What is clear is that there is a strong case for considering family businesses as a significant (although not always the single largest) contributor to national economies.

2.2.2 Historical Overview of Family Business Research

Early family business research saw the family as an impediment to the success of the firm and therefore did not acknowledge a positive interaction between the business and the family; rather, it focused on the need to rescue the family business from the limitations that researchers believed were inherent in family involvement. Some researchers took the view that the overlapping demands from the family and business created inefficiencies. For example, in a family firm, salaries or dividends to family members might be higher than in a similar non-family firm, or owner-managers of family firms might prefer to forgo firm growth in order to retain family control of the firm (Lopez-Gracia & Sanchez-Andujar 2007). This view led to the belief that family businesses needed to import management expertise and export the family dynamics from the firm. This could be seen as an arbitrary distinction between the family and the business and limited by current standards, but recognizing the assumptions inherent in this approach – that business was a distinct domain of research and the agency framework that focused on the negative or limiting costs of family involvement, it was a reasonable approach in the early stages of family business research. The late 1980s view of the family business (Davis & Stern 1988), is that the family firm is indeed two separate systems or organisations coming together. They suggest that successful family firms are "successful adaptations of the family firm to the business environment" (Davis & Stern 1988, p. 71). More recent approaches have recognized the family as a resource to the firm. The resource based view provides a framework to view family business as a system, incorporating family and business elements. The systems view of the family firm has more recently evolved to an understanding that the family business is a system where interrelated and interdependent persons are united in a recognizable unit. In this view, an individual would have different positions in the family, ownership, and business systems (Carsrud & Braanback 2012).

The view of the family as an inefficiency or impediment to success in the family firm has not been held universally. The question of whether the family is a cost or resource is receiving attention (Poza, Hanlon & Kishida 2004). Some authors point to the advantage of strategically linking family and business capital that is not available to non-family firms (Haynes et al. 1999). Families investing capital can be more patient than owners of a non-family firm. Family control can reduce the agency cost of using free cash flow by firm managers (Lopez-Gracia & Sanchez-Andujar 2007).

While the dominant approach to family business research assumed that the family was a negative (or neutral) factor in the success of the firm, early perspectives saw removing the family's impact from the business as only one approach; focusing on the founder and using phase and stage concepts and systems approaches were identified early by Hollander and Elman (1988). This broader view of the family as integral to the family firm was not widespread, however.

Some researchers saw the family's influence in the family firm as positive, but still as a separate piece of the puzzle. The family has been seen as giving the firm a competitive advantage over non-family firms. Habbershon and Williams (1999) and Donckels and Frohich (1991) note that the inwardly directed nature of the family firm contributes to the firm typically adopting a more conservative strategy that contributes to the firm's stability.

There was a significant growth in research interest in the family firm during the mid-1980s that began to see the family firm from a systems point of view. Beckhard and Dyer (1983) were among the first researchers to consider the family firm from a systems perspective. They described the family firm as having three sub-systems: the family, the founder, and the linking organisations, such as the board of directors.

2.2.3 The development of Family Business Research

Research focused on the specifics of family business is relatively recent (Tagiuri & Davis 1996; Varamaki, Pihkala & Routamaa 2002), and a comprehensive and rigorous theory of family business is still in the developmental phase (Habbershon & Williams 1999). Chua, Chrisman, and Steier (2003) have acknowledged this development, but conclude that a rigorous theory of the family firm is emerging. Pieper and Klein (2007) state that "research on family business is fragmented and lacks a solid theoretical grounding" p. 302.

Family businesses are unique and differ from nonfamily businesses in that families influence the business through their values and expectations and in that in addition to sustaining firm viability, family business must sustain an entrepreneurial orientation from one generation to the next in order to create family legacies that endure across generations (Chrisman, Chua & Steier 2003) . Family firms are characterized by a higher degree of altruism than nonfamily firms. Family influence can result in flexible decision making and a longer term view of the firm, thus benefiting the longer term viability of the firm (Carney 2007). It is this sense of familiness that contributes to the distinctness of the family firm (Habbershon & Williams 1999).

A common theme that has consistently emerged since 1988 in a review of the literature on family business is the issue of succession from one generation to the next (Goffee 1996; Lansberg 1988; Wang et al. 2004; Zahra & Sharma 2004). Succession has been identified as a dominant strategic issue (Morris et al. 1997). Aronoff (1998) suggests that one of the major megatrends in family business research is that generational transition is replacing succession planning, reflecting the understanding that succession planning in the family business context has more dimensions than in non-family business succession. Other investigators have agreed that research in family business succession is not only important (Handler 1994; Yan & Sorenson 2006), but has the potential for expanding our understanding of strategic and management issues beyond the context of family business to business succession in general (Haag 2005).

There has been significant research on the concrete functions related to the financial and legal issues of business succession. This research has examined the taxation considerations of passing the business onto the next generation, and the steps that allow the founder to extract their capital from the business (or otherwise secure a retirement income) and the successor to purchase that capital and gain control of the business (Bjuggren & Sund 2005). The fact that these areas of focus emerged early in the research history of this issue is related to the relatively easy accessibility of the data and the immediacy of financial considerations for firm survival. Financial records and legal documents are more readily available (and perhaps more reliable) than individual memories, self-reporting, and retrospective interviews.

This relatively easy data availability and the challenges in collecting alternative data that would lead to questions beyond the financial and legal issues probably limited the number of researchers examining the transfer of family businesses from the founder to the successor beyond the financial and legal issues. Even though the disciplines of psychology, sociology and social work have recognized and researched for decades how personalities, interpersonal family dynamics, trust, and gender impact the family dynamic, family business research has only relatively more recently recognized these areas (as applied to family business succession) as potentially rich in research potential. It is partially by reducing the silos between the disciplines has family business succession research has been more equipped to study the family dynamics of succession, including how those dynamics influence the development, management, and transfer of knowledge (especially informally held knowledge.

An effective approach to understanding these issues 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; Ibrahim, Angelidi & Parsa 2001; Morris et al. 2010; Santiago 2000). Using this variable provides insight on how the succession process is impacted by the family's relationships, history, and dynamics.

2.2.4 Phases of Family Business Research

Pieper and Klein (2007), in their review of family business research, categorise the literature in three phases. Although in their analysis they acknowledge that the early phase of research included some subsystems, it assumed that family business was a closed system with two distinct systems (family and business) interacting. This led to research and practice focusing on the development of how-to guides for family business operations and succession planning. One example of this approach is the work by Barnes and Hershen (1989). They focused on the transition between the founder and successor of the business and characterised the interaction as a power dynamic within the family and the business. In their analysis, the founder (or old man) must decide to relinquish power so that when he reaches his inevitable death, the family's business will continue. The founder's unwillingness or inability to give up control of the family firm is a recurring theme in studies of this era (Dyer 1986; Sharma et al. 2001; Ward 1987). It is interesting that this earlier research acknowledged both the role of the business and family, but saw the two as separate and intersecting, rather than seeing the family business as a unique form. This approach of focusing on the individual components of the family business may have led to viewing the role of the family dynamic in the business as static and external, rather than as an integral part of what we view today as the family business. Pieper and Klein's (2007) analysis came to the conclusion that it ignored the potential interaction between the family business and the environment.

In later research, according to Pieper and Klein (2007), classification took a process view that examined family business from a more systems, process perspective, but that generally still saw the process of the family as having an impact or causal role in the operation of the firm. This process view influenced Lansberg's (1988) work on succession planning in the family firm where he begins with reference to a sociologist and discusses succession by integrating business and family dynamics by suggesting that the challenges in succession planning may be the result of the founder's ambivalent feelings that are as much a part of the family dynamic as the business dynamic. This is interesting, as Lansberg's earlier work focused not on process, but on the family and business being separate but overlapping social institutions. The process view is a foundation in Barnes and Hershen's (1989) work on transferring power from the founder to successor in the family firm. Whiteside and Whiteside and Brown (1991) describe the family firm as a new system generated from the interaction of the family and the firm. While this suggests a systems approach, it is seen by Pieper and Klein (2007) as having the same limitation as the closed system approach, as it focuses exclusively on the dynamic between the family and the business, and largely ignores the interaction between this system (family-business) and the external environment. Peiper and Klein's (2007) observation is important as it points to the weakness in the approach of seeing family business as the interaction between the family and the business. Using this as a framework leads to examining the two entities (family and business) and their interaction and ignores that the intersection of the two actually creates a new type of entity that has its own internal and external dynamics. While the interaction between the family and business still has importance in understanding family business dynamics, it runs the risk of ignoring that this new entity –the family business- has its own interactions with the outside environment and its process are not simply the product of the separate family and business units.

Interest in the systems approach grew, but it is important to re-emphasize that this framework did not always see the family firm as a system, but took the view that the study of family firms is the study of two parallel entities – families and firms – intersecting (Hollander & Elman 1988). Churchill and Hatten (1987) proposed a model that reflects this Venn diagram approach, and that sees the owner-managed business as the intersection of the business and the family, and the family business as the intersection of the owner-manager, the family, and the business. This view sees the study of family firms as the study of the interaction of the task-oriented business and the emotively driven family.

The view of the family firm as the intersection of two systems remained prevalent through much of the 1990s. Tagiuri and Davis (1996) use this framework in their examination of the differences of family and non-family firms. Their approach makes a significant contribution, as it is one of the earliest research reports that begins to consider the family firm as unique, not just a subset of the family and the firm. The seven bivalent attributes that that they identify as the unique features of family firms can be either advantages or disadvantages in the firm's efforts for success. Harris, Maritnez, and Ward (1994), in their examination of strategy differences between family and non-family firms, also use a paradigm that sees family firms as two interlocking systems, and suggest that this is a widely accepted approach. Taguiri and Davis' (1996) framework was cited by Gersick (1997) when he built on their three-circle model and introduced developmental stages in family business.

Stafford, Duncan, Dane and Winter (1999) argue convincingly for a model that views the family firm as a unique system, not simply the Venn diagram where family business is the intersecting area of two independent systems. Their criticism that past paradigms do not adequately integrate the family in past models points to the limitations of the research to this point. They propose a single model of family business sustainability. This single system views business outcomes as a function of the characteristics of both family and business. This may have been one of the first models to incorporate the family dynamic as a key part of the ongoing family business dynamic, not simply its origin. In their model the family is a key player throughout all phases in contributing to family business sustainability. From a family business systems perspective, family achievements, business achievements, and the transactions between the family and the business distinguish a family business from a non-family business. It is worthwhile noting that Stafford, Duncan, Dane and

Winter's (1999) work began to move beyond the family firm as an isolated set of interactions between the family and the business to include the family business' interaction with the external environment.

The lack of agreement on one approach to research on the family firm is illustrated by the different approaches seen in the three-circle model, as the intersection of the family, the business, and the owners (Chua, Chrisman & Steier 2003; Churchill & Hatten 1987; Harris, Martinez & Ward 1994; Lee 2006), and in the two-circle model as the intersection of the family and the business (Beckhard & Dyer 1983; Davis 1983; Davis & Stern 1988; Stafford et al. 1999).

More recent research, over the past 10 to 15 years, that sees family business through an open systems lens, has resulted in both complex and specific models of the family firm. According to Pieper and Klein's (2007) analysis, this research phase has developed into two streams – family influence models and sustainable family business models – both of which include the intersection of the family and the firm, but go further in addressing the interaction between these two (and their interactions) with the external environment. By removing conceptual barriers that limit the discussion to the family and business as separate, distinct, yet intersecting entities, their approach provided a framework that generated more promising investigations.

2.2.5 Contemporary Approaches to Studying Family Business

Common categorisations used in theoretical approaches to studying the family firm include the agency-cost approach, the resource-based view, and the knowledge view.

The agency-cost approach focuses on the family as a negative cost to doing business (Schulze, Lubatkin & Dino 2003). From this perspective, the family relationships and dynamics reduce the efficiencies and profitability of the firm. Central to this theory is the potential for conflict between the principal and the agent (Carrasco-

Hernandez & Sanchez-Marin 2007). From the agency-cost point of view, the family business has the main driver or central value of maintaining family control over the firm, over time and across generations, even if adhering to family control of the firm results in diminished financial returns. The value of the family control that permits the founder to pass on the firm intact to the next generation, to provide employment for family members (even at the expense of forgoing employing more productive employees), and to gain other non-pecuniary benefits for the family outweighs the potential for increased financial value (Blanco-Mazagatos, de Quevedo-Puente & Castillo 2007). For example, a family member may be employed by the firm because of their family relationship, which prevents the firm from employing the best person to add the most value to the operations. Or, temporary or summer jobs may be created in the firm to provide summer employment for family members, without much reference to the positive economic contribution of the new hires. It is important to remember that this trade-off between family and business benefits may well be a conscious decision by the founder of the firm and not an unconscious choice made unaware of the outcomes.

The financial implications of this trade-off have been well documented (Chrisman, Chua & Litz 2003), and the agency cost during generational succession can increase as decisions such as choice of successor are made—when the choice of successor is driven by the desire to keep the control of the business in the family rather than choosing the person who has the best potential for managing after the transition of control and for maximizing firm value (Perez-Gonzalez 2006).

The agency-cost view of the family firm is limited to the costs inherent in family involvement in the firm and fails to adequately take into account the benefits of family involvement in the firm. In the developmental stages of a firm, the family is much more likely to be willing to delay returns on investment compared to the non-family investor; family members are more likely to work long hours without additional compensation, and extended family networks can provide access to additional human or financial capital when needed. In their compensation study of family and non-family firms, Carrasco-Hernandez and Sanchez-Marin (2007) found that family members employed in family firms accepted lower rates of compensation (although this finding varied depending on whether the family firm was professionally or family-managed). This view discounts the value that the family embedded values and dynamics bring to the family business. While there is some validity that the family business may demonstrate preferential treatment in hiring younger family members for summer positions, the fact that these temporary employees (or full time employees) are family members, it is likely that they will place a higher value in the firm's over-all success as they will (at least indirectly) benefit from the firm's successes. This could well lead to extra effort, higher customer attention and other positive behaviours compared to the nonfamily member employee.

The resource-based view (RBV) sees the family as a resource contributing to the success of the firm. This view sees the employment of a family member as a benefit to the firm, because the family member is likely to have more at stake in the success of the firm and is likely willing to work harder, sacrifice more, and commit more to the firm. This approach is well suited to studying family firms as it helps to distinguish those resources and capabilities that make family firms different from non-family firms (Chrisman, Chua & Steier 2003). The resource-based view of the firm is a theoretical standpoint where the focus of analysis is dominantly on the resources of the firm (Penrose 1959). The theory suggests that each company possesses a unique collection of resources, that is, anything useful or applicable in business (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001). The RBV's analysis of competitive advantage allows the researcher to isolate specific resources that are complex and dynamic in order to understand how each contributes to the firm's level of success (Habbershon & Williams 1999). This approach suggests that the family firm's resources are more than just the total of the assets, products, and non-capital assets of the firm, but that the firm's competitive advantage comes from an interaction of resources that are complex and interactive, with tangible and intangible components; as such, it has become a useful tool in explaining long-term differences in firm performance that cannot be related to other conditions (Habbershon & Williams 1999).

A firm's resources and capabilities are key contributors to its success, but these alone are not sufficient to ensure success. According to Cabrera, De Saa-Perez, and Garcia-Almeida (2001), competitive advantage comes from the distinct resources or capabilities over which the firm exercises control—and that the firm uses to outperform its competitors. It is worth noting that the RBV approach focuses specifically on those resources that can give the firm a sustained or long-term competitive advantage. Resources that contribute to a firm's competitive advantage must exploit opportunities (or eliminate – or at least neutralize – external threats); be rare in the competitive environment; and not be easily copied, imitated, or substituted (Habbershon & Williams 1999).

The RBV approach to studying family firms provides the researcher with a model that differentiates family from non-family firms. Given that two firms, one family and the other non-family, can operate in the same external environment and achieve differing levels of success, it is reasonable to assume that the difference in success is likely due to some internal factors. The RBV approach analyses the internal capacities and resources of the business making the comparison between family and non-family firms a viable research focus. While this approach does not take into account the micro differences of family and nonfamily businesses such as founder personality, it does provide a useful paradigm to consider the contributions (rather than simply the limitations) that family involvement brings to the business.

From their review of the literature, Habbershon and Williams (1999) conclude that, in considering the competitive advantages of family firms, it is useful to examine the firm's resources. From this perspective, it makes sense to conduct this examination using four categories: physical capital resources, human capital resources, organisational capital resources, and process capital resources. Physical capital resources are the raw materials, cash, and capital and intellectual property controlled by the firm; human capital resources are the skills, knowledge, and relationships held by the firm; organisational capital resources are the competencies, policies, controls, culture, technology, and information held by the firm; and process capital resources are the knowledge, skills, leadership, commitment to communication, and the team available to the firm.

Habbershon and Williams (1999) further suggest a process for using an RBV approach to the family firm:

1. Define systemic family inputs
2. Assess inputs according to resource categories: physical, human, organisational, and process
3. Analyse firm capabilities and match with familiness resources
4. Show how familiness translates to capabilities and ultimately to competitive advantage
5. Assess capabilities in terms of external competitive environment to substantiate how firm can gain a sustainable advantage.

It is clear that this approach views the family firm as a whole system and is focused on the internal characteristics of the firm that potentially give it a competitive advantage over its competitors.

Both of these approaches have limitations: they both assume that the primary goal of the family firm is wealth creation through competitive advantage. The family firm differs in that its goals are influenced more by the family's influence, interests, and values (Schuman, Stutz & Ward 2010; Sharma, Chrisman & Chua 1997). However, there is some value in using the resource-based view to study family firms if the investigation goes beyond the traditional considerations of strategy and competitive advantage to include knowledge as a resource. This has the potential for including issues related to the firm's organisation and intra-firm dynamics (Grant 1996). Recently, researchers have linked the financial and emotional benefits of ownership in the family firm, recognizing that one dimension can impact the other, and that family involvement in the firm may have both positive and negative impacts on the finances and emotions of the founder and the family (Astrachan & Jaskiewicz 2008). Researchers have also suggested that family businesses mobilize capital differently than non-family businesses (Levie & Lerner 2009). For instance, a family business may be limited by its agency costs of maintaining family control, which could limit its access to financial and human capital. But this same family business may be able to mobilize its internal social capital to build stronger relationships with stakeholders, and may have access to more patient capital, than the non-family firm and generally can be a contributing resource to the firm's financial success (Danes et al. 2009). The combination of family and business can result in a 'merging' of the social capital created in both components of the family business (family and business), adding an advantage to the family firm (Pearson & Carr 2011).

Family and nonfamily business may operate in the same external environment and family businesses inherently are influenced by the values and dynamics of the family. How a firm develops, maintains, and transfers knowledge seems an internal key to the ongoing success of the business, especially in the succession context. The study of knowledge as a resource has substantial potential for understanding what distinguishes family from nonfamily businesses, especially given that such knowledge is both tacit and explicit and often embedded in the values and processes found in the business.

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 knowledge that can be easily transferred or codified and is easily transferred. 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 organisation (Nonaka & Takeuchi 1995; Polanyi 1966). Tacit knowledge is particularly relevant to the family firm; typical early-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).

2.2.5.1 Proposition 1

The family business succession process differs depending whether the successor is a family member or non-family member.

2.2.6 Succession as a Process

Family business succession is not a single event, but is a process that takes place over a number of years and is defined by Sharma, Chrisman, Pablo and Chua (2001) as the actions, events, and developments that affect the transfer of managerial control from one family member to another. There may be a defined date when the financial or legal control of the firm moves from the founder to the successor; the process leading up to and the time after that transfer has significant impact on the potential success of the transfer. Researching the family firm from a resource and knowledge basis requires that the succession process be viewed as a longer-term process, not as one event (Fiegener et al. 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). This has led to the view that succession is a series of stages or phases. Focusing on succession as a generational process has led researchers to propose models that view succession in terms of a series of stages or phases, and these models are sometimes described in terms similar to the roles or stages of family life (Churchill & Hatten 1987; Handler 1994). Gersick, Lansberg, Desjardins, and Dunn (1999) point out that if there are stages in the transfer, there would necessarily be transitions between those stages. This further reinforces the understanding that succession is a process, and that learning more about succession is best achieved by studying the processes, not by examining any one single event.

Studies of family business succession have examined the issue from both a role-changes focus (Handler 1990) and a life-cycle perspective (Churchill & Hatten 1987). In most approaches, family business succession is seen to happen over an extended period of time and is often integrated with the developmental phases of individual development within the family context (Aronoff & Ward 1995). Linked to this view that succession is a process is how the transfer of knowledge to the successor occurs. Arguably, knowledge transfer accelerates when the successor begins the more formal or deliberative process of assuming control of the firm, but research indicates that, given the tacit nature of family firm knowledge, this knowledge transfer must begin earlier. Researchers have pointed to this early acquisition of firm-related tacit knowledge as a key to effective succession (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Steier 2001).

2.3 Knowledge Transfer

2.3.1 Origins of the Study of Knowledge Management

Although Aristotle was likely not the first to consider the nature of knowledge—and no doubt leaders and thinkers in every age gave the issue some thought—the most notable contemporary schools of thought about the nature of knowledge begin with the work of Michael Polanyi, who began his work in the 1950s and 1960s.

2.3.2 The Emergence of the Study of Tacit Knowledge in the 20th Century

Polanyi (1966) wrote from the perspective of his scientific experience and often used the traditional scientific method to illustrate his understandings about the nature of knowledge. He suggested that the traditional scientific method is inadequate in explaining the discovery or revelation of new knowledge a scientist might have by ordering observations differently or by following a path of thinking that changes the scientist's understanding.

Polanyi viewed cognitive understanding as the interplay between these two components of explicit and tacit knowledge in the human experience of understanding knowledge. For him, explicit knowledge is that knowledge that is readily codifiable and articulated, and tacit knowledge as that knowledge that is not easily articulated and defines that knowledge as tacit. Tacit knowledge refers to when we hold knowledge that we use on a consistent basis, but may not be readily able to articulate or identify the specifics of that knowledge.

Polanyi focused more on understanding the individual's interface with tacit knowledge and the processes that are involved in its creation, use, transformation, and understanding. He held that tacit knowledge comes before explicit knowledge in human understanding. In other words, an individual tacitly understands a particular truth or reality before it becomes explicit knowledge—one knows the solution before one can articulate it. Since, from Polanyi's point of view all knowledge comes from tacit knowledge, it follows that a greater understanding of tacit knowledge processes will lead to a greater understanding of all knowledge and the processes engaged in the development of knowledge, explaining his focus on understanding the nature of tacit knowledge.

Polanyi's work draws substantially from his experience as a scientist. He uses the process of submitting work for publication in academic journals as a example of where it would appear that the process relies of the explicit nature of objective observation (i.e., the traditional scientific method that governs experimental design relies on objective observation). Yet scientists, in the peer review process that determines which submissions will be selected for publication, use their tacit knowledge when examining whether a particular submission might either stretch the known boundaries of knowledge or be too far removed to be implausible (Polanyi 1966).

Polanyi's contribution, while significant, raises some interesting questions. If his thinking evolved from his experience as a scientist trained in the traditional, objective scientific approach, it could be that his theory of knowledge was a direct reaction to the constraints inherent in the rigidity of the scientific method that dominated his work? One is left to question whether his reaction was, at least in part, exaggerated to some extent in order to radically differentiate his work from conventional scientific academic wisdom. While it is true that he referenced some earlier research that supported his view, his assertion that there is always tacit knowledge might be a reflection of the desire to use a linear framework to describe something that might not always be linear. For example, his training in the traditional scientific method could have influenced his conclusion that tacit knowledge must be related to explicit knowledge in a linear fashion. Could there be another explanation that views the two knowledge types as simultaneously existing (i.e., can something be both tacit and explicit)? Or could the two types of knowledge have a symbiotic relationship where tacit knowledge emerges from explicit knowledge and in turn explicit knowledge emerges from tacit knowledge?

Polanyi's view of tacitness transfer implies that the process is exclusive to communication between individuals holding a common (or at least comparable) level of knowledge. However, Li and Goa (2003) make a convincing case that when one considers tacitness transfer – the transfer of tacit knowledge – in an organisation, it can indeed occur between individuals with dramatically different levels of knowledge. While Polanyi certainly considered organisations (and society), he was primarily interested in intra- and inter-personal dimensions of tacit knowledge. Taking this into consideration, Li and Goa's analysis could be not a just a criticism, but an extension of Polanyi's work (although Li and Goa might not agree).

2.3.3 Knowledge Management in Organisations

There is a growing recognition of the significant role that knowledge plays in organisations and in the dynamics between knowledge management and firm competitiveness. While there is significant research on knowledge in organisations and specifically on the role of tacit knowledge, there still remains a large gap in our understanding. Halin-Herrgard (2000) likens our understanding of tacit knowledge to an iceberg: while there may be some understanding or knowledge about tacit knowledge, a greater unknown has yet to be explored.

A significant contribution to the role of tacit knowledge in organisations has been provided by Nonaka and Takeuchi (1995). Building on Polanyi's work, they studied knowledge processes in Japanese firms. After observing knowledge practices in Japanese companies, such as Honda, Canon, Matsushita, NEC, and Sharp, Nonaka developed a model of knowledge management. These particular companies have been successful in quickly responding to changes in markets and to changing product demands and technologies.

Nonaka distinguished between the traditional or conventional western approach to knowledge building, of processing objective information, and the Japanese approach of capitalizing on tacit knowledge. This reliance on tacit knowledge means recognizing the value of employees' highly subjective intuition and finding processes for making that knowledge available to the company in its operations.

Western management philosophies, such as Frederick Taylor and Henri Fayol's, tended to view organisations as well-oiled machines, requiring rigid (or at least clearly delineated) structures and relationships. According to Nonaka, the traditional Japanese approach depended substantially on viewing the organisation as an individual rather than a machine

In some sense, this view of the organisation is not only what sets Nonaka apart from other, western-based approaches, but also is significant in that his model essentially takes Polanyi's approach to knowledge from an experience of individuals to an organisational level. This is not to say that Nonaka did not recognise the role of the individual in new knowledge creation, but that he extended Polanyi's view by recognizing that new knowledge starts with the individual, but the value to the organisation is realized when that knowledge is transformed into the organisational sphere by becoming available to others (Nonaka 1991).

Nonaka describes four patterns that create knowledge in organisations: from tacit to tacit; explicit to explicit; tacit to explicit; and explicit to tacit (Nonaka 1991). An organisation's culture could be seen as a repository for tacit-to-tacit knowledge. In this context, knowledge exists and develops without being explicit—silently, in a sense. The individuals in the organisation come to understand that there is a particular way or pathway of working, but if asked why some particular decision was made, they might not be able to articulate the rationale, beyond "it is the way we do things."

In taking knowledge creation to an organisational perspective, Nonaka believes that making knowledge available to others is the central activity of the knowledge-creation company (Nonaka 1991). He sees the knowledge process in organisations as essentially transferring tacit knowledge to explicit knowledge that then can be used by others – as well as become others' tacit knowledge (Walczak 2005). Nonaka and Takeuchi (1995) draw a distinction not only between tacit and explicit knowledge but in how they interact as knowledge is transferred. Tacit knowledge can be transferred in organisations and remain tacit or be transferred through a process that converts the knowledge from tacit to explicit. Explicit knowledge can be transferred from explicit through an explicit process or converted to tacit knowledge in the organisation. According to Grant (1996) the distinction between tacit knowledge transfer and explicit knowledge transfer in organizations is that explicit knowledge transfer is achieved through communication – through articulation and explanation and tacit knowledge transfer is a result of application of the knowledge through culture, processes, relationships, and stories.

Nonaka's Socialisation, Externalization, Combination, Integration (SECI) model presents the organisational knowledge process as a spiral, involving socialisation, externalization, internalization, and combination (Li & Gao 2003).

Socialisation is the process involving tacit knowledge that is transferred from one individual to another when the individual receiving the information translates the information in a tacit form. This process occurs most often informally in relatively unstructured situations, where mentor-like relationships facilitate the transfer of information. It should be noted that more formalized mentor relationships could also be a setting for this process.

Externalization involves the transfer of explicit knowledge to an explicit state, taking explicit knowledge and either presenting it in a different form, or combining it with other explicit knowledge to then be presented in a different form. A company report that compiles or consolidates information from the various company units is using explicit knowledge to create more explicit knowledge.

Internalization is the process of moving explicit knowledge through study or observation to an individual's tacit state. This process might lead to an individual interacting with an organisational repository of explicit knowledge, such as a database, but adding their unique interpretation or tacit understanding of the information.

Combination involves moving information from one explicit state to another explicit state, perhaps changing the context or format of the information, such as combining data to present it in new ways for reports or summaries.

One of the major contributions made by Nonaka and Takeuchi's (1995) model is that the social interaction between explicit and tacit knowledge results in the creation or expansion of additional knowledge.

In Nonaka and Takeuchi's (1995) SECI model, knowledge in organisations is created by middle managers in a spiral process of converting knowledge, through a process beginning with socialisation, where the individual becomes familiar with the tacit knowledge of the organisation); then a process of articulation, moving the knowledge into an explicit state that then can be communicated to others; collating this information in a standardized format such as a manual or procedures (referred to as combination); and finally a process of internalization, where individuals enrich their own tacit knowledge base by developing an intuitive sense in using the knowledge. In this model, the process then begins again with the conversion of this newly developed tacit knowledge to an explicit state, and so on.

Nonaka and Takeuchi's (1995) model provides useful insight into the role of the tacit knowledge in organisations and helps us understand the relationship between individuals in the organisation, between individual and organisational knowledge, and the organisation's role in influencing these relationships. One limitation of this model stems from the cultural context where Nonaka and Takeuchi focused their initial study. As the model was developed out of the authors' study of Japanese firms, it seems likely that the cultural context may have influenced the findings. This is especially germane as the model is essentially presented in a non-cultural context and implicitly presented as a model that is culturally independent.

Japanese culture has particular styles of communication which, when considered, can be seen reflected in the SECI model. The Japanese cultural tradition is less verbal and more subtle in non-verbal communication than contemporary North American or Western cultures. Because the SECI model is grounded in a culture where communication is less verbal and has a richer non-verbal component, one wonders whether the externalization that Nonaka and Takeuchi (1995) speak of occurs in organisations because of the more dominant non-verbal nature of Japanese communication, and whether this part of the process would have the same role in the more verbal North American/Western cultures. Li and Goa (2003) point this out and cite other aspects of the Japanese cultural context, including the nature of the employment relationship (length of tenure), as limiting the degree that Nonaka's observations would apply to North American/Western organisations.

Perhaps the significant non-verbal component of Japanese culture had some influence on Nonaka and Takeuchi's focus on tacit knowledge and the connection to Polanyi's work. Li and Goa (2003) make this point when they describe Nonaka's partial use of Polanyi's work: he builds on tacit knowledge, but fails to make the distinction between tacit knowledge and implicitness. According to Li and Goa (2003), Nonaka and Takeuchi (1995) combine the two concepts.

Nonaka and Takeuchi's (1995) model is convincingly presented as an explanation of organisational knowledge but may be only a partial description of what happens to knowledge in an organisation. The model is incomplete in that it essentially ignores the possibility that tacit knowledge can be transferred from one individual to another without becoming explicit, even though Polanyi acknowledged this possibility. When one sees a situation where one individual holds tacit knowledge in a team or group setting and, over time, working together, individual members have differing levels of understanding of that tacit knowledge, it could be questioned whether the knowledge was ever made explicit. Yet, in this situation some members of the group have acquired that knowledge, and the assumption could be made that if the knowledge had indeed moved to the explicit state, all members of the group would have that knowledge. This leads the question of whether the knowledge was never made explicit and was transferred to some members of the group and not others, perhaps influenced by each group member's relationship with the individual knowledge holder, or by whether the group members had different capacities to be the recipients of tacit knowledge in it tacit state. Augier and Vendelo's (1999) suggestion, that the level of transfer of tacit knowledge between individuals is indeed influenced by the degree to which the individuals “share cognitive frames and hold commons heuristics” p. 255.supports the point that the individual group members’ relationships can have an impact on the level of tacit knowledge sharing.

Nonaka (1991) may have underestimated the impact of an individual’s verbal skill level in the transfer of knowledge. Polanyi’s illustrations are dominated by examples of knowledge held by individuals who are relatively articulate and verbal. If Polanyi’s belief we know more than we can tell and apply Nonaka’s model to an organisation (Japanese or Western), the assumption could be made that the unarticulated knowledge held by individuals is indeed the knowledge that the individual knows but cannot tell because it is tacit; it is not knowledge that the individual knows and cannot tell because they do not know that they know it, but because they do not have the articulation skills (in the particular organisational context) to tell.

2.3.4 Knowledge Transfer in Family Business Succession

Founders of family firms can be viewed as entrepreneurs. Entrepreneurs are differentiated from non-entrepreneurs in that they tend to have higher tolerance for risk both in the creation and maintenance of the business. It is this condition that is a key to the success of the business along with the ability to innovate, trust, leadership, ability to live with uncertainty (Rusu et al. 2012) . The entrepreneur as founder is key to the ongoing success of the business and this is evident in both family and nonfamily businesses.

Often the success of the family firm is embedded in the firm founder—most likely an entrepreneur who began and developed the firm (Morris et al. 2010). While acknowledging the role of analytical processes (such as financial statement analysis, market analysis, and so on), there is substantive evidence that entrepreneurs base many business decisions on an intuition, an intangible feeling, sometimes described as a gut feeling (Barbosa, Kickul & Smith 2008). When asked why they made a particular business decision, entrepreneurs frequently speak to how “all of the pieces seemed to be there," or "it felt right." Using Nonaka's model to describe this decision-making process, the decision is based on the entrepreneur's tacit knowledge. This knowledge may have existed in an explicit form at one point, but has become embedded in the processes, culture, and structures of the firm – in this example, embodied in the entrepreneurial founder's tacit knowledge.

Considering that knowledge is a resource to the firm in achieving success, it follows that transferring that knowledge from the founder to the successor in the business is critical to the ongoing success of the business. Knowledge generation, management of knowledge, and the transfer of the knowledge from the founder to the successor are important in successful generational business succession (Sambrook 2005; Steier 2001). Although this knowledge can take both explicit and tacit forms, the nature of knowledge, as part of the familiness of a firm, is primarily tacit. Explicit knowledge by definition is easier to identify and articulate and thus easier to transfer from the founder to the successor than tacit knowledge. Tacit knowledge is embedded in the values, processes and customs of the business and is not readily available for codification and generational transfer. This tacit knowledge is often held by the owner and other key individuals, has significance for the development and maintenance of a firm's competitive advantage, and is more important to the family firm than to non-family firms (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Dyer 2003; Osterloh & Frey 2000). The tacit knowledge embedded in the founder is a strategic asset and is more effectively transferred than in a non-family firm (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001).

This difference poses a challenge for researchers because the nature of tacit knowledge is that it is often embedded in the founder and the firm's processes and not easily identified. 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 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.

Malinen (2004), in a study of Finnish family business succession, suggests that awareness; knowledge; and emotional issues were important in family business transfer and in discussing intergenerational relationships as key factors in succession. Wang, Watkins, Harris, and Spicer (2004) draw a link between the transfer of knowledge to the successor and the firm's performance. This link between knowledge and successful business succession gives a solid rationale for further study of the knowledge transfer process in generational transfer of family business.

Tacit knowledge transfer in family business succession is embedded in the culture, values and processes of the business. Cultures may vary in their expressed values, family structures and parenting practices but there seems to be an enduring sense of family values as applied to business that might transcend cultural differences. Similar findings about family business and succession in the range of cultures and locations cited provides some evidence that there may be a common family business value structure that while significantly impacted by local culture, have some commonalities.

The succession in a family firm is a process over an extended period of time; it likely occurs in stages (Gersick et al. 1999; Handler 1990; Le Breton-Miller, Miller & Steier 2004). Although many families experiencing succession may not use stages that researchers use in thinking about or enacting succession, the identification of stages or phases by the research community has provided frameworks for the study of family business succession and aided in the understanding of succession and knowledge transfer in the family business. Knowledge (both tacit and explicit) in the family firm is a key resource in the firm; and generational knowledge transfer is important in succession. To understand how knowledge may be transferred from the founder to the successor, it is worthwhile examining a model of knowledge creation in organisations. Nonaka and Takeuchi (1995) have proposed a model to explain this process.

The SECI model of knowledge conversion developed by Nonaka and Takeuchi (1995) provides a framework for examining knowledge creation in organisations, is applicable to knowledge creation in the family firm, and has been acknowledged as the most powerful and recognised typology in the knowledge management field (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001). In this model, the knowledge creation process is a continuous, ongoing, spiralling process characterised by an interaction between tacit and explicit knowledge (Li & Gao 2003). Knowledge creation in organisations begins with tacit knowledge – shared experiences and mental models. Knowledge moves to the explicit state through communication and articulation, often through the use of metaphor or analogy. The communication of this explicit knowledge to others in the organisation, through networking and adding additional existing explicit knowledge, is the combination stage, followed by internalization of this knowledge, where the new knowledge, through doing, becomes new tacit knowledge. This spiral process of knowledge creation, according to Nonaka and Takeuchi (1995) is fundamentally based on and starts with tacit knowledge.

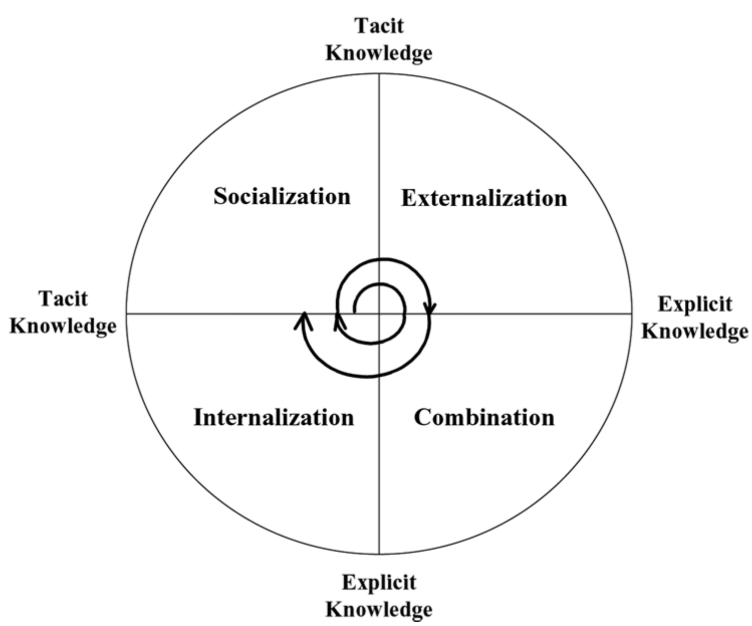


Figure 2.1Nonaka and Takeuchi's model of knowledge conversion

(Li & Gao 2003)

Nonaka and Takeuchi (1995) associate the transfer of tacit knowledge to tacit knowledge as socialisation and connect this process with theories of group processes and organisational culture. In this context, socialisation is a process of shared experiences that result in shared mental models. The transfer may not involve language in the conventional sense, and the key to acquiring tacit knowledge is experience, according to Nonaka and Takeuchi. In this sense, the transfer of tacit knowledge translates the information in a tacit form; most often occurs in unstructured situations, such as in mentor-like relationships; and is communicated, not through explicit articulation, but through the development of a shared understanding, commonly held mental models, and the use of analogies and metaphors (Grant 1996).

Nonaka and Takeuchi's (1995) work provides a framework for understanding knowledge creation in organization and has been widely used in research and practice. However, while there has been considerable work using Nonaka and Takeuchi's (1995) SECI model to investigate knowledge creation and transfer in organisations and the role of social networks, there has been little attention paid to knowledge transfer in the context of family business succession. Their strongest impact on family business research may well be in identifying socialisation as a process key to knowledge creation and by inference, the role of social capital in family business succession. The SECI model lays the groundwork for addressing a gap in the research- the role of tacit knowledge transfer in family business succession.

Social networks and development capital have been linked to successful entrepreneurial performance. Although Granovetter, cited by Carney (2007), linked inherited or self-created social networks to entrepreneurial performance in hostile institutional conditions, it is logical to assume that, at least to some degree, this linkage can be generalised to entrepreneurial performance in the family (and perhaps non-family) firm.

This research will examine whether the knowledge transfer process in family business succession differs when the successor is a family member or a non-family member. Examining these differences will help shed some light on what part of the process is influenced or determined by the familiness of the firm. This examination will be through the lens of the SECI knowledge-transfer spiral described by Nonaka and Takeuchi (1995).

2.3.4.1 Proposition 2

In family business succession, there are differences in the process of tacit knowledge transfer to successors depending on whether the successor is or is not a family member

2.4 Family Business Socialisation

Berger and Luckmann's (1966) discussion of societal socialisation provides two phases of socialisation of the individual into society. The individual is not born into a society, although the individual has a predisposition toward sociality. Individual knowledge about the world is gained through primary-stage socialisation, which occurs through childhood, involves more than simply cognitive thinking, is tied to emotions and relationships, and ultimately leads to the individual becoming a member of society. Subsequent processes move the individual into the objective world of that society and are referred to as secondary socialisation.

In the context of family business succession theory, an important research stream focuses on the socialisation of family members in the family business context. This theoretical approach applies the foundations of societal socialisation theory to the context of family business succession. Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) study of the socialisation patterns of successors in generational transfer of family business builds on this conceptualization of socialisation and concludes that the two phases of socialisation described by Berger and Luckmann (1966) can be applied to socialisation of the family firm successor. In the family firm, family socialisation is the primary or first stage, the phase where the child internalizes the values, norms, and behaviours of the parents. In the family business context, it follows that these values, norms, and behaviours would carry over into the business. The secondary stage is the business socialisation, where the child (successor) acquires business-specific knowledge. Berger and Luckmann's (1966) work pre-dates the post late 1990s work on socialisation in family business by over three decades. This could be seen as puzzling given that Berger and Luckmann's work received substantial attention in the broad academic, but as noted earlier in this discussion, family business research prior to the late 1990s did not often incorporate knowledge or theory from social science and perhaps this is the reason their work had limited impact until much later.

The socialisation process in family business succession includes the transfer of knowledge from the founder to the next generation successor. Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) work draws from family business succession and family socialisation theory in proposing that two socialisation stages are at play in the transfer of knowledge during the generational transfer of family business. They suggest that knowledge transfer occurs at both stages of socialisation – family socialisation (begins at a very young age in the family setting) and business socialisation (occurs after the successor is engaged in the business and has been identified as the successor).

This distinction between family and business socialisation is supported by Santiago's (2000) study that examines family business transfers in the Philippines. The study found that even families who did not specifically plan for business succession exposed their children to the family business at young ages, assuming that succession was an eventuality. Ibrahim, Angelidi and Parsa's (2001) study of succession in family firms acknowledges that the literature supports a staged approach. The range of cultural contexts in these studies suggests that the stages approach is cross-culturally relevant.

Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) model can be applied to the study of tacit knowledge transfer in the generational transfer of family business. Although they did not directly refer to Nonaka and Takeuchi's (1995) work in their paper, their knowledge creation model influenced the discourse that produced a focus on tacit knowledge in the knowledge creation process in businesses, including family business. This research investigates whether the tacit knowledge transfer process differs when the successor is a family member and when the successor is a non-family member, and specifically, how the tacit knowledge transfer differs in scope or degree of transfer, and in the timing of when this knowledge transfer takes place.

The concept of socialisation as it relates to knowledge transfer can be applied to the process of family firm succession (Brunaker 1996). Assuming that there is a relationship between family socialisation (as described by Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) study and tacit knowledge, the questions become how and when this tacit knowledge, related to values, norms, and behaviours, transfers from the founder to the successor. Earlier research framed the "familiness" of the firm as a force in legitimizing the structure of norms and values within the family firm (Davis 1983; Davis & Stern 1988), but Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) study builds on this framework by connecting the transfer of norms and values (and behaviours) from the founder to the successor as an important dimension of the generational transfer of the family firm. Danes, Rueter, Hee-Kyung and Doherty's (2002) use different terminology in speaking of the shared meaning or connectedness of family firm members, but clearly they are talking about the same phenomena – the family nature of the firm and how shared values, norms, and behaviours contributes to the success of the firm. Carsrud and Brannback (2012) support the distinction between social norms as a general concept and family norms that are significant drivers in the family firm.

Using the socialisation stages outlined by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) would lead to the conclusion that this knowledge transfer is concentrated in the first stage (family socialisation). If so, this current research will address the issues of how and when tacit knowledge is transferred if the successor is a non-family member. Are the stages of family and business socialisation merged do they run parallel, or is the family socialisation process minimized in the case of a non-family member succession? The degree of social capital is one measurement of the degree of family socialisation. In their study of knowledge integration in family firms, Chirico and Salvato (2008) conclude that family firms that were able to adapt successfully to external environmental changes were characterised by high levels of internal social capital.

2.5 Trust

Trust is a key to the process of knowledge transfer from the founder to the successor in transferring family businesses from one generation to the next. This trust is inherent in the social capital that the family relationships bring to the firm and is distinct from trust that is develops in the nonfamily business. The role of social capital in the family firm and the significant role this capital plays in the successor gaining understanding about the culture, values and informal processes embedded in the tacit knowledge held by the founder is a key factor in the succession process. The family embedded trust is resilient trust that is embedded in the family relationships. A relationship characterised by a high degree of trust between the founder and successor is key to transferring tacit knowledge that is embedded in the firm and the founder.

An important resource is the social capital in family firms and trust is part of that capital (Bjomberg & Nicholson 2012; Pearson, Carr & Shaw 2008; Salvato & Melin 2008). This family embedded trust is distinct from trust that is developed in the firm in that its genesis is in the family (Arregle et al. 2007) and its development differs from that in nonfamily firms (Sundaramurthy 2008). Since long term relationships are inherent in the family firm context (the relationships in the family) the trust that develops over time is often deeper and more resilient.

The resource-based view of family business identifies trust as a competitive advantage in family business (Davis & Harverston 1998). The effective use of trust in family firms is a resource that 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 family relationship trust can be a resource to the firm as the family members' trust in one another is paralleled in the firm (Hoffman, Hoelscher & Sorenson 2006). By modelling the trust-based family relationships the family members provide the foundation for moral behaviour and relationship based behaviour to nonfamily members (Bubolz 2001). This is not only how younger family members experience the family based trust in the business setting, but how the nonfamily members of the firm learn that the family values, norms and culture are the foundation of the business values, norms and culture. This trust is often tacit by nature and thus is difficult for competitors to replicate or otherwise acquire, and therefore a competitive resource in the family firm (Arregle et al. 2007; Pearson, Carr & Shaw 2008) suggest that the role of family social capital (and by inference trust) may be of significant importance in the succession process. The relationship between the founder and successor (and between the successor and other family and business members) and the degree of trust in these relationship(s) has been cited as a contributing factor in successful succession. Brockhaus (2004) describes the role of these relationships as allowing the successor to gain understanding about the culture and intricacies of the firm. Trust between the founder and the successor is crucial in giving founders the confidence that what may be the product of their life's work – the family business – will survive the transfer and maintain the values that helped to build the business (developing financial security, building a future for the family, etc.). The trust between the family members enables knowledge to pass from the founder to the successor (Chirico & Salvato 2008). This supports the view the resource based view that sees social capital as a resource to the firm and tacit knowledge as a component of that social capital. Since trust is also a component of firm social capital, it follows that there is likely a connection among the dynamics of trust and tacit knowledge transfer as a component of social capital, particularly in generational transfer of the business.

The lack of trust between the founder and successor has been widely cited as a factor in impeding succession (De Massis, Chua & Chrisman 2008). A strong relationship between the founder and the successor is a key to the successful transfer and this seems to be evident in a range of succession situations. 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 40 books and articles on family business succession, LeBreton-Miller, Miller, and Steier (2004) list trust (respect, understanding, trust, and cooperation) as the second most common variable in the founder-successor relationship in the reviewed research.

The role of trust in successful generational business transfer seems to be significant across cultures (Gupta & Levenburg 2010). In addition to the research cited above, which focuses on western-based businesses, Perricone, Earl, and Taplin, (2001) found that trust may play an even more important role, in their study of family businesses in an ethnic Latin enclave in Tampa, Florida. Similarly, a Filipino family business study by Santiago (2000) found that the successful transfer of business to the next generation was influenced by the degree of shared values and trust between the founder and successor generations. In their case studies involving ten firms, Cater and Justis (2009) found that the transfer of knowledge from the founder to the successor transpired in a close relationship between the founder and successor and was based on trust.

But how is that trust developed and maintained, particularly in the succession context? The nature of the relationship between the founder and successor could be the key to succession. A relationship with a high degree of trust between the founder and the successor will be characterised by a high degree of sharing information, stories, relationships, and knowledge that make up the social and knowledge capital that important to the firm's success. This family-based trust has been referred to as 'resilient' trust. This trust improves the degree to which knowledge is efficiently developed and shared (Pearson & Carr 2011). This is especially important in the transfer of tacit knowledge. The nature of tacit-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 that trust is one of the distinctive assets of the family firm and of its competitive success, that is based on the tacitness of the knowledge embedded in the firm. More recently Dyer (2012) has outlined three types of trust dynamics in family firms: interpersonal trust, competence trust, and institutional trust. Interpersonal trust is based on the relationship with another person, competence trust is based on the skills, abilities, and experience, and institutional trust is based on the perception of the institution as being fair and trustworthy.

The existence of trust, originating in the family and present in the family business is clearly an important factor in the transfer of tacit knowledge in generational succession and contributes to the transfer of social capital and is a resource contributing to the competitive advantage of the business.

2.5.1.1 Proposition 3

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

2.6 Gender Differences

2.6.1 Gender Issues in Family Business Succession

2.6.1.1 Women in Leadership

The issue of whether men and women by definition are different leaders has been a controversial discussion (Van Engen & Willemsen 2004) . Research focused on women in leadership has generally taken a comparative approach to women in leadership by examining the differences between female and male leadership. Since men have historically dominated leadership (and specifically business leadership) the focus has been on differentiating the role and place of women in leadership using male leadership as a reference point. This comparative approach may have limited early research by focusing on gender rather than on leadership context and societal norms and expectations.

Research on women in leadership has, in part, been defined by the perspective of the particular research domain. Management literature has taken the approach to focus on the differences between men and women in leadership while the social science research community has focused more on the similarities between men and women in leadership (Van Engen & Willemsen 2004) . Whether this is related to basic theoretic constructs of ideology is debatable but it is clear that both approaches have provided some useful insight into understanding the role of women in business and organisational leadership.

While earlier research has made a contribution and gender and leadership has been the focus of a substantial volume of research, significant questions remain (Smith, Matkin & Fritz 2004). Early research identified that men and women hold some differences in their view of what makes a leader successful. Some of these differences are likely related to perceptions of leadership process being nurturing and developmental among women and more focused on power and control among men. Later research suggests that these differences are not as profound as originally thought, but whether this is due to inherent leadership gender differences and similarities or whether some women who have historically been excluded from leadership positions have adopted traditional ‘male’ approaches to leadership is an interesting question.

Female underrepresentation in leadership roles has been attributed to the assertion that Women have been socialized to believe that they are not suited for leadership roles (Galiano & Vinturella 1995). Terberg’s (1977) review of research focused on women’s self-perception emanating from early socialization and pressures from counsellors as factors identified in the research that limit female participation in management.

The evidence is clear that women’s underrepresentation in leadership positions while attributable to early socialisation does not provide a complete explanation. Organisational structure and processes have been designed to support a male leadership world and are often not conducive to supporting women aspiring to leadership roles.

Hoyt (2010) points to traits as having an important role in examining gender differences in leadership in business, although she acknowledges that this is a controversial issue. She found that men tend to score higher on some personality traits (assertiveness) and women show higher levels of integrity, although she points out that the differences in gender differences in traits do not provide either gender with a clear advantage.

There is evidence that both genders associate traditional male qualities (competitiveness, assertiveness) with effective leadership and traditional female qualities (nurturing, supportiveness, affection) less associated with effective leadership (Vecchio 2002). Perhaps it is this perception that leads to a perceptual disconnect between females and leadership roles (Eagly & Karau 2002), leaving women who aspire to organisational leadership positions a choice between acting in a way that is congruent with female qualities (thus limiting other’s perceptions of her as a potential leader) or adopting qualities that are seen as male (and by definition, leadership qualities).

The increase in research in the mid and late 1990s on gender and leadership served to bring more attention to gender leadership differences. The research was often limited by methodological issues. Most studies conducted surveys and used other like instruments of self and secondary reporting that often reflected the prevailing view of women in leadership at the time. This sometimes meant that the analysis saw male attributes aligned with leadership and female attributes connected to following and re-enforced gender stereotypes. In the late 1990s and early in the millennium research began to recognize this limitation and less biased instruments were developed for research (Smith, Matkin & Fritz 2004).

Although the instruments were limited by the stereotype context, the volume and quality of the research did provide significant insight into gender differences in leadership. A meta-analysis of the studies of the effectiveness of male and female leaders showed that over-all women and men are equally effective leaders (Eagly, Karau & Makhijani 1995) This is not to say that there were no gender differences in men and women in leadership, but that the differences were not necessarily qualitative. Perhaps men and women's leadership was different, yet effective depending on the context. Research did point to some differences between male and female leadership. One key difference in that women tend to be more transformational leaders (Eagly & Karau 2002; Vera & Dean 2005) . Further research indicated that these style differences are largely attributable to the context that male and female leaders work (Van Engen & Willemsen 2004). Women's choice of career and type of business leads to working in a context or environment that is different from careers or businesses dominated by men. If different leadership styles are more effective in different situations, it follows that if women tend to work in environments that are different than men, their leadership styles may differ – not solely because of gender, but of the organisational context.

2.6.1.2 Women as Entrepeneurs

Women have been entrepreneurs for millennia as early women sold or traded foods they grew or goods they made but women as entrepreneurs has not received the degree of attention that males as entrepreneurs has enjoyed. The impact of gender on entrepreneurial intention has been recognized for over 30 years but while female entrepreneurship has increased in the later 1990s, women are more likely to be entrepreneurs in lower order service or informal finance sectors. This concentration in lower order sectors limits the financial impact of women entrepreneurs in the formal economy.

Women have traditionally had primary responsibility for child rearing and running of the household. It follows then that even as men assume some responsibility for child rearing and household maintenance, women have retained primary responsibility. Perhaps it is this enduring sense of role in the family that leads to women looking for more work-life balance when running their own business (Adkins et al. 2013).

Women have emerged more recently as leaders in family businesses but the perceptual and organisational and challenges facing women in business are equally challenging for females in nonfamily and family businesses.

2.6.2 Women in Family Firms

Parallel with the increase in research attention to women in leadership studies in gender in family business started to appear in the late 1990s (Cole 1997; Harverston, Davis & Lyden 1997). In a review of the literature on family business and succession planning, Dunemann and Barrett (2004) identify the issues of personal relationships in business that need more study, as they relate to succession planning in family businesses and the particular attributes of the successor that will contribute to a successful transition. Given the well-established body of research in sociology, social work and related disciplines focusing 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), Sambrook (2005) and Ip and Jacobs (2006) also acknowledge that gender issues in business succession need more investigation when considering family business succession.

Until recently, the bulk of research on parent-child relationships in the context of the generational transfer of family business has focused on the father-son dyad, with little attention paid to gender differences in family business succession (Haberman & 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), there was less research about the differences between the experiences of sons and daughters taking over the family business. According to

Dumas (1992), while there were studies focused on sons in family firms, there were no empirical studies examining daughters in family firms at that stage.

Over the past couple of decades a growing number of women entered family businesses (Danco 1981; Mancuso & Schulman 1991). 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 this research focused on businesses run by males (Gersick et al. 1997; Handler 1994). Perricone, Earle, and Taplin (2001), in their study of succession in an ethnic community identified the need for more research on the roles of women in family firms. In a broader context, Brockhaus (2004) identified gender as a variable in family business succession needing more study and Sharma (2004) to note that the "last few years have witnessed a number of female leaders taking over the reins of their family business" . Despite this trend, very little systematic research has yet been directed toward understanding the contextual and individual factors that buoy these women into leadership roles, pointing toward an interesting area for study. .

Vera and Dean (2005) found that the daughters in their study who had succeeded their mothers had more challenges than those who had succeeded their fathers. Their recommendations for research include a suggestion to investigate differences between cross-gender and same-gender succession. The call for more research on issues related to women in family business is also supported by Cole (1997). 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, Dupuis, Richer and St. Sty (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 authors called for more research to understand why women seem less likely to think of themselves as successors. In an earlier study, Dumas (1990) found that founders were more likely to see their sons as successors, and that daughters as identified successors tended to be limited to situations generated by a crisis in the family or business.

2.6.3 Factors Impacting Gender Differences in 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, particularly as they relate to identity, the impact of gender differences, related to the successor's identity development process 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. Cabrera-Suarez, De Saa-Perez and Garcia-Almeida (2001), in their discussion of the succession process from resource-based and knowledge-based views, 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 impact the nature of tacit knowledge transfer.

More recently, more importance is being placed on these relationships as factors in contributing to successful 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 socialisation patterns that have, at least historically, socialised women to believe that they are not suited for leadership in the family business (Galiano &

Vinturella 1995). This difference or discrimination by gender would clearly impact the nature of knowledge transfer between generations in the succession process.

The quality of communication is also a gender-related factor identified in Cadieux, Lorrain, and Hugron’s (2002) study of four female-led firms, although the researchers acknowledge the limitation that their study did not include male-led firms—which, if included, would have provided a comparison opportunity.

Considering the gender variable’s impact on the quality of the founder-successor relationship, it follows that gender should be considered as a variable in the knowledge transfer process of generational transfers in the family firm. In their literature review, Martinez Jimenez (2009) identified five topics that emerge from their review: women’s invisibility, emotional leadership, succession and primogeniture, professional career in the family firm, and running the family.

Haberman and Danes (2007) report differences in women’s experience of father-son family business transfers and father-daughter transfers. Using the fundamental interpersonal relationship orientation theory (FIRO) as a framework for their investigation, they found that 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 say that connectedness and shared meaning carry some significance to trust in the relationship.

The degree and nature of trust affects the parent-child/founder-successor relationship, (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001). Vera & Dean (2005)found that trust (in the daughter-successor by the nonfamily business members) was a challenge that female successors faced in the succession process.

There is evidence that the gender differences in founder-successor relationships are related to the socialisation process (Dumas 1992), and that gender-specific family socialisation is carried into the business socialisation process (Haberman & Danes 2007). Gender differences in the socialisation process are likely to impact the degree and nature of the trust in the relationship between the founder and successor and hence likely to impact the tacit knowledge transfer process and the development of shared meaning and values.

2.6.3.1 Proposition 4

The successor's gender impacts the tacit knowledge transfer process in family business succession.

The theoretical space for this investigation is the intersection of Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) stages of knowledge transfer in family business succession and the theory of knowledge creation in organisations proposed by Nonaka and Takeuchi (1995). A part of the framework presented by both approaches involves the transfer of tacit knowledge – Garcia-Alverez, Lopez-Sintas and Gonzalvo's first stage, family knowledge – and Nonaka and Takeuchi's Socialisation and Externalization stages of organisational knowledge creation.

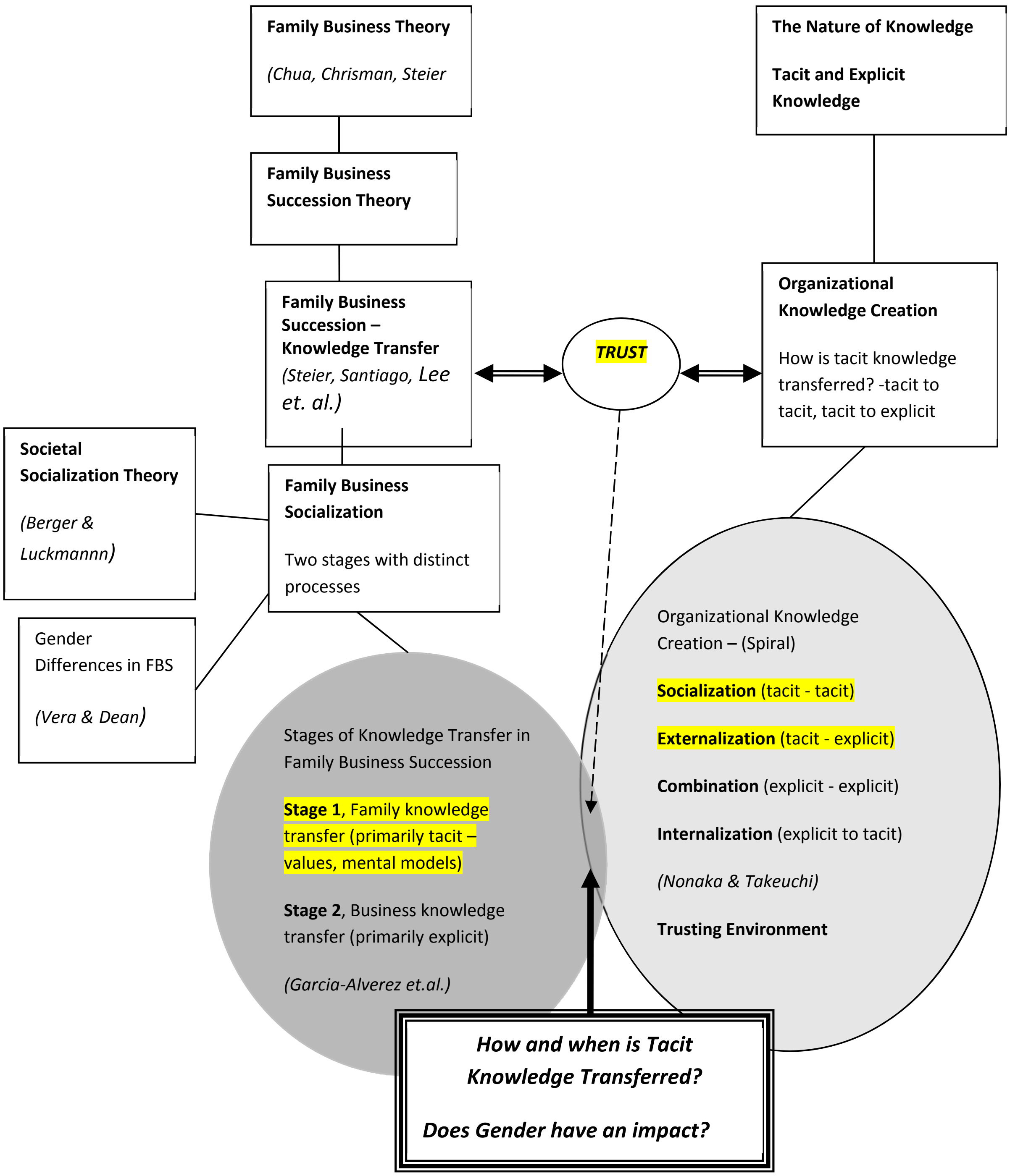


Figure 2.2 Intersection of Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) family business socialisation model and Nonaka and Takeuchi's (1995) knowledge creation model

2.7 Research Questions

2.7.1.1 Proposition 1

The family business succession process differs depending whether the successor is a family member or a non-family member.

2.7.1.1.1 Research question 1a

Is the role of the founder impacted by whether the successor is a family member or a non-family member in generational family business succession and if so, in what way?

2.7.1.1.2 Research Question 1b

Does the family business succession process begin at an earlier stage when the successor is a family member than when the successor is a non-family member?

2.7.1.2 Proposition 2

In family business succession, there are differences in the process of tacit knowledge transfer to successors depending on whether the successor is or is not a family member.

2.7.1.2.1 Research Question 2a

Does the knowledge transfer process differ when the firm is being transferred to a family successor than when it is being transferred to a non-family member and if so, in what way?

2.7.1.2.2 Research Question 2b

Is the process of knowledge transfer from founder to successor characterised by more tacit-tacit transfer and less tacit-explicit transfer when the successor is a family member than when the successor is a non-family member?Research Question 2c

Does the tacit knowledge transfer process follow the two-staged pattern proposed by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) when the business is transferred to a family member compared to when the business is transferred to a non-family member?

2.7.1.2.3 Research Question 2d

When the successor in family business succession is a non-family member, do the transfers of tacit and explicit knowledge occur parallel or does the transition adhere to the spiral model proposed by Nonaka and Takeuchi (1995)?

2.7.1.3 Proposition 3

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

2.7.1.3.1 Research Question 3a

Do 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?

2.7.1.3.2 Research Question 3b

How do the degree and nature of trust between the founder and successor of family business affect the tacit knowledge transfer process?

2.7.1.4 Proposition 4

The successor’s gender impacts the tacit knowledge transfer process in family business succession.

2.7.1.4.1 Research question 4a

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

3 CHAPTER 3 METHODOLOGY

3.1 Introduction

This chapter outlines the methodology design and rationale for this study. The chapter begins with a discussion of the justification for use of the realism paradigm and continues with an overview of the methodology, beginning with justification for a qualitative methodological approach and the rationale for using the case study methodology. The chapter then describes the methodology in more detail, beginning with a description of the sampling, an outline of the interview protocol, and the interview process. The methodology is followed by a discussion of the data analysis approach and individual and cross-case analysis.

3.2 Justification of the Realism Paradigm

Realism, assumes that our understanding of reality is imperfect because human intelligence is flawed and phenomena are not easily manipulated (Guba & Lincoln 1994). Although the researcher and participants are not independent entities, as in positivism, the emphasis on objectivity remains an ideal. The realism perspective assumes that the real world exists independent of the human thought or perception, and that the real world is not dependent on human thought or perception (Craig et al. 2009a). The realists' argument is that given that the world exists independent of the observer, the role the observer or scientist is to portray a true picture or of the world.

The methodologies used in this research do not investigate cause and effect relationships; instead, they are process-oriented and more concerned with underlying causal tendencies (Bhaskar 1978 cited in (Perry, Reige & Brown 1998) . This research is trying to learn about the role of tacit knowledge trust, and gender in tacit knowledge transfer in family business succession and not intended to determine if a particular variable results in a particular outcome. By studying the processes of tacit knowledge transfer, rather than the cause and effect of a particular action, this research is intended to increase understanding of the dynamics of the process.

This might lead one to the conclusion that the realism paradigm is not appropriate for this research, but given the general trust offered by the realism paradigm that data that is collected through observation can be the basis for a claim about the unobservable (Craig et al. 2009a), it can be argued that the realism paradigm is most appropriate for this research. Issues of relationships, tacit knowledge and trust are central to this research and by nature are not observable phenomena or processes. The realism paradigm provides that by observing that which can be observed, information about the unobservable can be learned. It follows that the collection of situational information and the use of quantitative techniques to draw meaning from that information will result in increased understanding of the unobservable.

In collecting observations from both family and nonfamily firms the research is designed to collect observations in both contexts that provide insight into unobservable phenomena and allow conclusions to be drawn from the observations that shed light on the unobservable processes.

Table 3.1 provides an overview of the basic tenants of realism, the questions realism raises and how they are addressed in this study.

Table 3.1 Basic tenants of realism

	Questions	Responses
Ontology	What is the form and nature of reality and what is there that can be known about it?	This study of succession planning in family business assumes that reality exists and that transfer of tacit knowledge is of crucial importance in the generational survival of family businesses, even though imperfectly perceived by the participants involved. Data collection and subsequent analysis is used to reveal more about the reality.
Epistemology	What is the nature of the relationship between the knower and the inquirer or what can be known?	The notion of a dis-engaged, independent observer is not appropriate here given that the collection of primary data necessitates an interpersonal relationship between the researcher and the participants. As such, each interview was audio-recorded, transcribed, and reviewed by the interviewee, to reduce potential bias and to increase accuracy.
Methodology	How can the inquirer go about finding out whatever he or she believes can be known?	Since the data collected represents the memory or account of the interviewee or from past organizational reports or other information, it is more accurate to state that the data represents the individuals' perception or reports of the past, rather than objective reality. eg. A founder's report of tacit knowledge transfer as distinct from the actual tacit knowledge transfer. In order to compensate for this limitation, multiple sources of data have been included in the methodology. This use of multiple data points serves to strengthen the validity of statements about unobservable phenomena drawn from observable

	data. For this exploratory study, a qualitative and, specifically, a case study strategy facilitated the data collection and analysis needs. The case study approach was replicated with several family businesses; multiple interviews with founders, successors, and key informants were conducted within each family firm. A critical examination of each firm's data included triangulation of the interviewees' perceptions and histories of the family firm to improve the picture of reality.

In addition, the current research required a realistic setting in which the collective viewpoints of participants were used to determine the meanings that individuals assign to their actions (Guba & Lincoln 1994). As mentioned, the researcher-participant relationship in this study is ideally objective because the potential biases have been controlled by protocols, data triangulation, and frequent reviews. Finally, the qualitative methodology, specifically the case study approach, better addresses the how research question presented in Chapter 1 (Yin 2003a).

3.3 Methodology

3.3.1 Justification for Qualitative Method

There are number of reasons that inherently justify the use of qualitative methodology for this study. To begin, the study was exploratory in nature. That is, there was little prior research as to how tacit knowledge is transferred from one generation to the next in family firms. As a result, it was anticipated that learning from family firms located in Alberta, Canada would result in theory building or the development of propositions. This learning requirement determined the need for comprehensive contextual information, which is associated with a qualitative orientation. For example, it was necessary to understand the meaning, purpose, and insight behind tacit knowledge transfer (Nonaka 1994) to appreciate the nature of tacit knowledge transfer in family businesses. This qualitative approach to data collection recognizes that values and facts are interdependent (Guba & Lincoln 1994) components in this study. Finally, a more practical but still inherent reason for the qualitative approach was the limited number of second-generation family businesses located in the Northern Alberta, Canada. There are a large number of family businesses located in the region, but a significant number are sold to other existing entrepreneurs or are closed as the founder reaches retirement or plans to exit the business.

3.3.2 Rationale for the Case Study Method

When rigorously conducted, the case study method of research is appropriate for the realism paradigm (Perry, Reige & Brown 1998). Yin (2003b) defines a case study as an empirical inquiry that investigates a contemporary phenomenon within its real-life context. There are at least five different kinds of case studies from which to select: single-case and multiple-case studies and, within each, exploratory, descriptive, or explanatory types of cases. The multiple, exploratory case study was selected for this research study. That is, eight replicating cases followed the initial pilot of a single case study, and the study was exploratory in nature because it focused on the development of propositions for future studies (Yin 2003b).

The study under investigation fulfils the three criteria established by Yin (2003a) for exploratory case studies, namely that a how question is under investigation, the researcher has little control over the events, and the study requires a real-life context. This study is searching for processes associated with how tacit knowledge is transferred from the founders to the family and non-family successors in the generational transfer of family businesses.

Second, this approach was preferred for examining the complexities of tacit business knowledge transfer, over which there was little control, and for uncovering gender biases in tacit knowledge transfer. Third, the selection of a case study approach was deliberate, since this study is exploring and analysing the processes and challenges inherent in tacit knowledge transfer and the nuances and the process experience of family and non-family members. The real-life context of the family firm was required for acquiring insights about the tacit knowledge transfer process and about founder's and successor's perceptions. This need for relevant, in-depth, and contextual detail (Yin 2003b); (Cooper & Schindler 2003) and comprehensive coverage (DeRuyter & Scholl 1998) strengthened the decision for a multiple and exploratory case study approach.

The case study uses inductive, not deductive, reasoning. The development of preliminary concepts is fundamental to case studies, and so it follows that, from the reasoning perspective, the indicative approach is appropriate – as deductive reasoning is appropriate when confirming or disconfirming elements or prior theory (Parkhe 1993; Patton 2002). In this study design, inductive and deductive approaches merge as the study utilizes both prior theory and theory emerging from the data collected (Miles & Huberman 1994; Parkhe 1993).

The study was initially inductive in its approach, as the interview protocol was reviewed by key informants in a family business with the pilot-case firm. Discussion with other key informants in related businesses, entrepreneurial organisations, and networks further informed the interview protocol (Perry 1998). Deductive reasoning facilitated the cross-case analysis of the family firms (Perry 1998). This combination of induction and deduction processes provided the basis for analytical generalisation (Miles & Huberman 1994; Perry 1998).

Critics of case study research assert that single-case studies provide a poor foundation for statistical generalisation to other case studies (Yin 2003b). In this study, multiple-case sampling permitted the researcher to view processes and relationships across many cases and to confirm the generic nature of the emerging theory (Miles & Huberman 1994). Using multiple family firms as case studies offers the potential for the analytic generalisation of findings (Yin 2003b) necessary for rigorous research.

A multiple case study methodology was used because the focus of this research is to investigate the process of tacit knowledge transfer in the intergenerational transfer of family and non-family firms, with an approach that seeks to explain how, when, and what tacit knowledge is transferred during the succession process, from the perspective of the successor. The study does not involve behavioural control and focuses on the founders' and successors' reflections on a past process, and the research question is how and when tacit knowledge is transferred; therefore, it is appropriate to use a case study approach (Yin 2003b). The selection of eight cases is consistent with the parameters provided by Eisenhardt (1989), that in the multiple-case approach there are no ideal number of cases, but that a study of four to ten cases usually provides sufficient data for study. The research design involves multiple case studies with the data gathered through interviews and documents, by using the following process:

Phase 1. Interview design: The interview instrument and schedule is designed with input from key informants in a pilot study. The key informants include the founders and successors of a family firm. Key informants also include members of business and entrepreneurial organisations and networks.

Phase 2. Interviews and document review: The study involves detailed closed and open-ended questions in structured interviews with founders, successors, and key observers, from eight firms: four from the development sector and four from the service/retail sector. The documents were used to verify statements (primarily about the firm's history, key dates and significant events) made by the interviewees.

Phase 3. Advisory group review and input: After data collection and interpretation, findings are reviewed by the advisory group and alternative interpretations are explored.

3.3.3 Sampling

To meet the exploratory nature of the study, purposeful sampling was deliberately employed, providing an information-rich inquiry from a small sample (n=8) of cases (Patton 2002) located in Northern Alberta,. Each individual case study relied on multiple sources of information, such as the three individuals interviewed in each firm plus case histories and relevant firm documents, following the principles of data collection articulated by Yin (2003b).

A total of eight "successors," eight "founders," and eight "key observers/senior employees" were recruited through a call for volunteers through networks including:

- The Canadian Association of Family Enterprise
- The Edmonton Chamber of Commerce
- Referrals from the Allard Business Chairs at Grant MacEwan University
- Referrals from the MacEwan University School of Business Dean's Advisory Council

The Canadian Association of Family Enterprise is a national member association of family businesses and family business consultants, and given the organisation's national scope and the regional focus of this study, the organisation's formal networks were not used to recruit participants.

The Edmonton Chamber of Commerce is a 4500-member organisation of businesses operating in the capital city of the province of Alberta. A communication to members was used to recruit participants.

The Allard Business Chairs are 20 senior business leaders in the Edmonton region who have been named Allard Chairs by the MacEwan School of Business in Edmonton, Alberta. This is an honorary teaching chair in the MacEwan School of Business, awarded annually.

Appendix A is the 'advertisement' used to recruit volunteers and Appendix B is the letter sent to advisory council members.

The researcher also used his personal and professional networks to solicit referrals for the research. This included over 1200 LinkedIn contacts and several hundred additional contacts reached through direct email and social media, including Facebook and Twitter.

In order to minimize bias due to the developmental stage and size of the firm, the sample was limited to firms currently employing less than 500, in which the successor had assumed control of the firm within the past ten years. There are a number of issues related to the age of the firms in this sample, including whether the firm was the first enterprise established by the founder or whether the current firm was founded after the founder had a series of successful or unsuccessful firm start-ups. As well, current firms could be the result of re-structuring or re-financing, impacting the age of the current firm – for example, the business could have been in the family for three decades, but re-incorporated as a result of a reorganisation 10 years before, thus making the determination of the family firm's age difficult to gauge. For example, in the 1980s, the Northern Alberta economy suffered a recession, resulting in a number of firm restructurings. The case histories revealed the age of the firms, but age was not a selection factor.

All of the founders were be male and the eight successors are evenly divided by gender. Further, the successors were evenly divided between family and non-family members. The coding used in brackets is linked to cases and the interviewees; for example, Case C-1-CAPMAN refers to Case Number 1 and C-2-URBANSTUDIO refers to Case 2 of the 8 cases. The case numbers were assigned as listed in Table 3.2 and working names for each case for clarity of reference are also listed

Table 3.2 Sample

	Development Family	Development Non-family	Service-Retail Family	Service-Retail Non-family
Male	Case 1 CAPMEN	Case3 BURCO	Case 5 COOLWAY	Case 7 DAVIDSON
Female	Case 2 URBANSTUDIO	Case 4 URBANSTUDIO2	Case 6 TANKIT	Case 8 OUTDOOR

Each interview was assigned a code, based on the interviewee's role and the focus of the interview. The roles were defined as the Founder (F), successor (S) or key observer (KO). In addition, for the founder and successor, two interview sections were conducted, one focused on the business history and the experience. These interviews were initially planned as separate interviews, but the scheduling challenges dealing with busy successors and often retired founders (living at least part time in another location), the historical interviews and the experience interviews were conducted either sequentially or integrated.

This sample limitation of firms founded and operating in the northern region of the province of Alberta, Canada satisfies the definition of case study provided by Merriam (1998). The firms are from the development and service/retail sectors. The development sector is the sector engaged in developing real estate, both commercial and residential. The service/retail sector encompasses service and retail providing goods and services to business and consumer markets. The interviewees are defined by position – as a founder or identified successor of the firm. The key observer/senior employee is a person identified by the founder and successor as having tenure with the firm such that they have witnessed or been a party to the transition of firm control from the founder to the successor. The key observer/senior employee may be a family or non-family member.

The fact that the study participants are family members or senior employees of the firm and that they are asked to recall past events from memory presents a limitation for this study. Even though participants may attest to the accuracy of their recall, the fact that they are being asked to recall events from past decades poses the risk that their memories may not be fully consistent with the actual events at the time.

3.3.4 Interview Protocol

Interviews and requests for documents were the primary means of collecting data for the case. Selection of founders and successors for interviews was determined after a request for and review of documentation from the firm verified that the successor and firm met the parameters established for interviewee selection. A literature review provided a secondary source of data to design the interview for this study.

To provide advice on data collection and interpretation of findings, an advisory group of key informants were recruited from the Grant MacEwan University School of Business Advisory Committee and the Allard Business Chairs. The advisory group provided input at strategic points in the participant recruitment and data collection process.

The structured interviews for the founders, successors, and key observers had the same structure with similar core questions, but the probing questions were nuanced to reflect unique perspective and responses from the participants. The follow-up probing questions explored the successors' reflections 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 when they were fully responsible for the leadership of the family business. The follow-up probing questions for the founders focused on the founders’ awareness of knowledge transfer to the successor, up to the point in time when the successor became fully responsible for the leadership in the family business. The key observers/senior employees’ follow-up probing questions focused on their observations of the relationships and interactions between the founder and successor. The original design contemplated separate interviews with each of founders and successors to gather historical information separate from the interview focused on succession. Given the busy schedules and difficultly in scheduling, the historical interviews (8) and the succession-focused interviews with each of the founders (8) and each of the successors (8) were conducted sequentially. That is, each founder and successor participated in two sequential interviews (total 32). The same protocol was used for all participants. The researcher acknowledges that the questions were not as appropriate for the KO. This may have led to the fact that the data from the KO participants was universally limited compared with the founder and successor.
The KO participants seemed to want to focus on the historical facts and shied away from much of the interpersonal discussions. The data was used in triangulation – to validate other data responses and were referenced. However, the data was not as rich as the founder and successor data so for clarity, the founder and successor data was quote.

3.3.5 Interview Process

An interview process is developed to ensure consistency and to clarify the theoretical assumptions that the interview instrument is based on, in order to enhance the meaning and reality of the research (Kvale 1996). The protocol for interviews follows a staged process: thematising, designing, interviewing, transcribing, analysing, verifying, and reporting, an appropriate process for this study (Kvale 1996).

Thematising: An extensive literature review, as well as discussions with experts involved or informed about the family business, provides a knowledge base for the development of the interview questions and protocol. The analysis of the literature provided in Chapter 2 serves as the basis for the search for new knowledge. This interview design was selected based on the exploratory nature of this investigation.

Designing: This case study approach intended to have four to five interviews per firm. The actual number of interviews and the distribution of those interviews among the founder, successor, and key observer/senior employee depended on what new knowledge was gained from the initial interviews. Follow-up or additional interviews provided additional information, clarification and verification of the information collected in the initial interviews. The ethical issues related to informed consent, confidentiality, and consequences were identified through an ethical review process. A structured interview guide encouraged participants to disclose information and perceptions generously in an unconstrained environment (Cooper & Schindler 2003).

Interviewing: After an introduction and providing an overview of the project and process, the interviewees were given the opportunity to pose clarifying questions to the researcher. The preliminary questions focused on the details of the company history, the profile of the interviewee, and their role in the firm, and served to build an historical context for the company and to set a stage for the direction and context of the interview (Cooper & Schindler 2003). Probing questions produced additional details (Davis 2005) and motivated communication (Zikmund 2003). Participants were given the opportunity to ask questions of clarification or elaboration, on the process and the questions. In some cases, the availability of the interviewees was limited, particularly in the case of some founders who, as retirees, spend a significant portion of the year outside the region at winter residences or travelling. This was also the situation with some key informants. In these cases, interviews to collect historical firm information and participants' recollections were combined in one session, with successive interviews. The interview protocol used is included as Appendix E.

Transcribing: Three methods of recording were used to document the interviews. Each interview was recorded using a digital recording device, notes were taken during the interview, and the interviewer supplemented these sources by recalling the interview during the data analysis process. The recorded interviews were transcribed using a combination of speech-to-text software and a trusted professional's review, proofreading and supplementing the transcriptions. The same format was used for each transcription: interview questions were documented and the responses were reported verbatim. Each transcript was reviewed by the researcher and compared with the researcher's recall of the interview. If discrepancies were noted, the transcript was reviewed an additional time, using the digital recording and interview notes. Each interviewee was given the opportunity to review the transcript for accuracy and completeness. This review provided assurance of content validity.

Analysing: Condensation, categorisation, narrative, interpretation, and an ad hoc analytical approach brought meaning to the interviews. Throughout the data collection phase, the large amounts of transcribed text were re-phrased or condensed. These re-phrased or condensed data were further coded into categories. Where context, clarification, or theoretical explanation was needed, the researcher provided narrative structuring or interpretive meaning. In addition, the analysis used an ad hoc approach to generate meaning and patterns between interviews from separate cases.

Section 3.5: Data Analysis details the interview analysis procedures used in this study and Appendix F provides an example of the coding.

Verifying: The interview findings were verified in three ways: generalisability, validity, and reliability. The interviewees were not selected at random, so it was not reasonable to try to statistically generalise the interview findings to a larger population. Alternatively, analytic generalisation or reasoned judgment is used by a researcher to gauge the extent to which one interview applies to other comparative interviews. Validity, the degree to which the interviews actually investigate the intended reality, is addressed throughout the staged interview process. It enhances the accuracy of each single-case study and increases the construct validity of the research (Yin 2003b). The issue of reliability or consistency of the research findings is addressed continuously through the interviewing, transcribing, and analysing stages of the interview process.

Reporting: Every interview transcription was entered into the case-study database and formed the basis for each individual case-study development and for the cross-case analysis. Since all participants provided consent, both before commencing the interviews and were given the opportunity for transcript reviews, case studies acknowledge the interviewees as informants, not solely participants (Yin 2003a), disclosure of the informants is the option that is most desirable.

3.4 Other Sources of Information

For each case study, more than one strategy was employed (Yin 2003b). While in-depth interviews are the primary source for gathering single-case information, other sources of evidence, from internal records, company publications, company websites, news articles, and personal observations provide more substance and verification of data to the case studies. In addition to information from the founder and successor, details were collected from a key observer in each firm. This additional information supplemented the range of content to reflect attitudes, history, behaviours, recollections, and observations in each case study (Yin 2003b). This additional information also allowed the researcher to verify or confirm the information used in each firm's case study. Data source triangulation confirms similar meanings under different circumstances (Stake 1995). Yin (2003b) states that using many different sources of information is a major strength of case study data collection. Before gathering data, the researcher tested this case study approach with a pilot firm. The author attempted to draw from all three sources, the open ended nature of the interview structure resulted in some participants bringing up particular observations or experiences that were not commented on by other participants in the same case. A review of the transcripts shows that some of the data that did have two or three sources was elicited by the interviewer asking the participant "Do you recall….? Can you talk about that (time or experience)?".

3.5 Data Analysis

The analysis adopted three stages: coding for categorising data and developing theoretical concepts; notes for facilitating analytical thinking and insights; and case studies for conceptualizing the processes and behaviours (Maxwell 2005). The analysis for this study included data reduction, data display, and conclusion-drawing with verification. Data reduction facilitates the mining and organising of data into themes and clusters, whereas data display assists with the analysis and drawing of connections, relationships, an comparisons between the founders' and successors' perceptions, or drawing the differences between cases and tables (Miles & Huberman 1994). Conclusion-drawing as an iterative process influences the meanings and interpretations of the respondents' perspectives. During the structured content analysis, key comments were selected and included in the results to reflect and highlight an in-depth understanding of the findings.

Qualitative content analysis is a method of research used to analyse textual data (Hsieh & Shannon 2005; Tesch 1990; Weber 1990). It is an effective research approach that goes beyond simply counting words and their proximity. In this study, the researcher considered the use of various software that could provide quantitative data – about the number of times words appear independently or in proximity to other words or phrases – but after discussions with other researchers and consideration of the data set, opted to use a text analysis method that goes beyond counting in developing categories and words or phrases that represent similar meanings. This qualitative analysis approach leads to increasing knowledge and understanding of the phenomenon by allowing researchers to understand the social reality in a subjective, yet scientific manner (Hsieh & Shannon 2005). 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 analysing the data in depth by reviewing the raw text several times, listening to the recorded audio, developing a thematising and categorisation framework, and returning to the data to code the data by theme and category.

In relying on a qualitative content analysis method without the aid of software the researcher was cognizant of the risks inherent in human application that could result in missing or inadvertently excluding data. To guard against this, the researcher approached the analysis as follows:

1. Each recorded interview was listened two at least twice. The focus of this was to identify themes, key words or notable remarks. The researcher listened to each recording at a time and place where there were no or little distractions or stimuli.
2. Each transcript was read. The first read was focused on over-all content as in listening to the recording; themes, key words and notable remarks were recorded.
3. The recordings were listened to for the third time. This was done as the researcher was performing other routine tasks (treadmill etc). The rationale for this stage was to allow the researcher to zoom out and listen on a broader basis, expecting to identify things that were excluded in the focused listening.

4. The transcripts were read a second time and key text was highlighted and initial coding was commenced.
5. The highlighted sections from each transcript were copied (with the initials of the participant and the page number of the transcript) into new Word file tables. The sections were categorized by themes previously identified with approximately 50 per cent of the sections in a general non-assigned category.
6. After completing the copying, the initial coded sheets were reviewed and the unassigned sections were assigned to an existing theme or were used to establish a new theme.
7. After the coding was complete the researcher reviewed the coding sheets and created a narrative of observations, theme explanations for each.
8. The researcher then returned to the original recordings and listed to each interview while reviewing the narratives. The researcher made notes of previously un-noted items that seemed relevant to the narratives.
9. Using the notes, the researcher returned to the transcripts and added relevant sections to the coding sheets.

The thematised and categorised data (Appendix F) is then studied for findings, nuances, and insights. In most instances, this also involves returning to the interview data to search for more data that provides additional evidence, to determine the consistency of an identified theme.

This research was controlled for issues around validity in the case studies by audio-recording and transcribing the interview sessions, and by requesting participants' permission to quote from the interview transcripts. Valid interpretation of the meaning of the information was ensured by an interviewing process with an open-ended line of questioning as well as guided understandings and meanings. For example, by inserting a definition of tacit knowledge and describing an example, without leading the respondent, a common understanding between the interviewer and interviewee was established. Discrepancies and alternative explanations were identified, and interpretations from the data were presented to the advisory group members to solicit additional plausible alternative interpretations.

3.6 Individual Firm Analysis

Inductive content analysis reduces the amount of data in the case studies in order to focus on the core concepts of family business succession and tacit knowledge transfer. Discovery of themes about the core concepts and themes in each firm captures the nuances in each firm and facilitates the identification of patterns and differences in perceptions among the respondents. Once the patterns and themes are identified, deductive analysis confirms the initial analysis. Comparing each firm's data with the original framework in Chapter 2 leads to new insights and understanding of the unique character of the firm as well as the original theoretical framework.

3.7 Cross-Case Analysis

After analysing individual family-firm data, cross-case analysis is employed, looking for patterns between cases and the emerging themes. Multiple-case analyses of the family firms could distinguish the processes, themes, and relationships across the eight cases to add to the understanding of similarities and differences. Comparisons highlight the broader similarities and differences between the cases, without detracting from the nuances in each case. Some of the results of these analyses are depicted in Chapter 4.

This structured content analysis highlights the unique nuances in each case and the similarities and differences between founders' and successors' perceptions. Structured content analysis again highlights common themes. Comparing each firm's data with the original framework in Chapter 2 leads again to new insights and understanding of the unique character of the firm, as well as the original theoretical framework and a re-consideration of the propositions outlined in Chapter 2.The construction of matrices, diagrams or tables (see Chapter 4) in the execution of the cross-case analysis aids in the cross-firm data comparison and in the presentation of key trends and themes in the data.

3.8 Research Quality

A case study strategy's strength is in its capacity to deal with a full variety of evidence (Yin 2003b). However, there is still criticism of qualitative research approaches for failing to meet the demands of validity and reliability, foundational to quality research (DeRuyter & Scholl 1998). These criticisms are based on misconceptions about the use of case studies compared to other research methods. This section explains the processes used to minimize the potential limitations or constraints often attributed to case study research. The section begins with validity and reliability assessment tools and concludes with a quality control test, to provide a comparison of this qualitative research to characteristics often associated with scientific research.

3.8.1 Construct Validity

Construct validity deals with the degree to which the operational measures actually represent or act like the concepts under study (Davis 2005; Yin 2003b). When the researcher selects the events in the realist paradigm, in order to demonstrate that measures do represent or act like the concepts under study, three tactics are employed: multiple sources of evidence, chains of evidence, and a review of the study by the participants (Yin 2003b). This research implements all three tactics.

Multiple sources of evidence are provided by the selection of multiple participants from each firm (case study) and multiple sources of evidence form the basis for each individual case study. These multiple sources and perspectives aid in the development of converging lines of inquiry, referred to as the process of triangulation (Perry 2006; Yin 2003b). The case evaluations use data triangulation and theory triangulation in this research (Yin 2003b). The chains of evidence trace the steps taken, from the research questions through to the conclusions generated, recording the data chronologically, and managing the case study database, reports, and summary tables. The researcher reviewed some of the case studies with the research supervisor and some of the study participants. This contributed to the accuracy of the cases and the construct validity of the research (Yin 2003b).

3.8.2 Internal Validity

Internal validity represents the degree of confidence that the study's results are true, given the situation (Davis 2005). Case studies are not scientific laboratory conditions where variables can be controlled and causal relationships are created. In the domain of the realism paradigm, creation of causal relationships does not exist (Healy & Perry 2000). The exploratory nature of this research makes the issue of internal validity not relevant for the study.

3.8.3 External Validity

External validity refers to the extent to which a study's results or findings can be generalised to similar populations (Davis 2005). There is a view among scholars that generalisability is a goal that is not appropriate for qualitative research (Miles & Huberman 1994) or as critical for qualitative as for quantitative research (Maxwell 2005). Others suggest that case study research relies on the researcher generalising findings to a broader theory (Yin 2003b) – a form of analytic generalisation, which is associated with theory building – while statistical generalisation focuses on theory testing (Healy & Perry 2000). This study's goal is theory building.

This study addresses external validity using research techniques of replication and theoretical comparison. The multiple cases identify patterns and processes common to more than a single family firm. In addition, each individual firm's study was prepared from multiple perceptions and multiple sources of evidence. The theoretical framework presented in Chapter 2 gives a point of comparison for each firm. Data presentation provides a comparison to use in observing common processes and phenomena in each firm.

3.8.4 Reliability

Reliability demonstrates that the processes and procedures used in the study can be repeated with the same results (Yin 2003b), and refers to the degree to which the measure taken produces dependable conclusions (Zikmund 2003). Systematic interviewing and other data collection techniques can improve the reliability of qualitative research and can still allow the flexibility needed to highlight points of interest important to the research (DeRuyter & Scholl 1998). According to Yin (2003b), similar findings and conclusions should result when a researcher follows the same case-study procedures as an earlier investigator.

In this study, the interview protocols articulate the procedures followed for each family firm and each interviewee. The use of open-ended interview questions in the collection of the primary data contributes to capturing each interviewee's perceptions in a realistic setting. Questions are supplemented by follow-up probe questions that encourage flexibility and spontaneity while simultaneously imposing a systematic methodology. The research design for this study anticipated and planned for future researchers to replicate or reproduce the research (DeRuyter & Scholl 1998).

3.8.5 Quality Control

Attributes of scientific research associated with quality have been identified as purposiveness, rigour, testability, replicability, precision, and confidence, objectivity, generalisability, and parsimony (Sekaran 2000). The following overview compares the methodology employed in this study to these characteristics used for evaluating traditional scientific research.

Progressiveness defines the purpose or aim of the research (Sekaran 2000). This study clearly states the research problem and issues under inquiry. Rigour, referring to accuracy and precision, requires a well-planned methodology (Sekaran 2000). This research is based on a model developed from a comprehensive review of the literature and uses a precise case-study protocol for data collection, analysis, and reporting.

Testability is related to the testing of hypotheses against the collected data, and replicability refers to the degree that repetition of the same research will support the hypothesis (Sekaran 2000). The theory building (rather than theory testing) nature of this research makes it difficult to use traditional testing, but the study's use of data comparison and triangulated data from each family firm resulted in careful documentation each step of the process, to facilitate replication. It is acknowledged that while these actions support testability and replicability, these tests do pose some constraints on the study. This study collects and analyses data from eight cases. While this is seen to be adequate to contribute to theory building, the small number limits replicability.

Sampling design is addressed by precision and confidence. Essentially, it refers to the degree that the sample's results are accurate and to the probability that the estimates are correct (Sekaran 2000). This study uses purposeful selection, in place of statistical sampling, to choose the family firms for case development.

Given that the researcher influences the selection of the firms for case study (DeRuyter & Scholl 1998), the objectivity test is potentially problematic. However, the use of open-ended questions that encourage interviewee contribution and minimize interviewer involvement; the documentation of the researcher's expectations; the researcher's prior experience in interviewing, facilitation, and qualitative assessment; and the resultant self-awareness all serve to support the detachment of the researcher's values from the findings and conclusions.

Generalisability references the application of one set of organisational (firm) findings to other settings (Sekaran 2000). Analytical generalisation is a goal of this study and supported the generalisability of the findings. Parsimony proposes simplicity in the explanation of occurrences. The thorough literature in this study, combined with the data collection, results in a re-evaluation of the model presented in Chapter 2.

It is not possible or even desirable to conduct all investigations using a strict scientific approach. It is achievable to design the research for purposiveness and rigour, and to some extent, to address the other six attributes of scientific research. This study achieves the goal of credibility from a qualitative research perspective.

3.9 Research Ethics Process

Qualitative studies present a number of ethical issues before, during, and after the research (Miles & Huberman 1994). Management of data collection in an ethical manner is important, as interviews are interventions that demand feelings, thoughts, knowledge, and experience from participants (Patton 2002). Interpersonal in nature, qualitative methods require that the researcher-interviewer operates within an ethical framework (Patton 2002).

The case study and interview protocols for this study define both the collection of data and dissemination of results. Management processes in the information collection process guaranteed confidentiality, and interviewees were given an opportunity to review their interview transcripts. The questioning was directly related to the research questions and propositions. The protocol used in the data collection outlines all communication and processes followed, to ensure ethical treatment of the interviewees and the data.

The guidelines for institutional and professional research are clearly stated for students attending the University of Southern Queensland (USQ) and for faculty and administration at Grant MacEwan University (MacEwan). The researcher is a doctoral student at USQ and received ethics approval prior to interviewing the participants. The researcher is an administrator (Associate Dean) at MacEwan and is subject to the research ethics policy at MacEwan.

The case study protocol developed for this study incorporates all ethical behaviours articulated by both universities. The researcher is personally committed to the ethical standards articulated by both universities for research involving human participants.

3.10 Conclusion

Chapter 3 provides a rationale for selecting the realism paradigm and a case study (qualitative) methodology. The qualitative research design developed for this study outlines the case study method and interview protocols used in the investigation. The chapter describes the pilot case study and the interview instrument pre-testing; and it outlines the techniques used to analyse single-firm and multiple-firm cases.

The procedures used in this study are designed and articulated in order to facilitate replication by future investigators. In outlining the research and ethical issues, this chapter addresses a number of misconceptions about the processes and highlights the steps taken to minimize potential research limitations or constraints.

Reponses to the interview questions and the additional data collection that contribute to the firm case studies inform the findings in Chapter 4.

4 CHAPTER 4 RESULTS

4.1 Introduction

Section 4.2 involves a cross-case analysis of the data from the research issues. Section 4.2.1 analyses the data from Research Proposition 1, which proposes that the family business succession process differs depending on whether the successor is a family member or a non-family member. Section 4.2.2 analyses the data from Research Proposition 2, which asks if there are differences in the process of tacit knowledge transfer to successors, depending on whether the successor is or is not a family member. Section 4.2.3 analyses the data from Research Proposition 3, which proposes that the degree of trust between the founder and successor impacts the tacit knowledge transfer process in family business succession. Section 4.2.4 analyses the data from Research Proposition 4, which explores how the successor's gender impacts the tacit knowledge transfer process in family business succession. Section 4.3 presents an analysis of data that define emergent issues that arose from the data collection but were not identified in the literature review. The final sections in this chapter discuss some new insights gleaned from the data that were not evident through the literature review process or during the development of the propositions.

4.2 Cross-Case Analysis of the Data

The eight cases are firms in the land and property development and the professional service sectors, founded and operating in the northern region of the province of Alberta, Canada. The interviewees were the founder, the identified successor of the firm (family or non-family member), and a key observer/senior employee.

The coding used in brackets is linked to cases and the interviewees; for example, Case C-1-CAPMAN refers to Case Number 1 and C-2-URBANSTUDIO refers to

Case 2 of the eight cases. For each case, the specific interview is defined by the individual's role in the firm and the focus of the interview:

HF = historical interview section with the founder
HS = historical interview section with the successor
F = founder succession interview
S = successor interview
KO = key observer/senior employee interview

The data from the cases was coded using the following categories to connect the data to the identified themes:

FS – Family Socialisation
BS – Business Socialisation
SV- Shared Values
KT- Knowledge Transfer
G- Gender
T- Trust- Family Context
BC- Trust- Business Context

The eight cases are labelled as follows:

C-1 CAPMEN
C-2 URBANSTUDIO
C-3 BURCO
C-4 URBANSTUDIO2
C-5 COOLWAY
C-6 TANKIT
C-7 DAVIDSON
C-8 OUTDOOR

4.2.1.1 Research Proposition 1

The family business succession process differs depending whether the successor is a family member or non-family member.

4.2.1.1.1 Research Issue 1a

How is the role of the founder impacted by whether the successor is a family member or non-family member in generational family business succession?

4.2.2 Businesses where the successor was a family member

In businesses where the successor was a family member, the founder seemed to play a continuing role as a mentor or advisor, even when the founder no longer had financial control and, in at least one case, where the founder no longer had any direct financial interest in the firm. The nature of the founder's continuing role seems to be related to the degree to which the founder retained financial interests in the firm. Where the founder retained significant financial interest – even if there was a plan to transfer those interests to the family member successor – the founder took a more active role in the ongoing operation of the business (C-2-URBANSTUDIO, F,S). This ongoing role was occasionally operational, but more frequently the role of the founder in these situations was that of final approver or overseer of the family-member successor’s decisions. In situations where the family successor had controlling financial interests in the business, the founder continued to be involved, but more as an advisor or mentor. This involvement took many forms, including as a member of the firm’s Board of Directors, continuing to keep an office at the business for purposes of continuing community or charitable involvement, or as continuing in the role of a business ally. In one case (C-5-COOLWAY, HF), the founder relinquished any financial interest in the family business but held controlling interest in an independent, separate company that leased real estate properties to the family business. In another case (C-1-CAPMAN, HF, HS1), the family member provided continuing advice and mentoring in client-relationship issues, although he had relinquished the controlling financial interest in the firm. In a case where the succession process was at an earlier stage and the founder still had the majority financial control, the founder took an ongoing direct operational role (C-2-URBANSTUDIO, HF). However, the founder, the family successor, and the key observer all noted that family-firm discussions focused more on the succession process when a specific intent to "buy out" the founder was articulated by the successor (C-2-URBANSTUDIO, F, S, KO). Of some note in this case, at the time when specific succession process discussions were becoming more frequent, the founder was physically absent from the business more frequently in order to attend to his responsibilities for aging parents. These absences seemed to play a role in allowing (or requiring?) the successor to assume more responsibility for daily operations. During these absences, the founder's role as a mentor or advisor seemed to continue, even as his operational role decreased (C-2-URBANSTUDIO, S).

In the case of C-6-TANKIT, the founder continued to play a role after he transferred 50 % control of the firm to the successor and indicated that she would assume operational control. He continued to be active in the operations of the firm, but his role as founder gradually changed from monitoring the successor's management of the firm to providing encouragement and demonstrating confidence in the successor's management. (C-6-TANKIT, HF, HS). He said:

> "She kept taking on more baggage, and I basically had stepped away from the business for about 10 years. Just popped in when I want to have a coffee with the guys in the back or when we have a technical issue, or some issue to get efficiency. "(C-6-TANKIT, HF).

He now credits the successor with the significant growth and eventual successful sale of the firm. The founder credits the successor with achieving success – "I think our gross profits were always over 60 % or 70 %". (C-6-TANKIT, F).

4.2.3 Businesses where the successor was a non-family member

In firms where the successor was a non-family member, the firm founders exited the business parallel to their decreasing financial involvement. In firms where the successor was a non-family member and the successor had controlling financial interest in the firm, there was little or no formal or informal continued involvement by the founder. In a sense, these findings can be viewed in two dimensions. The first dimension or axis represents the founders' degree of continuing financial interest in the business; the second axis represents the family or non-family relationship between the founder and the successor.

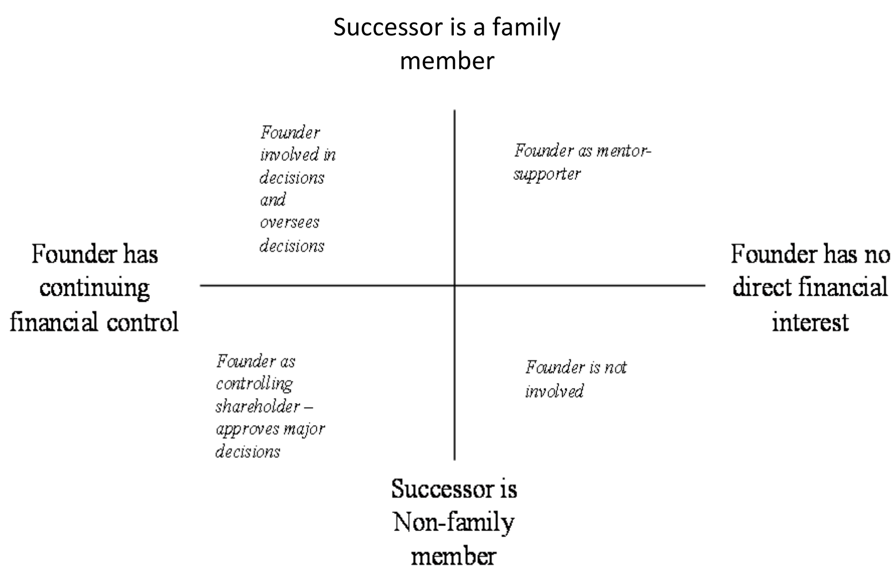
The parallel nature of the founder's involvement and his financial interest is evidenced by C-3-BURCO where the founder retained majority control, although both he and the successor described the working relationship more as an association of practice, each with his own client base (C-3-BURCO, HF, HS). In this relationship, the founder was clearly the senior business partner, played the dominant role in the management decisions of the firm, and was less a mentor than in the family firm cases. The founder's assertion that "when I decide that we've got enough money, it's time to declare a bonus" underscores his role as the senior business partner (C-3-BURCO, F).

The role of the founder in C-4-URBANSTUDIO2 illustrates a subtle difference. In this firm, of the two successors, one is a family member (C-2-URBANSTUDIO) and one is a non-family member (C-4-URBANSTUDIO2). In this firm, the founder seems to attend more to the work of the firm led by the family-member successor than of the non-family-member successor, even though his financial interest, relative to the two successors, is the same.

The founder in C-7-DAVIDSON has no continuing financial interest in the firm, and while he continues to hold a nominal regulatory role (currently being transferred to the successor); the founder is not involved in the firm's operations. The successor identifies the relationship as ongoing in terms of friendship and mentorship (C-7-DAVIDSON, S), and this view was shared by the founder (C-7-DAVIDSON, F). The key observer described the ongoing relationship in terms of friendship (C-7-DAVIDSON KO).

The founder in C-8-OUTDOOR has not held financial interest for a number of years and is no longer involved in the firm's operations. In this situation, the founder and successor do not maintain an ongoing relationship, although the successor described their early relationship as she assumed control of the firm as “friendly” and “like a coach” (C-8-OUTDOOR, S). The founder described the relationship “I think we still have, today we still have some great conversations. Shee runs across an issue or something, she still calls up and says, “I think I may have hit a little snag,” or something. And great, that’s what I’m here for..” (C-8-OUTDOOR, F).

Figure 4.1 Founder’s role, financial control, and relationships with successors



In the situation where the founder had continuing financial control and the successor was a family member, the founder tended to be more involved in operational and management decisions. This role of overseer ranged from reviewing periodic financial statements to detailed operational decisions —including critiquing the successor’s e-mails (C-2-URBANSTUDIO, S). When the successor was a non-family member and the founder still had continuing financial control, the role of the founder appeared to be less of an overseer and more akin to that of a controlling shareholder who approves major decisions, but is not necessarily directly involved in the day-to-day operations of the business. In cases where the founder had continued financial control, the degree to which the founder was involved in day-to-day decisions differed, depending on whether the successor was a family member or a non-family member. When the successor is a family member, the founder tends to be involved more directly decision-making or in overseeing decisions.

4.2.4 Founder's role

The most striking difference in the founder's role emerges when the founder no longer has direct financial interest, or at least a controlling interest, in the business. With the firms involved in this study, when the founder was not a family member and no longer had a direct significant controlling financial interest, the founder essentially exited the company and was not involved in the day-to-day decisions or in macro-decisions about the business. However, when the successor was a family member, there was a continued role for the founder, even after he no longer had significant or controlling financial interest in the business. In these family-successor-led businesses, the founder continued to play a role that can best be characterised as a mentor or supporter of the successor. In one firm, the founder continued as a director of the family business long after he had any direct financial interest in the business. In this family business (C-5-COOLWAY), the founder retained an office in the head office of the business. This office was used by the founder as a base from which to continue his community and charitable involvement. It is significant to note that the founder and successors of this business identified community involvement and giving back to the community as a key value in operating the business. Given the identification of this as a key value of the business by both the founder and family successor, it could be argued that the founder was continuing to contribute to the business, while no longer actively engaged as an employee or shareholder. In response to probing questions involving this ongoing involvement, the family-member successor indicated that, at least in part, the provision of the office – and the fact that it was located in a prominent location within the business – was a way of demonstrating respect for the founder. It is also worth noting that the founder, as a retiree, only lived six months of every year in the city where the business is located.

However, in one firm (C-7-DAVIDSON) where the successor was a non-family member, the firm founder did continue to play a role, albeit a different role than the founders in firms where the successor was a family member. The successor: “But I think very soon that we learned that we enjoyed discussing matters with each other. Not necessarily even business matters….But life in general. I consider him, I guess, a good friend, and I think likewise.” (C-7-DAVIDSON,S). In this case, the founder and non-family successor referred to their relationship as one of “friendship” and “mentoring,” even though the founder no longer had any financial interest in the firm. There was one factor that may have led to this unique and continuing relationship. In all other cases where the successor was a non-family member, the firm identity was either changed or did not - relate directly to the founder’s identity. Although this firm (C-7-DAVIDSON, HS) still carries the family name of the founder, the successor was under no obligation to continue with the firm’s name. According to the founder and successor, the name of the firm was not factored into the firm valuation at sale, nor was it referred to the in the sale documentation as having a distinct valuation. It is likely that the decision of the successor to continue with the family name was not only to capitalize on the firm’s reputation, but also “to show respect for the founder.” The data analysis did not reveal any direct relationship between the retention of the family-firm name and the development of a continuing “friendship” or “mentor” relationship, but it is plausible that there is a relationship between the two.

4.2.5 Succession process predetermined

Another characteristic of the business succession process that differed between family and non-family businesses was the degree to which the temporal and financial aspects of the succession process were predefined or not.

Consistent among those businesses where the new successor was a family member was a succession process that could be best defined as emergent or iterative. Whether the successor was currently in the process of assuming financial and management control over the firm, or whether the successor and founder were in an earlier stage of the process where the founder still had controlling interest, in cases where the successor was a family member, both founders and successors described the succession process as one that was staged and progressed at a pace that matched the successor's ability or readiness to assume increased control. One founder connected the readiness for the successor to take a larger role in decision-making to the successor's impact on the company's performance: "We were doing so good, so well. And then after..., I said, 'You've got half the company" (C-6-TANKIT, FS). This decision rested exclusively with the founder and was based on his perception of contribution, successor readiness, and fairness. In C-1-CAPMAN, the founder managed the succession process by leading a series of "retreats" that were designed by the founder to increase the knowledge base of the successors. In this case, the pace of the succession process, as described by the founder, the successors, and the key observer, was described as "incremental" or as a "process" or "series of steps" (C-1-CAPMAN F, S1, S2, KO). The pace of this process was determined by the founder's perceptions of the successors' degree of "trustworthiness" or readiness in terms of assuming increased responsibilities in the firm (C-1-CAPMAN F). When asked about the nature of this trust, the founder clearly had reflected on this phenomenon. He stated: "Not trust, but trustworthy. I'm going to send you a piece of paper on this because I have spent a lot of time on that. Trustworthy is way beyond, you have to be worthy of trust. Which means you need to be loyal, it also means you need to be frank, and of course you need to be honest. All of those pieces." (C-1-CAPMAN, F)

In one family-successor case, the founder described the process of the successor assuming more control over negotiation decisions as, "He [the successor] seemed ready to take it over." The description of this process (verified in probing questions in the successor interview) was not pre-planned or clearly articulated but iterative—and perhaps intuitive (C-5-COOLWAY, F S2).

The successor:

> "So we were building—he was building a branch out of the ground and at the time he was the corporate leader. First thing, he was the leader at the time and he was building a branch out of the ground in Calgary, and it was starting to gain some traction and he wanted the permanency of the building – so go from a renter to an owner. He was in that phase of mind. What I contributed

> to the discussion was that I had gained a bit of a reputation as a good negotiator and primarily through my experience in car sales –that was a great place to be- I had become quite skilled, because that's what you did all day and I think he wanted to use that. So we—I can't remember the specifics of it, but we looked at a couple of places and I remember being involved—"(C-5-COOLWAY , S2)

In response to a probing question asking if there was a moment where the successor assumed the leadership in the negotiations, the successor recalled that it:

> "just come along, and you know I think I just naturally morphed into it. I remember discussing with the vendor, talking directly to the vendor, you know—feeling confidence." (C-5 COOLWAY, S2)

The succession process drew on the strengths of the successor but also relied on the mentorship and the founder's assessment of the successor's readiness to assume the leadership role in this situation.

In the case of one female family successor, in the absence of a pre-determined succession process, a difference in understanding of the succession process emerged, with the founder (father) taking an emergent approach of succession progression related to successor readiness and firm performance (C-2-URBANSTUDIO F S). In this case the successor, in her perception that there was no clear succession path, assumed more control of the process by announcing that she (and her non-family partner) were preparing a formal proposal to buy out the founder's interest in the firm.

Conversely, in firms where the successor was not a family member, the succession process was more clearly articulated at the beginning of the process, sometimes in a contractual document. In two non-family successions, the process was contractually defined (C-7-DAVIDSON, F, S; C-8-OUTDOOR, F, S, KO). In the remaining two non-family succession cases, the succession process was clear to the founder but not as clear to the successor (C-3-BURCO, S; C-4-URBANSTUDIO2, S) – perhaps due to the absence of a formal documented agreement – although in one of the cases, the founder and successor were beginning discussions that were intended to lead to a formal agreement (C-4-URBANSTUDIO2, S, KO). In these cases, the only judgement about whether the successor was ready to assume increased responsibility or control was the successor's ability to purchase an increased proportion of shares in the business. This is not to suggest that there were not variations on the initial plan or alterations as the succession process continued, but both founders and successors reported those variations being due to the financial performance of the company and the enhanced ability of the successor to purchase additional shares from the founder (C-3-BURCO, F; C-4-URBANSTUDIO2 S).

In other non-family successions, the process was articulated through formal agreements and was not connected to firm performance. In the case of C-7-DAVIDSON, a business broker engaged to find a buyer (successor) for the business was key in the development of the agreement, and in C-8-OUTDOOR, the firm's external accountant was a key advisor in the development of the terms of the agreement (C-7-DAVIDSON, HF, S; C-8-OUTDOOR, HS, KO).

This finding may not be generalisable; however, in two non-family successions, the succession process was clearly articulated in the interviews with the founders (C-3-BURCO, F; C-4-URBANSTUDIO2, F), but when the successors responded to probing questions about the succession process, they did not demonstrate the same clarity (C-3 BURCO-S; C-4 URBANSTUDIO2-S).

There is significant evidence that in successions where the successor is a family member, the process is not clearly defined at the outset of the process, and is best described as iterative or emergent. The data from firms with non-family successors is less consistent. While there is some evidence that a more predefined succession process was in place at the beginning of the succession process, this was, in half of the non-family-successor cases, cited by the founders but not evident to the successors.

4.2.5.1.1 Research Proposition 1b

Does the family business succession process begin at an earlier stage when the successor is a family member than when the successor is a non-family member?

The question as to whether the formal business succession process begins at an earlier stage when the successors are family members than when the successors are not family members is not as clearly evident in the data. However, the data analysis did reveal an interesting pattern.

Table 4.1 The point at which the socialisation began in family-firm succession.

	Development Family	Development Non-family	Service-Retail Family	Service-Retail Non-family
Male	~7-10 years old (C-1-CAPMAN, F, S1,S2, KO)	After successor began working for the founder, but not until the successor achieved professional status (additional education beyond technical) (C-3-BURCO, F, S)	~6- 10 years old (C-5-COOLWAY, F, S1, S2, KO)	After formal firm purchase and transfer of funds to escrow (C-7-DAVIDSON, F, S)
Female	~3-4 years old, Preschool (C-2-URBANSTUDIO, F, S, KO)	After successor began working for the founder, but not until the successor was identified as such (C-4 URBANSTUDIO2, F, S)	10-12 years old (when the firm was founded) (C-6-TANKIT, F, S1)	After the successor was a likely successor, after working in the firm for several years, but prior to the formal succession or formal naming of the successor (C- 8, F, S)

The data shows that, while the commencement of the socialisation process in the cases of family successors was not uniform in age (seemed to depend on business conditions, such as when the family founded the business and the family-specific work-family connection), the data clearly indicates that in the family firms, business socialisation began earlier, in the context of the family. In non-family successions, the business socialisation tended to commence when the successor was identified as the future owner.

An unanticipated pattern emerged in the case of family-member succession. In the majority of the family firms studied, each of the family successors, while they may have been employed by the family business as young adolescents or students, chose to leave the firm to seek full-time employment, either after graduation from a postsecondary institution (C-5-COOLWAY, HS1) or in order to seek more opportunities than were present in the family firm (C-1-CAPMAN, HS1). In each of these cases, the successor eventually returned to the family business, although the timing of that return did not always coincide with the decision to name the family member as a successor (C-5-COOLWAY, HS2). There was no consistent pattern regarding the timing of the naming of the family firm's successor and their return to the family business. In some instances, the successor’s return to the family business and the identification or naming of that person as successor came later (C-5-COOLWAY, HF, S2); in other instances, the return to the family business was the de facto anointing of the successor (C-6-TANKIT, HF).

The researcher initially assumed that family members who left the family firm to be employed elsewhere did so in order to gain additional experience outside of the family business. However, probing questions revealed that the decision to seek employment outside of the family business was more related to seeking additional opportunity or for independence than it was for the objective of gaining experience that would be valuable in any individual return to the family business. In these situations, the business socialisation was evident prior to the family member being identified as the successor. In each case, the family member was not identified as the successor or likely successor until they had returned to the firm.

4.2.5.2 Research Proposition 2

In family business succession, there are differences in the process of tacit knowledge transfer to successors depending on whether the successor is or is not a family member.

4.2.5.2.1 Research Proposition 2a

How does the knowledge transfer process differ when the firm is being transferred to a family successor than when it is being transferred to a non-family member?

The data sheds light on the issue of whether knowledge transfer from the founder to the successor begins prior to the family member being identified as his successor. Family successors recalled being at business-social or family-business occasions where they were exposed to the nature of partnerships, business relationships, and business values. Non-family successors clearly did not have this opportunity at an early age in the family context. In one family succession case, the key observer recalled, “The kids were really involved in that and so they learned a lot about how you deal with getting materials, how you deal with demolition, construction, and all that” (C-2-URBANSTUDIO, KO). In another family business, one of the successors remembered, “When there was company events, they’d typically be at our house, like the company Christmas parties and so you get to know everybody” (C-5-COOLWAY, S1).

One family successor reported frequently attending business breakfast meetings with the founder (after which the founder would transport the successor to school). He reported that his role was “not to talk or interrupt,” and he reported that here is where he learned about “making deals” and the unspoken code of confidentiality in business negotiations: "People he was talking to they knew I was his son and so 'who was I going to tell' and I was told 'don't ever say anything about any conversation I have with a business man as that was between me and him' (C-1-CAPMAN, S). This is evidence that the transfer of knowledge about business practices began early in the family-business context and prior to the formal succession process even if the successor was not engaged in the business discussions. The successor reported

> "So all the land developers and all of those people he was talking to they knew I was his son and so "who was I going to tell" and I was told "don't ever say anything about any conversation I have with a business man as that was between me and him and that was none of your business and just eat your breakfast!" (C-1-CAPMAN, S).

There is additional evidence in C-6-TANKIT, where the eventual successor began "working" in the new family business by the age of 11. According to the founder, "at 11 years of age she would be in the office, excited—and the office was nothing, just a little shack." The daughter became increasingly involved in the operations as she grew older: she "thrived on trying to get an extra $15 out of something by selling insurance on the rental of the truck" (C-6-TANKIT, F). This knowledge transfer, focused on the business operations, began shortly after the business was founded (when the eventual successor was about 10 years old).

Family firm founders and successors consistently recalled knowledge transfer in the context of the family as times the founder would be working at home when the child(ren) (future successor) was present. This was described by family successors as "Dad bringing work home" or "Dad started working at home in the basement" (C-1-CAPMAN, S1). Successors recalled hearing business conversations at the dinner table and generally in the home environment. One recalled the middle-school and junior years children helping the business founder solve a problem by participating in model building [building design] (C-2-URBANSTUDIO, F; C-6-TANKIT, S; C-2-URBANSTUDIO SO). The tacit-tacit knowledge transfer typically took the form of engagement in business-parallel activities ("playing working for client Mr. Moneybags"), dinner conversations ("what is something that happened today that was good”), and children overhearing parental conversations. Non-family successors obviously did not have this early exposure early in the family context.

Other founders with successors who are family members reported a different entry pattern for the successors into the business. Generally, there seemed to be an overriding concern that the family successor not be seen by other business partners or employees as receiving preferential treatment. This led to some interesting differences, reported by both founders and successors, in the early experiences of the successors being involved in the business. While in non-family successions, it appears as though the "anointing" of the successor was enough to give the successor legitimacy in assuming responsibility in the business, in family succession it appears that, from the founder's point of view, the identified family successor was required to demonstrate or "prove" their suitability or competence in assuming increased responsibility. One founder (C-5-COOLWAY, F) reported personally reimbursing the business for the salary paid to the future successor. To be clear, at this point it was not agreed or articulated that the family member would be the successor. In another firm (C-1-CAPMAN, F), the founder recalls clearly having higher expectations of the family member for performance and outcomes than if the firm had employed a non-family member. The successor recalls the founder being "extra hard on me" (C-1-CAPMAN, S1). Probing questions revealed that this treatment was to avoid any impression that the family member was being favoured over other employees. It was important from the founder's point of view that the other partners and employees see that the family-member successor was earning both his salary and his opportunities for increased responsibility.

This concern about the perception of preferential treatment did not emerge (even with probing) in any of the non-family successor firms.

4.2.5.2.2 Research Proposition 2b

Is the process of knowledge transfer from founder to successor characterised by more tacit-tacit transfer and less tacit-explicit transfer when the successor is a family member than when the successor is a non-family member?

Tacit-tacit knowledge transfer seemed to occur equally with family successors and non-family successors, as long as the successor remained involved with the business, not taking into account the temporal factor (i.e., the tacit-tacit knowledge transfer in the family context before the family member enters the business or is identified as the successor). The tacit-tacit knowledge transfer, after the family or non-family member enters the business or is identified as the successor, seems to be similar.

At the point where either the family-member successor or the non-family-member successor joined the firm and was identified as the likely successor, the process of tacit-tacit knowledge transfer was similar. Successor and founders recall the founder sharing experiences in the form of stories or recalling past incidences, or of over-hearing conversations with stories or recalling past incidences (C-7-DAVIDSON, F; C-8 OUTDOOR, S).

Table 4.2 Examples of tacit-tacit knowledge transfer after the family and non-family successors were identified.

	Development Family	Development Non-family	Service-Retail Family	Service-Retail Non-family
Male	The family member successor recalled sensing the founder's reasoning for decisions and learning through observation, supplemented with de-briefings: combination of tacit-to-tacit knowledge followed by explicit knowledge transfer.(C-1-CAPMAN, S1, C-1-CAPMAN,S2)	The successor described observing the founder in client meetings and learning about when to "push or pull back" from clients. (C-3-BURCO, S)	The founder and successors recalled the successors, (after being identified as such) learning from the founder through accompanying the founder on client visits, observation, anecdotes, and other tacit-to-tacit forms of communication. (C-5-COOLWAY, F; C-5-COOLWAY, S1; C-5-COOLWAY- S2)	The successor described "ride-alongs" when he observed the founder in business practice and that the founder would respond to questions or observations in a subsequent discussion. (C-7-DAVIDSON, S)
Female	The successor and founder activity and the successor learning about the business operations (after the family member had been away from the business and returned as the identified successor). (C-2-URBANSTUDIO, S; C-2-URBANSTUDIO, F)	After the successor was identified, she recalled observing the founder in meetings with clients and projects, and recalled making observations about the founder's communication and relationship with the clients. (C-4-URBANSTUDIO2, S)	The successor recalled initially learning about the business (beyond her assigned tasks as an employee) by watching the founder (father) and listening to the conversations about the business. The successor commented that she "paid more attention to such things" after the point where she was considered a potential successor. (C-6 TANKIT- F)	The successor recalled learning about the business by first observing the founder in project activities and subsequently by assuming increased responsibility for projects. The founder did not recall specific "instruction," but recalled the successor assuming increased responsibility as she learned and was "ready to take more on." (C-8 OUTDOOR, F,S)

4.2.5.2.3 Research Proposition 2c

Does the tacit knowledge transfer process follow the two-staged pattern proposed by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) when the business is transferred to a family member compared to when the business is transferred to a non-family member?

Data analysis suggests that the stages in family business succession may not be as distinct and separate as noted in previous research. Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) describe two stages related to knowledge transfer: family socialisation and business socialisation. Their model suggests that the two stages are sequential. In the analysis of the data in this study, it appears that the socialisation of family members to the business begins at a very young age and may well be viewed as a parallel socialisation to their family socialisation. For instance, successors report business/family social events and informal interactions that involved both the business and family members at a very young age. One successor recalled:

> "I would say on the weekends it wasn't uncommon for the couples to get together, and their children would be milling about, I remember that….It looked pretty relaxed… usually a barbecue going, some hotdogs for the kids, that sort of thing…(*I- these would be at people's houses, your house?*).. Yup, someone's residence – yeah, always a residence." (C-5 COOLWAY, S2)

This may have taken the form of a family member accompanying the founder to a business site or meeting, or a young family member going to the family business at the end of the day and joining in, or at least observing, the business socialisation after normal operational hours. The successor in one family firm recalled:

> **"**Back then contracting and drinking went together so at the end of the day somebody would bring out a case of beer or a bottle and we'd sit around the coffee room and talk about what happened throughout the day and who

> screwed up and which customer was giving us a hard time and that type of thing.” (C-5 COOLWAY, S1)

It appears that firm founders recall more concrete examples of their children being exposed to the business. A typical response from founders, when asked to recall the family successors’ first exposure to the business, was to remember the children’s visits to the place of business. After prompting or probing, founders typically referred to business events where families were included, such as company picnics and holiday celebrations. Successors, on the other hand, typically recalled overhearing conversations or accompanying the firm founder when he stopped to conduct some business while spending the day with the child, driving the child to school, or some other commitment. Additionally, firm founders reported children's exposure to the business when they came to the business, but the children often reported family social times that included socialising with individuals who were in business or "friendly competition" (C-1-CAPMAN, S1; C-2-URBANSTUDIO, F; C-5-COOLWAY, S1; C-5-COOLWAY, S2; C-6-TANKIT, F, KO).

One founder’s recollections (C-5-COOLWAY, F) paralleled the family and business socialisation stages described by previous research. He recalled that "we had picnics or golf tournaments in the summer, or something like that, and the boys would have been around ... the real connection would have been when they started working... during the summers, because boys would have worked...in the construction department." This recollection clearly distinguishes between the children’s [successor’s] socialisation or familiarisation with the business as part of business-family activity, and as separate from the children’s experience when they were employed as adolescents working in the construction department of the business.

Non-family-business successors’ exposure typically could not have paralleled family successors’ experiences, as a non-family business successor would not have been involved in family events prior to entering the family business. In all cases of non-family business successors, there was no evidence of early contact with the founder’s family. In cases C-3-BURCO; C-4 URBANSTUDIO2; and C-8-OUTDOOR, the successors worked in the firm prior to being formally identified as the successor. In case C-7-DAVIDSON, the successor came into the business after agreeing to purchase the business, so there was no period of working in the business prior to being identified as the successor. Probing questions revealed that in cases C-3-BURCO and C-4-URBANSTUDIO2, there was minimal socialisation outside the workplace between the founder and eventual successor (except for Christmas and other celebratory events). In these cases, the successors indicated that there was no “social” relationship beyond the workplace (C-3-BURCO, S; C-4 URBANSTUDIO2, S). In one non-family case, the successor reported ongoing socialisation with the founder outside the workplace, but while these were more frequent than reported in the other non-family successor firms, the socialisation was still limited to working relations—that is, not with extended families. The successor remembered:

> “Yes, there were things like the annual Christmas Party and the summer baseball game and bar-b-que but just staff and maybe a few others joined in – it wasn’t a family sort of thing.” (C-8 OUTDOOR- F, S).

The issue of whether the two stages both involved tacit-tacit knowledge transfer can be addressed by referring to responses from two successors— both family members. One family member in a construction-related family business (C-5 COOLWAY, F; C-5 COOLWAY, S1) stated that in order for a successor to be credible in the family business, they must have experience working on construction sites for the company. Since most employees of the company are engaged in installation or construction-related work, the successor identified that respect from the employees would be earned by having some shared experience with those employees. This value of being able to contribute to the core business of the organisation and to "not be above the work" was reinforced by a response from the founder about the history of the business. He referred to a former partner leaving the partnership and business because he did not have the work ethic required of partners and employees. A second successor in the same firm recalls that, at a very early age, "what I would remember is the smell of motor grease on him—I could smell it, I knew it was a trade’s occupation" (C-5-COOLWAY, S2). The evidence is clear that in this case, the tacit knowledge transfer related to the values in the business was indeed not spoken, but was demonstrated and inferred or implied at the family socialisation stages. In addition, during the business socialisation stage – once the sons had joined the business as employees – the tacit-to-tacit transfer of values continued as part of the socialisation process.

Successors also remembered being aware that the families of friends and schoolmates were either viewed as family-friendly competition, business partners, or employees of the business founder. Successors typically recalled that they understood that their father was engaged in a family business, often with partners, and that was not typical of all the families in their neighbourhood. They also recalled – although they could not remember a specific age or time – a point when "you realized, wow, this is different; this is different than what my friends' parents do" (C-5-COOLWAY, S2).

In firms where the successor was a family member, there is evidence that the knowledge transfer process was consistent with the socialisation process. In two of the family cases (C-1-CAPMAN, F; C-1-CAPMAN,S1; C-5-COOLWAY, F; C-5-COOLWAY, S2), the founder and successor(s) described situations where the founder shared firm-specific stories or anecdotes with the successor(s), after the family member(s) was identified as the successor. One founder described the reflective process:

> I kept a journal for over forty years and still do, and one of the things I did was go through them all when I first semi-retired and I thought I was pretty dumb because I kept learning the same lessons over and over again. Then after I had read through them three times, I learned I was learning the same lessons but at a different level. (C-1 CAPMEN,F)

His reflection lead to him sharing stories and the successor(s) using those reflections experientially in learning how to conduct the business:

> ”I gave a lot of thought to how I could pass on those lessons to ‘S’ and ‘W’ and I wrote about some key concepts, passed them on and then after they

> tried them out we went away to talk about what worked and didn't" (C-1 CAPMEN,F)

They would try things, and if it worked out, hopefully I gave them some praise, and if it didn't work out, I never said anything, because the mistakes was something they had to carry through with themselves. They were not criticized for it, we'd discuss it and say, well, that's what happened and go on ... they made their own mistakes. (C-1 CAPMEN, F)

4.2.5.2.4 Research Proposition 2d

When the successor in family business succession is a non-family member, do the transfers of tacit and explicit knowledge occur in a parallel process or adhere to the spiral model proposed by Nonaka and Takeuchi?

The question of whether tacit and explicit knowledge transfer occurs in a parallel or spiral pattern (as described by Nonaka and Takeuchi) when the successor is a non-family member is partially addressed through the data analysis. There are some indications that the process is perhaps more truncated, with a heavier emphasis on explicit-explicit knowledge transfer (C-8-OUTDOOR, S, F). In cases C-3-BURCO and C-4-URBANSTUDIO2, there is some evidence that knowledge transfer follows the spiral pattern.

The successor in C-3-BURCO recalls accompanying the founder to client meetings as an observer and learning about the client relationships, following up with questions to the founder about the process, and then integrating that knowledge into his own practices (C-3-BURCO, S). In this case, knowledge transfer clearly began in the socialisation phase as tacit knowledge, through discussions between the founder and successor became explicit, and was subsequently used by the successor as his own held knowledge, affirming the combination phase of Nonaka and Takeuchi's (1995) model. The successor, in response to a probing question about whether this knowledge is now part of his repertoire of client relationship skills, responded, "Yes, I guess so. I clearly use the knowledge, but I don't even think about it now—it comes naturally"(C-3-BURCO, S).

The successor in C-4-URBANSTUDIO2 recalled that, in one early meeting,

> "I was involved in that sense, but I got to see how this process worked. So, I wasn't at all involved … except just pushing a button, but I got to be a fly on the wall" (C-3 BURCO, S).

The successor and the founder both recall this as a typical situation, where the successor would accompany the founder to client meetings to observe the founder deliver a presentation (C-4-URBANSTUDIO2, F, S). In this situation, in the socialisation phase, tacit knowledge transfer was the dominant vehicle through which the successor learned about client relationships. The successor recalls later meetings where the founder asked him to take the lead and followed up the client meeting with a discussion about the experience and what the successor could learn from it (C-4-URBANSTUDIO2, S). In response to a probing question about using that acquired knowledge as part of a repertoire of skills, the successor was tentative in responding affirmatively, but also indicated that he had developed his own "style".

The data from these two cases indicate that the transfer of tacit and explicit knowledge in non-family firms followed the spiral process described by Nonaka and Takeuchi (1995). However, a review of the data in Cases C-7-DAVIDSON and C-8-OUTDOOR produce less definitive findings.

In case C-7-DAVIDSON, there is some evidence that initially, the knowledge transfer followed this pattern, as the successor accompanied the founder in meeting clients and listened to stories of past clients; the interview revealed, at least to a degree, a level of tacit knowledge transfer. The successor's responses to probing questions did not reveal evidence of the combination and internalisation stages.

A similar pattern emerged in case C-8-OUTDOOR. The successor recalled observing the founder in the business and learning about processes, and then followed up with questions and discussions with the founder. The founder recalled, "I showed some procedures and she asked a lot of questions, but I think she always had an inkling to change things – and that was a good thing" (C-8-OUTDOOR, F). Probing questions did not reveal whether this knowledge was integrated into the successor's practice or prior-held knowledge (combination), or whether the process moved to the internalization stage.

This difference in the two types of experiences (C-3-BURCO/C-4-URBANSTUDIO2 and C-7-DAVIDSON/C-8-OUTDOOR) may be related to the fact that in C-3-BURCO and C-4-URBANSTUDIO2, the founders remained part of the business, whereas in C-7-DAVIDSON and C-8-OUTDOOR, the founders exited the business soon after the successor was identified. In C-3-BURCO and C-4-URBANSTUDIO2, the succession process is continuing and is iterative, while in C-7-DAVIDSON and C-8-OUTDOOR, the succession process was contractually articulated. There was a difference in knowledge transfer in the two sets of cases: In C-3-BURCO and C-4-URBANSTUDIO2 (process more iterative), the successors reported tacit-tacit and tacit-explicit knowledge transfer more than in C-7-DAVIDSON and C-8 OUTDOOR, where the successors reported some explicit-explicit knowledge transfer.

It is clear that the data supports family business knowledge transfer as described in the first two stages of socialisation and externalization. One founder (C-1 CAPMEN,F) described "walking the land" as a process for visualising future development on a particular landscape. He described his son as accompanying him on these "land walks" and the son asking his father what he was doing.

> "…so I would always go out there and walk the land before I bought it. It's kind of interest cause he asked "why do you do that" and I said because it talks to me and I get a feeling for what I am planning to do will work there. (C-3 BURCO,F)

While his son was aware that this was part of the process of assessing land suitability, the son was at the same time unaware of the tacit process the father was using in his assessment. Interestingly, both the father and son reported later discussions about this process. This is an example of the socialisation stage where the knowledge transfer to the next generation successor occurs in a tacit-tacit state and is followed sometime later by the successor articulating the tacit knowledge, thus making it explicit. In this particular case, both the son and father recall the experience of "walking the land." In this experience, the son had an explicit understanding of the process, but when he was initially engaged in that process, became very frustrated and telephoned the father with his frustration that he did not "feel anything" (C-1-CAPMAN, S1). Interestingly, the son held an explicit understanding of the tacit process early in his life and became concretely aware of during the process of moving the knowledge from tacit to explicit, but had not internalized the process through experience.

The externalization stage is characterised by the expression or articulation of tacit knowledge and its transformation or translation into language or concepts that can be understood by others. The externalization stage had a separate, even more conscious role at the point when the founder decided that he would be transferring the family business to the family member successor. In one case (C-1 CAPMEN, F), the founder described set of skills that he had developed as a result of reflecting on his experiences as a successful business person.

This externalization of the founder's tacit knowledge by teaching the successors about business plans in a way that allowed the successors to assume responsibility for part of the business and to apply what they had learned to the development of the business plan. In one firm, the successors (C-1 CAPMEN, S1; C-1 CAPMEN, S2) describe the business plan development as being very rigorous, demanding, and thorough. When asked if they have continued to follow the same process in current business decisions as they did in this first experience, the successors indicated that while the fundamentals were stable, some of the processes changed as they gained experience. It is through this experience that the successors internalized the newly acquired explicit knowledge and at least in part converted that knowledge. Although this articulated "curriculum" is a single case, there is evidence that founders generally reflect on their experiences, identify key skills or knowledge that are important in running the business, and formally or informally provide opportunities for the family successors to learn and apply those skills or knowledge. The formal opportunities were structured experiences followed by discussion or perhaps praise when the successor was successful. Informal activities were characterised by recounting experiences and telling stories based on the founder's experience in the business. A common theme that emerged across the cases was that in both family and non-family successor situations, the founders formally or informally acted as instructors or coaches in providing experiential learning for the successors, and those experiences were based on the founder's reflections and understanding of what they had learned were the key skills and knowledge required to lead the business.

An additional theme that emerged in analysing the transcripts of those founders who had retired was that this role of the founder as teacher or coach continued beyond the point at which the founder had control or in fact any financial interest in the business. In these cases where the successor was a family member, the founder continued his teaching or coaching role, but there was a subtle change in the nature of that role. A teaching or coaching role moved from contributions to the operations of the firm to contributions to the strategic directions of the firm. In one firm (C-5 COOLWAY, F), the founder recalled coaching the successors through capital acquisition negotiations during the time that the founder still had a financial interest in the business. When asked what advice he would give his sons now that he no longer had any direct financial interest in the firm (the firm did lease space from the founder, but the founder no longer has any direct financial interest in the firm, although he remains a corporate director), the founder suggested that his role was to provide advice when asked. In the founder's sense of his role as a mentor or instructor to his sons, there is a noteworthy difference between when he had and did not have direct financial interest.

The researcher probed this issue to gain insight into whether the founder's perception of his role was related to his interest or engagement in the firm. Responses to the probing revealed that the founder was still interested and engaged in the business' future when he offered, "I suspect that the growth of their company will eventually mean that they have to do other things to finance their business." This continuation of the mentoring or coaching role continued even after he had no direct financial interest in the firm.

What seemed to change from when the founder had a direct financial interest was that he saw this advice as available if the successors sought his input. His sense of responsibility for the firm's outcomes seemed to diminish, but his sense of support for his sons seemed to continue.

The question of whether knowledge transfer followed a specific process can also be illustrated by examining one founder's process (C-1 CAPMEN, F) for transferring knowledge to the next-generation family successors. In this case, the founder described an intense and sustained reflective period, during which he reflected on his 40 years in business (and his 40 years of journals from that period) to gain insight into what he had learned, what was critical to business success, and how it would be best presented to the next generation to aid them in achieving success. The result was a very articulated "curriculum" that the founder developed and followed in "teaching" and "coaching" the next generation's successors. The instruction took (and continues to take) the form of weekend learning retreats, informal sessions, and written material outlining business models, practices, and processes. In this scenario, tacit knowledge became explicit through the founder's reflective process and was subsequently transferred to the successors in the form of explicit knowledge. The terminology, concepts, and approaches (curriculum, teaching, and coaching) emerged throughout the interviews. Further investigation would be needed to ascertain whether the original tacit knowledge that had been developed as explicit knowledge through the founder's reflective process, and then transferred to the successors as explicit knowledge, had been internalized by the successors and, through Nonaka's combination process, become tacit knowledge held by the successors.

4.2.5.3 Research Proposition 3

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

4.2.5.3.1 Research Issue 3a

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 suggests 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 to the question of whether he trusted his sons, one founder (C-5 COOLWAY, F) replied 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 judgement or their ability to make sound business decisions. That trust had been earned in the family and business context:

> "When you grow up in the country you have no choice but to trust each other. So that stays with you and I realize both 'M' and 'J' share with their community and they trust their community. So if the world out there trusts you, so why wouldn't you have that trust?" (C-5 COOLWAY,F)

The founder in C-6-TANKIT expressed total trust in the successor, both in terms of the relationship and in terms of her work capability. When the daughter returned to the business after attending post-secondary, he said to himself, "Talk yourself out of it. Any job you can get out of, everything that gets to you, or whatever, and she would take on this baggage" (C-6-TANKIT F)—the baggage being the business responsibility.

One founder (C-1 CAPMEN, 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, in his view, was something that was earned by the successor through experience and demonstrated capability. "trustworthy goes a whole different level". (C-1 CAPMEN,F) In fact, he saw his responsibility as the firm founder to create situations where the successor could experience his trustworthiness—his ability to be trusted to make sound business decisions.

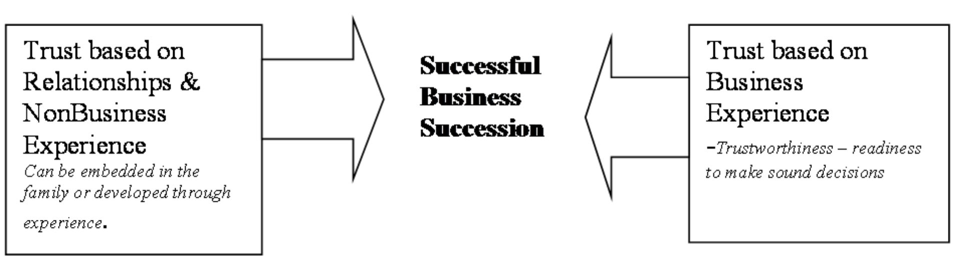


Figure 4.2 Concepts of trust and trustworthiness

Further analysis of the data from non-family successions revealed 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 trust in the successor as a given—that is, an inherent component of the relationship. Some founders even 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 some others. The distinction was also made by successors—exclusively when the successor was a family member. One family member successor (C-2 URBANSTUDIO, 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 at what point the sense of trust became apparent, responses varied, from early on 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 to make 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 recognised at least a degree of business-capable trustworthiness in the successors, independent of whether the successor was a family member or not. The successor in C-3-BURCO described the level of trust between him and the founder as “total. I trust his judgment and I trust him—I don’t know of anyone more honest” (C-3 BURCO, S).

The marked difference was the origin of the trust. When 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 period.

There is some evidence that the stage of the business transfer has an effect. For example, in one case (C-5 COOLWAY, FH, C-5 COOLWAY, S2) where the second family successor provoked the establishment of business trust, the older sibling had assumed the leadership in the business prior to the entrance of the second sibling. The second sibling had pursued a graduate business education (unlike the founder and older sibling). At the time he 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:

> I sat down with them and I said, ‘Guys you’re up shit creek and use my skills or don’t.’ …So, I said, ‘I want you to give me your biggest asset and I’m going to run it.’ So, they gave me it to me and I ran it and everybody participated, everybody was rowing. …That was sort of the start of my executive career and then after that I always had responsibility, major responsibility. So it didn’t take very long. I would say inside of a year I was making some of the largest decisions of the company.” (C-5 COOLWAY,S2)

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 (C-1 CAPMEN,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 in buying each other out) that the founder began to create the scenario in which the family member successor could develop business trustworthiness.

4.2.5.3.2 Research Proposition 3b

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

In one case (C-7 DAVIDSON, 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 consultation 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 4.3 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 (C-1-CAPMAN, F, S1)	Trust developed over the years that the successor worked as employee for the founder, prior to being identified as the successor (C-3 BURCO- F,S)	Family trust assumed (C-5 COOLWAY, F)	Trust developed after the business transfer had been negotiated, through the transfer process (two years of mentoring after the business sale) (C-7-DAVIDSON, F, S)
Male **Business Trustworthiness**	Developed through planned skill and knowledge development (articulated curriculum) after the successors had been named (C-1-CAPMAN, F,S1,S2)	Developed through planned skill and knowledge development (articulated curriculum) after the successors had been named (C-3-BURCO, F)	Developed through providing experiential opportunities for skill and knowledge development after the successors had been named (C-5-COOLWAY,F, S2)	Trust developed after the successor had made the commitment to purchase, deposited funds in escrow, and assumed business control (C-7-DAVIDSON, F)

	Development Family	Development Non-family	Service-Retail Family	Service-Retail Non-family
Female **Relationship Trust**	Family trust assumed (C-2-URBANSTUDIO, F, S)	Trust developed over the years that the successor worked as employee for the founder, prior to being identified as the successor (C-4-URBANSTUDIO2, F, S)	Family trust assumed and validated through mutual experiences when the successor became an adult (C-6-TANKIT, F, S)	Trust developed over the years that the successor worked as an employee for the founder, prior to being identified as the successor (C-8-OUTDOOR, S)
Female **Business Trustworthiness**	Developed through providing experiential opportunities for skill and knowledge development after the successors had been named (C-2-URBANSTUDIO, F)	Trustworthiness began to develop when successor was hired as an employee (C-4-URBANSTUDIO2, F,S) May be related to successor's life circumstances (age and family) or professional commitment to educate next generation profession –distinct from identification as the successor to this firm	Developed through the prior employer-employee experience (C-6-TANKIT, F)	Developed over the years that the successor worked as an employee for the founder, prior to being identified as the successor (C-8-OUTDOOR, F, S)

4.2.5.4 Research Proposition 4

The successor’s gender impacts the tacit knowledge transfer process in family business succession.

4.2.5.4.1 Research Proposition 4a

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

The data indicates that the experiences of male and female successors in acquiring business knowledge in family-business succession differ. Acknowledging that the methodology in this study is case-based and not a broad survey of all family firms, it is noteworthy to point out that in the case of at least one of the female successors, the succession selection was consistent with previous research. For example, in Case 2 (C-2 URBANSTUDIO, HF; C-2 URBANSTUDIO, KO, C-2 URBANSTUDIO, 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.

4.2.6 Early Family Socialisation

Based on the data, it appears that daughters share in the early family socialisation. 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 characterised 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 (C-1-CAPMAN, S; C-2 URBANSTUDIO, S; C-2 URBANSTUDIO,KO); C-5 COOLWAY, S; C-6-TANKIT, S). One key observer recalls children at a very young age engaged in a 'business game:

> "So and this is another thing I still have, that is just a riot to look at. So there was one day they were a little restless or whatever and he said, 'Okay you guys. I've got a client for you.'… And so he made up a client whose name was Mr. Moneybags. .. So Mr. Moneybags gave them all of the parameters that he wanted for his home, that was going to be built. And I think we were driving in northern California at that time. And so the kids, a five year old and a three year old, sitting in the back of a van, they were drawing pictures of Mr. Moneybag's house. They were designing it for him. So that part of the business has been there for a long time." (C-2 URBANSTUDIO, KO).

One founder recalled business discussions at dinner- The founder (father) would initiate a discussion at the dinner table:

> "They still talk about it as they can't believe that it happened at dinner every night. At least a couple of nights a week I would say, "Okay, tell me three good things that happened today". I don't know if you have had crappy days but when you have had a crappy day or whatever, I would particularly this when I saw one of them looking a little down." (C-1 CAPMEN,F)

Modelling that behaviour, the children sometimes initiated the discussion that usually involved conversation about the business day:

> "After a while, they caught on and I would come in and be in a hissy mood and usually my daughter would say to me "Dad, tell me three good things that happened to you today" (C-1 CAPMEN,F).

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 the 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 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 recognises 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. But when the successor is a son, this personality characteristic appears to be manifested as pushing the successor to learn and take risks, and when the successor is his daughter, it is manifested as a sense of protectiveness. This sense of protectiveness limits the ability of tacit knowledge transfer between the father/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, and in turn creates a sense of resentment from the daughter that she is not trusted by her father to make those decisions, resulting in the daughter being perceived by the father as not being ready to make sound business decisions.

4.2.7 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 confidant, sounding board, and occasionally an informal intervener. In one case (C-6 TANKIT, F), the founder recalled that when the relationship between the founder and female (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 (C-6 TANKIT, S; C-6 TANKIT, KO), but would occasionally provide advice or input to the founder about the particular situation.

In another case (C-2 URBANSTUDIO), 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, but that some days later the father-founder would speak to the mother/key observer about the same situation (C-2 URBANSTUDIO, KO). This also occurred in a second female successor family:

> "And they come home totally frustrated. I often have phone calls within five minutes of each other" (C-2 URBANSTUDIO, KO).

In the two cases of male family member succession (C-1 CAPMEN; C-5 COOLWAY), neither founders, successors, nor key observers reported any discussions 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 (C-1 CAPMEN, F; C-1 CAPMEN, S1; C-1 CAPMEN, S2).

4.3 Additional Insights

This section presents results of the data analysis that led to the emergence of issues that were not originally identified in the literature review and research propositions. These additional insights further contribute to the understanding of the relationship between the founder and successor and its impact on knowledge transfer.

4.3.1 Values

Although the focus of this investigation has been tacit knowledge, a related but distinct issue of family and business values emerged from the data analysis. The issue of values first emerged during the interviews in response to probing questions that were asked after comments made about trust. When the transcripts and notes were analysed, the issue of values also emerged as a separate dimension that provides additional insight into the role of values in knowledge transfer in family business.

Two examples of a value being passed from one generation to another are the degree to which the founder recalls protecting "family time" from negative experience in business; and the value-based belief that the successor’s generation should learn the value of money by engaging in work and earning money to pay for nonessentials.

4.3.2 Family time

Given the overlap between the founders' role as a business owner and as a family member, it is reasonable to assume that there would be some crossover between decisions and conversations in business and family contexts. However, founders repeatedly recalled trying to shield the family from business experiences that were not positive. Family successors also reported that, while they may have been aware of times when business was challenging or stressful, they also reported that their parents attempted to shield them from those stresses (C-1-CAPMAN, S1; C-5-COOLWAY, S1).

One founder was explicit about shielding the family from the stresses of the business. He referred to an early mentor of his who advised him that,

"If you are in business and you want your family to be happy with what you are doing, then ... if you have problems, I want you to call me or discuss them. But if you've landed a good job and you got some pleasure out of things, that's what you take home—don't take your problems home." (C-5-COOLWAY, F)

4.3.3 Value of earning money

The value of earning money – the "value of money" – emerged as a recurring theme in the data. Successors reported earning their own money at an early age. This happened sometimes by working for the family firm and sometimes by working outside the family firm. The expectation to earn one's own money was set by the founders and clearly understood by the successors. In one family (C-1 CAPMEN,S1), the successor attributed the expectation to the founder's experience of earning an income at early age as a necessity driven by the absence of family income support for him as a young person. As stated by one family-member successor,

> "I've had a part-time job since I was 12 years old. My Dad came from a less fortunate side of the tracks, so he's had to work very hard to get the things that he wanted in life, which is where a large part of his drive came from. I admire him so much, so he kind of instilled those things in me growing up, because if he had to work for it so should I, and I totally understand that. Growing up, I might not have gotten some of those things, but now I am a little older and can reflect how it has shaped me way differently than many of my peer group."(C-5 COOLWAY, S1)

4.3.4 Gender differences

Interestingly, this expectation that the successor earn an income may be different for male and female successors. Male successors often reported their first understanding that this expectation existed in the founder's response to a situation prompted by the successor's actions. Responses to requests for major (bicycle) purchase requests (C-1-CAPMAN, S1) or breaking family rules (teenager consuming alcohol without permission; C-5-COOLWAY, F, S2) were characterised by the founders' expectation that the successor (son) would take on increased financial responsibility.

In response to the request for a bicycle the male successor recalled:

> "So the reason it all happened was that I had finished school and wanted a new mountain bike and my parents said they didn't have the money and they were not going to buy it for me. So that was the first time l realized I needed to get a job" (C-1 CAPMEN, S1).

Another male successor recalled:

> "I remember being 14 or 15 and we drank some of my father's booze and were not in good shape the next morning. Dad woke me up and told me to get dressed because I was going to work with him – that was my first day working in the company" (C-5 COOLWAY, S2)

Female successors did not report such events or express awareness of this expectation.

4.3.5 The founder's personality

The issue of the effect of the founder's personality on the knowledge transfer process emerged as a factor in the data. Contrasting two family firms shows a very different approach to succession and knowledge transfer. The analysis of the interview transcripts showed a contrast between the two founders and their approach to knowledge transfer. In one firm (C-1 CAPMEN, HF; C-1 CAPMEN, F), the founder had provided the leadership (among the founding partners) in marketing and sales. His personality could be characterised as outgoing, engaging, and even gregarious. In this situation, the founder articulated a clear process of knowledge transfer, even defining the process in terms of "curriculum." In this family, the founder followed a process of reflecting on his own experience, articulating (verbally and in writing) his learning, and translating that understanding into a series of learning objectives. In a deliberative process, he designed experiences for the successor. Only when the successor had successfully completed the learning experiences would the founder progress to the next step in knowledge building:

> "We moved on to the next bit of learning after they could show that they had used and learned from the ones we had already gone over" (C-1 CAPMEN, F)

In this firm, some tacit knowledge was made explicit through the process of the founder reflecting on his experience and developing a "curriculum" to use in instructing or guiding the family-member successors.

In another firm (C-5 COOLWAY, F), the founder took the approach of enabling the successors to learn through experience. The founder's personality was less outgoing, more reserved than the founder in C-1-CAPMAN, but confident. In this family, the founder played the role of coach and supporter. The knowledge transfer process was characterised by the successor accompanying the founder in carrying out business activities and, at times that were not pre-determined, the successor assumed an increasingly participative role, depending on the comfort level of the founder and the successor. The founder in this family was prepared to allow the successor to fail, and indeed the business almost failed at one point. At the point of near failure, the founder returned to a more active role in the business until the failure threat had subsided. It is significant to note that this return was to a support (sales) role, and the successor retained his leadership role.

4.3.6 Dynamic of tacit knowledge transfer—driven by the successor

An unanticipated issue emerged from the discussion of Proposition 3b regarding the nature and degree of the trust relationship to tacit knowledge transfer. One successor described the successor's key role played in knowledge transfer as challenging ideas and the founder's actions: "Unless you as a successor say, 'but I don't get this' – challenge them on those things" (C-1-CAPMAN, S1), the founder assumes that the successor understands why certain decisions were made. The successor's assessment was:

> "Unless you as a successor says "but I don't get this, why" challenge them on those things because there are a lot of people as you say "the power struggle" between father and son or founder and successor, your passive and you tend to be that you don't want to look like you don't understand or you have a passive personality. My father is lucky, or maybe he would say unlucky, that I don't have a passive personality in that regard. But I do, I challenge him, and he gets frustrated because he sometimes thinks it is a no brainer decision. I explain to him that he has had to convince the people he does business with or his partners over and over, over the years, now he has to convince me why" (C-1 CAPMEN-S1)

In this situation, the successor initiates the process of converting tacit knowledge to an explicit state, where it can be transferred from the founder to the successor.

4.3.7 The value of experience from another context

This section explores the value of a successor gaining experience in another context that then is used to benefit the family firm after the identified successor joins the family firm.

This experience embeds knowledge in the successor that may not be held in the firm. In one family firm (C-1 CAPMEN, HF; C-1 CAPMEN, S1), the successors had business careers and education outside the family firm. When they were identified as the likely successors, they joined the family firm in a capacity that took advantage of their past skill and education. Clearly, in this case the founder recognised the value of the knowledge and experience that the successors had acquired prior to joining the family business. In a second case (C-5 COOLWAY, HF; C-5 COOLWAY, S2), one of the identified family successors joined the firm with advanced business education and was quickly put in a position where he could capitalise on his education in contributing to the firm's success. In one case (C-2 URBANSTUDIO, HF; C-2 URBANSTUDIO, KO; C-2 URBANSTUDIO, S1), a female successor brought professional education to the firm, allowing her to take a more senior role in the firm (although she had limited business experience). In another case (C-6-TANKIT), the female successor returned to the family firm after completing one post-secondary credential relevant to business and most of a non-related credential. The founder did not acknowledge the impact of that education, except to note that the successor was ready to 'take on more" (C-6 TANKIT, F). However, the successor did acknowledge, in response to probing, that the education provided skills that prepared her for additional business responsibility (C-6-TANKIT, S).

Non-family successions did not seem to capitalise on the prior knowledge and education of the successors in the same way. While there is evidence that non-family successors used prior knowledge and education in their roles as firm successors, the process did not appear to be as deliberative as with family successors.

This may be connected to the founder's view of the knowledge that the non-family successors bring to the firm, or related to the degree of relationship trust that is present when the successor joins the firm, and that may not yet be fully developed in the non-family successor-founder relationship.

Value in a successor gaining experience in another context, that then is used to generate new business or a new business stream

The experience in one family firm (C-5 COOLWAY, S1) raises an interesting question regarding the use of tacit knowledge. In this case, the successor/family member had worked in the firm during summer vacations as a student and was very aware of the business as a teenager and young boy. He regularly spent time at the place of business, accompanied his father to client and site visits, and was very aware that the family's social network and business network were intertwined.

After his education, he began his career with another firm before returning to the family firm. The knowledge he brought with him on his return included his education (related to the family business) and his experience working for another firm in the region (same industry). However, when he returned to the family business, he did not directly use that explicit knowledge in his work. Instead, he developed an entirely new stream of business (and revenue). While this stream was related to the existing business services and products, it was distinct and relied on longer term relationships with the firm's clientele. This was not a planned expansion, but appeared to emerge from external experience and commitment to playing a role in the family business. When a successor had been educated and worked externally and returned to the family business, he identified a potential new stream of business and indicated:

> "I'll start doing that" and started that for about six months and it worked out pretty good. So when I started back at university for that year I said 'these

> customers are going to need a little maintenance, so why don't I come in part time and I'll look after them", which I did, but I didn't do very well at school…so I did the first year and realized that this four year degree was going to take me at least five and this new business stream stuff was going alright and so somehow, and I'm not even sure if we had a discussion, I just showed up to work when school was over and started working again like I never left" (C-3 BURCO, S1)

The value of client relationships and community involvement had been identified by the firm founder, and according to all who were interviewed, was a key to the firm's enduring success. The knowledge transfer of the value of developing long-term client relationships was part of the tacit knowledge passed on from the founder, which the family-member successor appeared to maximize. The knowledge gained from his education (technical) and external industry experience (sales) was used to successfully create a new business stream selling services.

5 CHAPTER 5 DISCUSSION OF RESULTS

5.1 Introduction

The objective of this chapter is to compare and contrast the results of this research with previous research as outlined in the literature review. The issue of whether the family business succession process differs from non-family business succession and the timing of the family member's succession process is discussed in section 5.2. Propositions about knowledge transfer and specifically about the nature of tacit and explicit knowledge transfer between the founder and successor are discussed in section 5.3. The impact of the degree and nature of trust between the founder and successor is considered in section 5.4 along with the issue of whether the level of perceived trust differs depending on the length of the relationship between the firm founder and successor. The proposition that the successor's gender impacts the tacit knowledge transfer process is reviewed in section 5.5. Section 5.6 discusses issues that emerged from the data analysis that were not anticipated through the literature review and development of the research propositions. Section 5.7 notes the research contribution to theory and section 5.8 outlines the research contribution to practice. The study's limitations are outlined in section 5.9 and the chapter concludes with section 5.10, directions for future research.

5.2 Discussion and linking to theory

The overarching research problem that the study set out to investigate was: Do the experiences of the family-member successor and the non-family-member successor differ in the tacit knowledge transfer process in family business succession and if so, in what way?

Through the process of further literature review and study, the research questions were formulated to inform the research problem and guide the investigation. The study's findings were analysed and are discussed in the context of family business succession and knowledge transfer theory to investigate the issue of tacit knowledge transfer in family business succession, drawing on the literature review from Chapter 2.

The interpretation of the results and links to prior theory will be addressed in the context of the research question as follows:

5.2.1 Family-Non-family member

The family business succession process differs depending whether successor is a family member or a non-family member. The role of the founder is impacted by whether the successor is a family member or a non-family member in generational family business succession

Proposition 1 explored the experience of the successor in family business and the differences in the experiences between family and non-family successors. The researcher proposes that the factor of whether the successor is a family or non-family member impacts the role of the founder in generational family business succession. This proposition is founded on the theory that family business succession is a process (Pieper & Klein 2007) that is either defined by role changes (Handler 1990) or from a life-cycle perspective (Churchill & Hatten 1987). This is further supported by the resource-based view of the family firm (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Habbershon & Williams 1999) as discussed in Chapter 2. The resource-based view of the family firm sees the family as a resource contributing to the success of the firm as the family involvement in the firm is a unique collection of resources not available to the non-family firm (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Chua, Chrisman & Steier 2003). By pointing to the focus or intent of the family firm being beyond solely wealth creation that is the typical dominant focus or intent of the non-family firm this theory implies that the experiences of family and non-family successors could differ, supporting the assumption in this proposition (Pearson & Carr 2011).

The knowledge based-view of the firm discussed in Chapter 2 suggests that early or indirect involvement by the family member successor serves to develop deep levels of firm-specific tacit knowledge (Chirico & Salvato 2008). The results support this view as family successors consistently reported learning about processes, values and the nature of the firm at an early age, often through indirect involvement in the firm. This study extends the knowledge based-view of the firm by recognizing that while the family member successors did benefit from firm-specific tacit knowledge tacit knowledge, the firm specific knowledge was embedded in the values, beliefs and relationships in the family. The knowledge based view implies that the family held tacit knowledge is firm specific but does not contemplate that the source of that knowledge is embedded in the family, not simply firm knowledge held in the family.

These findings therefore expand the insights of Lee and Goa (2003) and Polanyi (1966) (Interestingly, the data analysis did not reveal to what degree the transfer process of this 'deep' tacit knowledge continued as the successor gained control of the firm and what connection there with the early tacit knowledge transfer and the continued involvement of the founder, and whether this degree of tacit knowledge transfer continued or was a determinant in the continued involvement of the founder. From the results of the study in businesses where the successor was a family member, the founder played a continuing role as a mentor or advisor. Whether the founder had continuing financial interest in the business was also a factor– the founders in businesses with family member successors consistently acted as mentors or advisors, but when the founder had continuing financial interest this role was augmented by final approval or overseer role. The degree of 'deep' tacit knowledge transfer in this time of continued founder involvement raises a number of questions about the process of sharing that knowledge as does any connection between tacit knowledge transfer at this time and any relationship to the founder's continued financial involvement.

These findings should be tempered by the understanding that in this study when the successor was a non-family member, the founder exited the firm parallel to their decreasing financial interest. In these cases the founder and non-family member successor has little continuing relationship or involvement. Although in one firm the founder and non-family member successor described their relationship as 'friendship' and 'mentoring', this is likely connected to the fact that the successor retained the firm name after assuming control of the firm. This analysis supports the model presented by the results in Chapter 4.

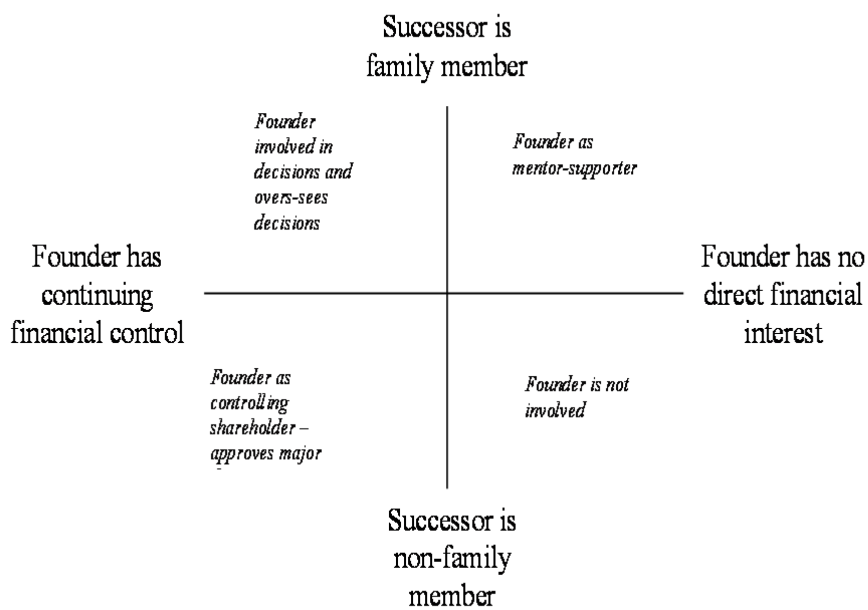


Figure 5. 1 Founder's role, financial control and relationships with successors (review of Figure 4.1)

The family connection is a key factor in determining the nature of the relationship between the founder and successor. Consistent with Handler's (1990) view of family business succession as a process and Churchill and Hatton's (1987) life-cycle perspectives, the role of the founder changes through the succession process. The results expand the current conceptual frameworks by indicating that the family relationships and history played a role in determining degree of the founders' continued involvement in firms with family member successors. Handler (1990)drew a parallel between family firm founders changing role in the firm and the family member successor. As the founder's role changed or lessened in the firm, the family member successor's role adjusted accordingly. The two roles mutually adjusted. Her study included 32 family member founders and successors and while the findings in this study supports her findings there did not appear to be a marked difference in this process in firms where the successor was a family or a non-family member. This study extends Handler's theoretical contribution to generalize this particular finding from family firm succession to next generation succession in general.

New insights emerge from specific cases in this study. The fact that some dimension of this 'familiness' connection was evident in one firm with a non-family successor is more likely attributable to the successor continuing the business operation with the original family name. In this case, both the founder and successor reported a continuing friendship-mentor relationship, but there was no evidence that the founder-mentor had continued involvement or communication with the firm and the successor, leading this researcher to conclude that founders in firms with family successors had a distinctly different role than their counterparts in firms where the successor was a non-family member.

The link between the degree of involvement and degree of continued financial interest is clear and furthermore the degree of continued founder involvement differs depending on whether the successor is a family member or not. What remains unclear from this analysis is the degree to which each the two factors– family successor and continued financial involvement are influence or impact the degree and nature of over-all successor continued involvement.

The results also provide some support for Nonaka's (1991) observation that Japanese firms capitalize on tacit knowledge. Nonaka and Takeuchi's (1995) SECI model of knowledge transfer in firms likely has some application in this context of continued founder involvement. Nonaka and Takeuchi's (1995) model was developed after examining knowledge processes in relatively stable Japanese firms. While this study's findings support the model, it is not a blanket support. When the founder continues to be involved there appeared to be a continual transfer of tacit-tacit knowledge as well as explicit-explicit knowledge that the successor combined with existing available knowledge and internalized within themselves or within the firm. However, in the cases where the founder exited the firm soon after the commencement of the succession process or where there was a quicker succession process the increased role of explicit to explicit knowledge transfer (although not the only form of knowledge transfer) suggests that Nonaka and Takeuchi's model while valid, may be limited in its application to situations where the main tacit knowledge holder has a defined exit timeframe. This is not to say the model does not explain ongoing knowledge conversion, but extends understanding of the model's applicability by pointing to its contextual limitation.

Follow up interviews with more focus on the knowledge transfer process after the successor has taken control of the firm and when the founder has continued involvement would generate richer data for analysis that could provide more insight on the application of the SECI model.

5.2.2 Stage of business succession

The family business succession process begins at an earlier stage when the successor is a family member than when the successor is a non-family member.

Researchers have consistently described the family business succession process as one that takes place over a number of years, even if there is a 'formal' or defined point at which the successor assumes control of the firm (Fiegener et al. 1994; Sharma et al. 2001) as well as the issue of transfer between stages (Gersick et al. 1999).

A review of the findings reported in table 4.1 confirms that the succession process begins at an earlier stage with family member successors than with non-family member successors. Consistently family member successors (as well as founders and key observers) reported that the family member successor had been typically exposed to the firm in childhood. This was not the case in non-family member successor firms.

The findings add further nuances to knowledge about family succession. The caveat here is that for the family member successors the formal succession process did not start in childhood, but the succession process in terms of socialisation occurred in the family context, in the cross-over space between the family and the family business. In fact, there was often a period during the successors young adulthood when they would seek employment elsewhere. It was clear though that on the return to the family business, the succession process was planned or contemplated. Through the lens of Garcia-Alverez, Lopez-Sintas and Gonzalvo’s (2002) socialisation model, the family socialisation process began with family socialisation when the successor was a child and was parallel to early business socialisation when the future successor worked in the firm, but the formal succession business process did not begin until the future successor had returned to the family business and was identified as the likely or defined successor. This study challenges the assumption that the two phases of succession are distinct and sequential. While the family and business socialisation stages are distinct in nature with the family socialisation focused on values and beliefs the contention that business socialisation begins when the founder identifies the child as successor is **not supported** by this study. This study contributes to our understanding of the model proposed by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) by clarifying that early socialisation goes beyond embedding family values and beliefs and can include business specific knowledge specific to business relationships and processes.

Proposition 1 –The family business succession process differs depending whether the successor is a family or a non-family member. This proposition is **supported** by the study’s findings that show that the role of the founder and successor and the point of the start of the succession process differ whether the successor is a family member (starts early in the family in family socialisation) or a non-family member (starts when the successor enters the family business).

5.2.3 Tacit Knowledge Transfer

In family business succession, there are differences in the process of tacit knowledge transfer to successors depending on whether the successor is or is not a family member. The knowledge transfer process begins earlier when the firm is being transferred to a family successor than when it is being transferred to a non-family member.

Tacit knowledge is a key resource for the family firm. The literature points out that tacit knowledge is often held by the owner and other key individuals and has significance for the development and maintenance of a firm's competitive advantage and is more important to the family firm than to non-family firms. (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Dyer 2003; Osterloh & Frey 2000).

Further, we understand that tacit knowledge embedded in the founder is a strategic asset and is more effectively transferred than in a non-family firm (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001). The question raised by this researcher is centred on how this transfer process differs depending on whether the successor is a family or non-family member and implicitly is the early knowledge transfer process

The results of this study support that there is a difference in the tacit knowledge transfer process between family and non-family successors and this expands the arguments advanced by Polanyi (1966) in terms of tacit knowledge and the arguments of Li and Goa (2003) in their critique of Nonaka and Takeuchi's (1995) model where they conclude that tacit knowledge in organizations should be explored in the context of the organization. In the cases studied, tacit knowledge transfer between the founder and successor began long before the successor entered the family firm or was identified as the successor. Embedded in the 'familiness' of the family firm, this knowledge transfer typically began in the family context when the successor was a child (as young as pre-school, but often through the elementary and middle age years). This contributes to our understanding that the family business socialisation process in embedded in the family and that the values and beliefs that drive the family business are indistinguishable from those in the family and that is where the next generation successor is first exposed to and internalises those beliefs and values.

5.2.4 Knowledge Transfer from Founder to Successor

The process of knowledge transfer from founder to successor is characterised by more tacit-tacit transfer and less tacit-explicit transfer when the successor is a family member than when the successor is a non-family member.

The results also indicate that the knowledge transfer process involving the family member successor is unstructured and informal and to a large degree tacit in nature. This is clearly contextual as this process begins when the successor is a young child and is embedded in the family dynamics, structure and interactions. In the case studies, when the successor is a non-family member, this process begins either when the successor enters the firm or is identified as the successor. The context appears as more deliberative, explicit and more highly structured compared to the family successor process.

The difference in the knowledge transfer process is represented in figure 5.1. This mode illustrates that tacit knowledge transfer in family firms is more complex than anticipated by Li and Goa (2003) as well as Polanyi's (1966) models.

Family members KT

Unstructured – informal

Explicit KT

structured –formal

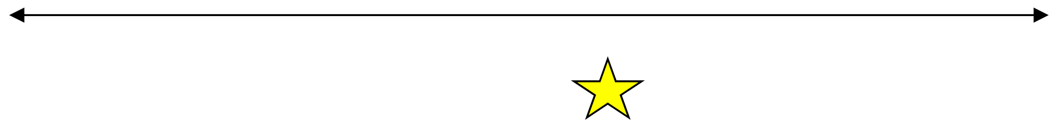


Figure 5.1 Knowledge transfer process

In this new model, non-family members' knowledge transfer process begins toward the right side of the continuum in the firm context and is typically more explicit, structured and formal. In the case of family member successors, the knowledge transfer process begins in the family context and is typically more informal, unstructured, and tacit. This finding challenges the application of Nonaka and Takeuchi's (1995) spiral model to the family firm context and points to the model's limitation. While the model may be applicable to stable organisational situations, the generational succession is by definition unstable (change in leadership and control) and knowledge transfer may not neatly follow the knowledge creation spiral. This study contributes to our understanding of the extent to which their model can be applied in family business succession.

5.2.5 Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) Stages

The tacit knowledge transfer process follows the two-staged pattern proposed by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) when the business is transferred to a family member compared to when the business is transferred to a non-family member

This distinction between the family and business socialisation is supported by Santiago's (2000) study that examined family business transfers in the Philippines. The study found that even families that did not specifically plan for business succession exposed their children to the family business at young ages, assuming that succession was an eventuality.

Garcia Alvarez Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) suggested that there are two stages in family business socialisation. In this model, they suggest that socialisation stages are in essence contextual. Family socialisation occurs before the family member is involved in the business and relates more to family values relationships and culture than to business or business practice. The second stage, according to Garcia Alvarez Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002), is business socialisation and begins when the family member joins the business. At this point the family member becomes socialized in the culture, practices, and values embedded in the family business. In their model, the authors suggest that knowledge transfer between the founder and successor happens at both the family and business socialisation stages. The current study not only confirms Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) model, but also adds new perspectives as it suggests that stories or recalling past incidences serve as vehicles for tacit-tacit exists knowledge transfer. The cases confirmed that this method of tacit-tacit transfer was evident in both family and non-family firms, but the timing of tacit-tacit transfer differed between family and non-family firms.

Consistent with Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) socialisation model preparation for family business succession, the study's data confirms that in the case of family member successors, knowledge transfer begins in the family socialisation stage where the future successor learns about the family business, the relationships and the values that the founder brings to the business. The findings of this research are consistent with Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) model as families passed on their values, norms and behaviours to the next generation. Assuming the validity of this model, there is an obvious difference in the process of knowledge transfer between family and non-family successions. The current research adds new perspectives as it suggests that the succession process begins at an early age when the successor is a family member -- that is Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) model the family member succession-socialisation process begins in the family, prior to the individual being identified as the successor.

However, in the case studies, there is a clear history of tacit knowledge transfer that pre-dates the successor's entry into the business and is embedded in the family context. This finding challenges Garcia-Alverez, Lopez-Sintas and Gonzalvo 's (2002) assumption that business knowledge transfer begins with entry into the business and provides an alternative explanation of the difference in tacit knowledge transfer between family and non-family successor experiences. In fact, in family firms generally, the phases do not seem as distinct in the cases in this study. Although the 'familiness' of the firm – the values and norms referred to earlier seemed to pre-date the successor's formal entry into the firm, the transfer of firm specific business knowledge begins prior to the successor being formally identified as such, again challenging the distinct phases described by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002). It is unclear whether there is a point where the successor begins the business-specific knowledge transfer before the successor has been openly identified as the successor. It is reasonable to assume, given what we know about entrepreneurial personalities (adaptive, anticipatory), that the founder's engagement in the business-specific knowledge transfer process commences when the successor views or assumes that their child will be the successor rather than when that is openly acknowledged, although our data does not lead to that as a conclusion.

This finding extends this model in showing that the stages are not as distinct as the model suggests and extends our understanding of the family and business socialisation processes by demonstrating that they are inter-connected and parallel rather than sequential.

Neither this researcher nor previous research anticipated the nature and length of the socialisation process that emerged from the interviews. The degree to which tacit knowledge related to the business was transferred in the family context when the family member successor was a child and before they entered the business, was underestimated. The values, principles, and practices that are held as tacit knowledge clearly are embedded in the family and are part of a shared tacit knowledge at a young age. Since non-family members typically enter the firm as adults, the process of tacit knowledge transfer takes place after the member joins the family firm as an adult (although sometimes before the non-family member is identified as the successor).

The data from the non-family firms suggest that the 'family' knowledge embedded in values and beliefs has a stronger role if the founder remains involved in the business. In the situations where the founder exited the business soon after or during succession there seemed to be a more concentrated period of tacit knowledge transfer and the examples cited by founders, successors and key observers consistently focused on business specific knowledge as distinct from family values and norms. Future research can investigate the suggestion that in firms where there is a non-family successor there is more likely to be a change in business direction or focus after the succession. The latter may be connected to the observation by earlier researchers that family businesses are concerned with more than wealth creation by also being concerned about family involvement, legacy and other non-wealth production benefits to the family.

The research indicated that there is support for the existence of a two-staged process, but the stages maybe different than described by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002). A new perspective is that business relevant socialisation happens before the successor enters the business – and continues after the entry – so the family socialisation process is not exclusively values and family beliefs, but business related content. The processes may overlap or happen concurrently, not in a linear, sequential pattern.

5.2.6 Nonaka and Takeuchi's Knowledge Spiral

When the successor in family business succession is a non-family member, the transition adheres to the spiral model proposed by Nonaka and Takeuchi (1995)

Section 2.81 postulates that the transfers of tacit and explicit knowledge in family business succession follows that described by Nonaka and Takeuchi (1995)in the socialisation, externalization, internalization, and combination, the spiral of knowledge development in organisations. According to Nonaka and Takeuchi (1995), a first exchange of knowledge is that which is exchanged in nonverbal communication and is characterised by tacit to tacit knowledge. This is followed, in the organisational context, via conversion of that tacit knowledge into explicit knowledge -- that which is spoken or articulated.

Nonaka and Takeuchi's (1995) internalization stage says knowledge must be embodied in practice or action. In an organisational context, this dimension often relies on training programs or other concrete manifestations of embodying the explicit knowledge into the practices of the organisation. The combination stage, according to Nonaka and Takeuchi (1995), involves the conversion of this explicit knowledge into more complex sets of explicit knowledge that is diffused through the organisation. In the context of family business succession, it is reasonable to draw a parallel in the family business when the successor externalizes the explicit knowledge [that was first evident as tacit knowledge] and then articulates that knowledge in explicit, conscious manner and finally adapts that knowledge into explicit business practice, paralleling Nonaka and Takeuchi's combination stage. In Nonaka and Takeuchi's (1995) "curriculum" he developed a business model involving time, talent, and capital. Interestingly, in a separate interview a family business successor used the same language to describe the function of an organisation seeking to make a profit.

In this research, applying Nonaka and Takeuchi's (1995) SECI model, the knowledge transfer process follows the path of externalization where the founder's tacit knowledge is converted to explicit knowledge; followed by internalization, where the successor applies that knowledge, learning by doing. One can assume that the process continues to the combination stage where the successor converts that knowledge into more complex forms of explicit knowledge and that knowledge is diffused through the organisation (or at least through the successor's sphere of influence and control). While the data implies that one can assume that this conversion takes place, there is no direct evidence supporting this.

However in some cases in this research, the knowledge transfer process in the family firm is substantially different. It appears that Nonaka and Takeuchi's (1995) socialisation stage, where knowledge is transferred tacit-tacit better characterizes the process. When the founder taught by example and as the frequency of the successor accompanying the founder at business meetings increased, the successor assumed an increasing role. Both the founder and successor described this process as paralleling the comfort level of both the founder and successor that the successor had learned enough (through experience and observation) to assume a larger role in conducting the business. Nonaka and Takeuchi's model, while still applicable to family firm succession our understanding of the model is expanded by this research. When a family firm is undergoing generational succession the nature of the knowledge transfer or development may well sit for a longer period of time in the socialisation stage characterised by tacit-tacit transfer and not follow the spiral, at least for a period of time during the succession process. There is nothing to suggest however that the nature of the family firm excludes it from this model, but rather at the point of succession the knowledge spiral may not follow the same progression.

There is evidence to support the application of Nonaka and Takeuchi's (1995) spiral in family firms. In the case of one family successor, the successor recalls listing to his father at business breakfasts and providing commentary and answering questions from the son after the meeting. This process of making tacit knowledge explicit positioned the knowledge in a way that was explicitly available to the successor. Probing questions revealed that the son had internalized this knowledge and was described as values and principles, clearly in the form of tacit knowledge.

Proposition 2 – In family business succession there are differences in the process of knowledge transfer to successors depending on whether the successor is or is not a family member. This proposition is **supported** by the findings. The process differs in that the process of knowledge transfer between family members is more explicit than between non-family members, although both explicit and tacit knowledge transfer occurs in both family and non-family successors.

5.2.7 Trust Between Founder and Successor

The degree of trust between the founder and the successor impacts the tacit knowledge transfer process in family business succession. The level of perceived trust and degree of closeness of the relationship between the sender and receiver of tacit knowledge differs depending on the length of the relationship between the two individuals.

The literature identifies trust as a competitive advantage in family business (Davis & Harverston 1998) 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 (Brockhaus 2004). In their review of 40 books and articles Lebreton-Miller, Miller, and Steier (2004) referred to trust as one of the common variables in the research.

The new perspectives from this research implies that the sense of trust was reported present in all successions, but that 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 more related to the stage of the business transfer and the development of business competence and knowledge key to successful transition from the founder to the successor.

This does not challenge Brockhaus (2004) articulating the role of trust being related to the degree to which the successor gained an understanding of the culture of the firm, but it could be assumed that this trust described by Brockhaus (2004) might serve as a pre-cursor, foundation or even pre-requisite to effective business specific knowledge transfer. It raises the question of whether successful business knowledge transfer is dependent on a degree of trust and secondarily whether knowledge transfer characterised by the family culture and intricacies builds a shared understanding and base of values that is the foundation of the degree of trust necessary for optimum business related knowledge transfer. The necessary presence of trust in permitting the founder to relinquish control of the firm (as indicated by Handler (1994), Cadieux, Lorraine and Hugron (2002), and Cadieux (2007)) lends support to this role of family knowledge transfer (norms, values) as a pre-cursor to business knowledge transfer.

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 member 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. The degree to which the successor relinquished control or decision-making was determined by the degree to which the founder deemed the successor to be ‘trustworthy”. This distinction is consistent with that articulated by Dyer (2012). Two of his ‘types’ of trust in the dynamics of the family firm are interpersonal (arguably relationship) and competence trust. These findings of a differentiation between family or relationship trust and trustworthiness, or competence trust, suggest that the family or relationship trust is embedded in the family relationships while trustworthiness, or competence trust is developed through the business experience of the successor. The finding that there is a distinction between relationship trust and business trustworthiness and that relationship trust is embedded in the family while business trustworthiness (competence trust) is developed through experience in the business expands our understanding of the nature of trust in family business succession and extends the contributions of Handler (1994) (2007) . Interestingly our conclusions are consistent with Dyer's (2012) recent conclusions and provide support for his contributions.

It is clear that the degree of trust between the founder and successor impacts the knowledge transfer process. There was little evidence in this study to make definitive conclusions how the degree and closeness of the relationship between the sender (founder) and receiver (successor) impacts tacit knowledge transfer and the role or impact of the length of the relationship between the two plays. However, the data analysis gives one some hints that suggest that while there may be more trust between the founder and the family member successor (embedded in the shared values, norms and beliefs), the development of trust between the founder and the non-family member successor is a necessary pre-requisite to tacit knowledge transfer. Although there are some assumptions inherent in these statements, they are consistent with the nature of tacit knowledge transfer described by Nonaka (1994), giving some credence that these statements (and the underlying assumptions) are reasonable.

5.2.8 Trust and Tacit Knowledge Transfer

The degree and nature of trust between the founder and successor of family business affect the tacit knowledge transfer process.

Exploring the assumptions about the role of trust in knowledge transfer further this research suggests that it appears that there may be a minimum degree of trust that is a necessary condition 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. The summary of findings in Table 4.3 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. In each case there was evidence of tacit knowledge transfer from the founder to the successor (with both family and non-family successors). This is again consistent with Nonaka's (1994) finding that trust is a necessary condition for tacit knowledge transfer. This research now points out that 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 successors 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 and the experience is gained through increasingly more significant decision making in terms of the decision outcome's impact on business success.

All of the successors in this study were either born or raised in the same geographic region, although the founders were a mix of those with origins in the region and those who immigrated to the region as young men. The analysis did not produce significant data about any cross-cultural variations (even though the founders came from a variety of ethnic backgrounds). This data void precludes any meaningful testing or examination of how the cultural differences impact knowledge transfer in succession. It is important to note that the data does not suggest that there are no differences. Any comparison with the findings by Perrricone, Earl and Taplin (2001) who found differences in a Latin ethnic community and Santiago (2000) in a Filipino family business would lack validity.

Although it is 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 impact of that difference on the succession remains unclear.

Proposition 3 – The degree of trust between the founder and the successor impacts the tacit knowledge transfer process in family business succession. This proposition is **supported** by the findings. Trust is a key in the tacit knowledge transfer process and the degree and nature of trust is different in family member business succession than in non-family successor business succession.

5.2.9 Gender Differences in Tacit Knowledge Transfer

The successor's gender impacts the tacit knowledge transfer process in family business succession and the experiences of male and female successors in acquiring business knowledge in the family business succession process differs.

Dumas (1990) says it is usually assumed that sons will succeed in the business leadership position and daughters typically only are identified as successors when there are situation generated by a crisis 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. This pattern is consistent with prior research that found that daughters were not often seen as the apparent successors (Dumas et al. 1995).

Considering that there has been relatively little research in female successors in family businesses, it is not surprising that the results of this study are not always aligned with prior research findings. The small sample in this case study (only one female in each category of family/non-family in two sectors) limits the ability to make definitive statements, but the data does suggest some possibilities. Vera and Dean (2005) suggest that women are likely to be more transformational and in two of the cases (C-6 TANKIT- Tankit; C-2 URBANSTUDIO-) the female successors were responsible for a dramatic improvement in the business or in identifying a new focus or client group for the business. Both of these cases were female successors which suggest a new finding –that female successors are more likely to be transformational in their leadership in the succession context than male successors. The limited number of cases precludes a drawing a definitive conclusion related to contributing to theory, but the findings do support Vera and Dean's (2005) work.

Trust is a precondition for knowledge transfer in family business between the founder and successor and this was consistent with male and female successors. In this study all founders were male and in family firms all founders identified trust as a requirement or given in succession. Both male and female successors had similar views about trust being a key to succession (and knowledge transfer). However, female family members (daughters) had a different view of the level of trust than did the male successors (sons). This view centred on the female successor's perception that the founder did not trust or believe that they were competent to assume leadership. While this study does not directly use FIRO (Fundamental Interpersonal Relationship Orientation) theory in the analysis used by Haberman and Danes (2007), comments from the female successors in this firm imply similar findings – which the father-daughter business succession differed on the inclusion dimension of the theory. The inclusion dimension subcategories of connectedness and shared meaning clearly have implications for the nature of the trust. In the father-daughter relationships in this study daughters' (female successors) reports of the relationship was typified by assertions that the fathers consistently questioned or challenged the daughters' decisions or even the direction that the daughters wanted to take the business. Both female family successors described this as evidence of a lack of trust.

Interestingly, all female successors reported either being left on their own to learn the business or having to seek out information and opportunities to learn from the founder. The female successors appear to have less access to tacit-tacit knowledge transfer and relied more on explicit knowledge transfer and on tacit-explicit transfer.

The data analysis leads to the conclusion that daughters' experiences with succession differ than sons' experience in the nature of the trust in the relationship. The daughters who perceive a lower level of trust from their fathers may be more equipped to venture out beyond their father's judgement of what may be best business decisions and take more risk than trusted sons. Perhaps the daughters are trying to prove their trustworthiness to their fathers or perhaps they are freer to take actions that are not consistent with their father's views because they not constrained by the fear of damaging the level of trust between them and their father. This study contributes to theory building by uncovering a new dimension in the founder-successor relationship with a female successor – the emotive relationship father – daughter dynamic that may impact the succession process. Further studies may be able to shed more light on this issue.

Differences in the socialisation patterns also emerged from the analysis. Consistent with the nature of the father-daughter relationship described by Hollander and Bukowitz (1990) fathers (at least in one case) appeared to view daughters as having limited leadership ability and sheltering the daughter 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. Martin (2001) found that daughters had less access to (among other things) networking opportunities than sons. Acknowledging the limits of analysing two cases of female family successors and two of male family successors, the findings are consistent with Martin's. The male successors seem to be connected to the founder's network faster and earlier than the female successors. The male successors were connected to the founder's network prior to being named the successor (although likely after the assumption of succession was evident). The female family successors were not connected to the founder's network in any significant way until they had been overtly identified as the successor. Clearly the experience of the female and male family successors in the degree and nature of the trust between the founder and successor is different - it is more difficult to conclude that this difference is entirely gender related and not situational as the experience of non-family female successors did not mirror that of female family member successors. This is likely due to the fact that in the non-family female succession, the females had worked as employees in the firm with some leadership responsibility prior to entering the succession process.

Connecting the differences in the experiences of male and female successors in the nature and role of trust and in their business socialisation patterns, the evidence suggests that the succession processes of males and females in family member succession differs. There is less support pointing to substantial differences in the experience of male and female non-family member successors.

Having noted this significant finding, it is important to note that other than the issue of perceived trust, female family members did not have more difficulty in the succession process as did the female successors studied by Vera and Dean (2005). They found that females had to work harder to be seen as the natural successor and to establish their identity as such. The female family successors in this study did not identify challenges in establishing themselves as the successor with others than the founder.

Of the two female family member successors, only one had a male sibling (older). This limits the generalizability of the results. With that caveat, it is interesting that in this case, the female socialisation experience in the family was not significantly different from the son's. In fact, the founder, female successor and key observer all pointed to significant business socialisation in the family context including the daughter spending weekend days at the office with her father 'playing at work' as early as pre-school. It is interesting that the gender differences in socialisation discussed by Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida (2001) and Dumas (1992) did not appear in this case, although the assumption that the older son would be the successor was still very evident. There is no clear evidence to determine if other factors (such as birth order) lead to this assumption.

Proposition 4 –The successor's gender impacts the tacit knowledge transfer process in family business succession. This proposition is **supported** by the evidence that the nature of founder-daughter trust was different that founder-son trust.

5.3 Emergent issues

The data analysis revealed new emergent issues that had not been anticipated in the literature review and propositions. This section provides an overview of these issues.

5.3.1 Values

Prior research discussed the role of values, norms and behaviours in family socialisation. The literature review pointed to the relationship between Berger and Luckmann's (1966) work on the socialisation of the family firm successor and Garcia-Alverez, Lopez-Sintas and Gonzalvo's (2002) study of the socialisation patterns of successors in generational transfer of family business. Both authors described the process in two stages, one related to family socialisation and the second to business socialisation.

What was evident in the data was the degree to which family socialisation cemented the values and principles of the family in the successor generation's business practice. Family successors' reports of maintaining the values of the founder in the business was consistent and was evidenced by the language, metaphors, and examples used by the family successors that remarkably paralleled that of the founders.

5.3.2 Founder's personality

While it appears that the literature to date makes the assumption that the founder's personality aligns with that of the typical entrepreneur (Zellweger, Sieger & Halter 2011), there may be evidence that the founders' personalities have a wider range of variability and that this impacts the knowledge transfer process.

This is illustrated by contrasting two firm founders who were transferring the business to family member successors. In one case the founder is assertive and highly reflective (as evidenced by his current project of reflecting on decades of journals and publishing based on those reflections). In this case the founder is pro-active with preparing the successors to the extent of defining a curriculum and leading 'retreats' to educate the successors. In the second case the founder is less assertive (but confident) and while perhaps equally reflective, not as structured in preparing the family member successor. The preparation-education process seemed to be more intuitive, experiential and less structured.

In these cases the founder's personality played a substantial role in the knowledge transfer and succession process.

5.3.3 Tacit knowledge transfer driven by the successor

In more than one case, knowledge transfer was driven by the successor. The literature review did not find what the data in this study showed in terms of the role of the successor (in both family and non-family successions) in prompting the founder to reveal or describe knowledge that the founder held in the tacit form.

This prompting took the form of the successor asking the founder to explain why he made a particular decision or lead him to a particular action. While it may have been evident to the founder that the knowledge used in making the decision was obvious it was indeed that knowledge that he ‘knew before he knew it’. The tacit knowledge was a part of the founder’s repertoire, but unclear to the successor, leaving the successor to respond by saying “How did you know that?” or “Why did you do that?

5.3.4 Value of gaining experience in another context

While it was not typical, some cases involved family successors gaining experience outside the firm prior to re-entering the firm, leading to successor identification. These experiences became evident in additional skills or even additional business opportunities that ranged from the family member successor returning to the family business after gaining several years management experienced focused on sales and marketing with skills directly related to his role in the family business to a family member successor gaining outside experience that translated into a new business line (that he developed) in the business on his return.

This recognition of external knowledge from outside the firm appears to have provided the successor with increased legitimacy and an enhanced role in the business.

5.3.5 Point of Successor Identification

This study did not explore whether the point in time when the successor was identified impacts knowledge transfer in the succession process. It is clear from the data that knowledge transfer is a process and that the relationship and the nature of the trust between the founder and successor have an impact on the knowledge transfer process, but what is less clear is whether that relationship or the degree and nature of trust changes when the successor is identified. Future research should focus on this dynamic and take into consideration the perceptions or assumptions held for the formal identification of the successor by each of the founder, successor, other family members, and other significant players in the firm about the future role of the successor. Even though the successor may not be identified as such until a particular moment in time, the assumptions held by those involved in the family and firm might impact the degree, nature, and timing of knowledge transfer from the founder to the successor.

5.4 Contribution to theory

The findings of this study provide contributions to theory:

The findings **supported** partially the model proposed by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) in describing phases of family and business socialisation, but provides an alternative to the timeframes for the two types of socialisation by recognising that business socialisation can also occur in the context of the family experience. Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) characterised the process in terms of sequential phases with family socialisation preceding business socialisation. The results of this study challenges that assumption by showing that what Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) labelled business knowledge is, at least in part, embedded in family values, norms and relationships. This study supports the theoretical construct that succession can be framed in socialisation terms (derived from societal socialisation theory), but adds that family and business socialisation while distinct, are not necessarily sequential or triggered by the identification of the family member as the successor.

The significant 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. Prior research has pointed to trust as a contributing factor in successful succession (Anderson, Jack & Dodd 2005; Brockhaus 2004; Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Davis & Harverston 1998) . The results from this study supports prior research but revealed a subtle but important differentiation between trust embedded in the founder – successor relationship and trust based on the founder's perception of the successor's ability or competence to assume responsibility for business related decision-making. This important distinction extends the theoretical framework of trust in family business succession as a general condition or foundation for successful knowledge transfer to the understanding that trust between the founder and successor has more than one dimension. There is some indication that there is an ordering – family embedded trust exists prior to 'trustworthiness' but this results in this study do not conclusively point to family embedded trust being a prerequisite to 'trustworthiness'.

This study extends Nonaka and Takeuchi's (1995) SECI model of knowledge creation to the context of generational knowledge transfer in the family firm. The model of knowledge creation proposed by Nonaka and Takeuchi (1995) and the nature of the knowledge transfer was **supported** in the application of the model to the context of this study and provides further evidence to support the generalisability of the model across a range of organisation types and models.

The examination of gender differences in the experiences of successors in acquiring business knowledge provided an extension to existing theory and prior research. This study supports prior knowledge that female successors are often viewed as having less leadership ability than male successors, however in this study females seem to have experienced more business socialisation than reported in prior studies. The major contribution to theory from this study is that there is evidence that founders (fathers) act is a protective manner with female family successors (daughters) and the insight that this is likely connected to a feeling of protectiveness. The research also reveals that the dynamics between the father and daughter as a result of the protective behaviour is connected to the degree and nature of the trust between the male founder and female successor. The gender difference is consistent with psychological literature but the identification of this trend in the context of family business is a new contribution.

A revised model is presented in Figure 5.2. In this revised model trust has a more central role in family business succession than previous models have acknowledged.

In this revised model trust is categorised in trust based in (family) relationships and business competence trust or 'trustworthiness' based in business experience.

The model acknowledges that Nonaka and Takeuchi's (1995) SECI model is contextualized in the business and has applicability in the succession process, but that the model is insufficient to serve as a comprehensive explanation for knowledge transfer and creation during the succession process. Particularly the high degree of relationship trust embedded in the family serves as a foundation for the development of business competence trust and facilitates more tacit-tacit knowledge transfer, making that form of knowledge transfer and development the dominant mode, at least during the succession process.

The distinction between family and business socialisation in family business succession as articulated by Garcia-Alverez, Lopez-Sintas and Gonzalvo (2002) is also significant in understanding tacit knowledge transfer in family business succession. Both family socialisation and business socialisation are important in preparing the successor for a successful transition. However the two socialisation processes are not sequential, but at times parallel and are both built on the foundation of trust between the founder and successor and embedded in the family.

Whileboth models acknowledged the key role of trust in tacit knowledge transfer,this research extends that understanding by differentiating between the two types of trust (relationship and business competence) and identifying trust as a key component and pre-requisite to succession.

The model also recognises that the relationship between trust and tacit knowledge transfer is a two-way relationship. Tacit knowledge transfer is facilitated by shared mental models, values and understandings which are the basis of trust in the relationship. In this sense trust provides the environment for tacit knowledge transfer and tacit knowledge transfer supports the development of trust.

As the model suggests this study found some value in the application of Nonaka and Takeuchi's (1995) and Garcia-Alverez et. al.'s (2002)models to the study of tacit knowledge transfer in family business succession. Although these models are useful in our understanding, neither fully address the unique role of trust in tacit knowledge transfer in family business succession. The uniqueness of family business trust being both relationship based and competence based places trust at the centre of tacit knowledge transfer in family business succession.

The model also acknowledges that trust is an element of the knowledge spiral and socialisation phases as described by the two approaches, but both Nonaka and Takeuchi (1995) and Garcia-Alverez et. al.'s (2002)models do not place the same degree of importance on trust as does this proposed model.

The research adds to the understanding that there are differences in the experience of female successors in this research. Analysis of the cases in this research shows that the difference in the experiences by females may be connected to the nature of the trust between the male founder and the female successor, and hence impact to tacit knowledge transfer in the succession process. Trust is a key factor in explaining the differences experienced by males and females in family business succession, but it is likely that further study of trust alone will provide a complete explanation. Clearly more research examining parent-child relationships, family dynamics and birth order is likely to be more fruitful.

The revised model includes new insights provided by the research. The role of values in socialisation and trust, the founder's personality as it impacts the succession process, the role of the successor in driving or leading tacit knowledge transfer, the successor's work experience in a context other than the family firm and the role of successor identification on the tacit knowledge transfer process are all factors that are related to the tacit knowledge transfer and specifically to the degree and nature of trust in that process.

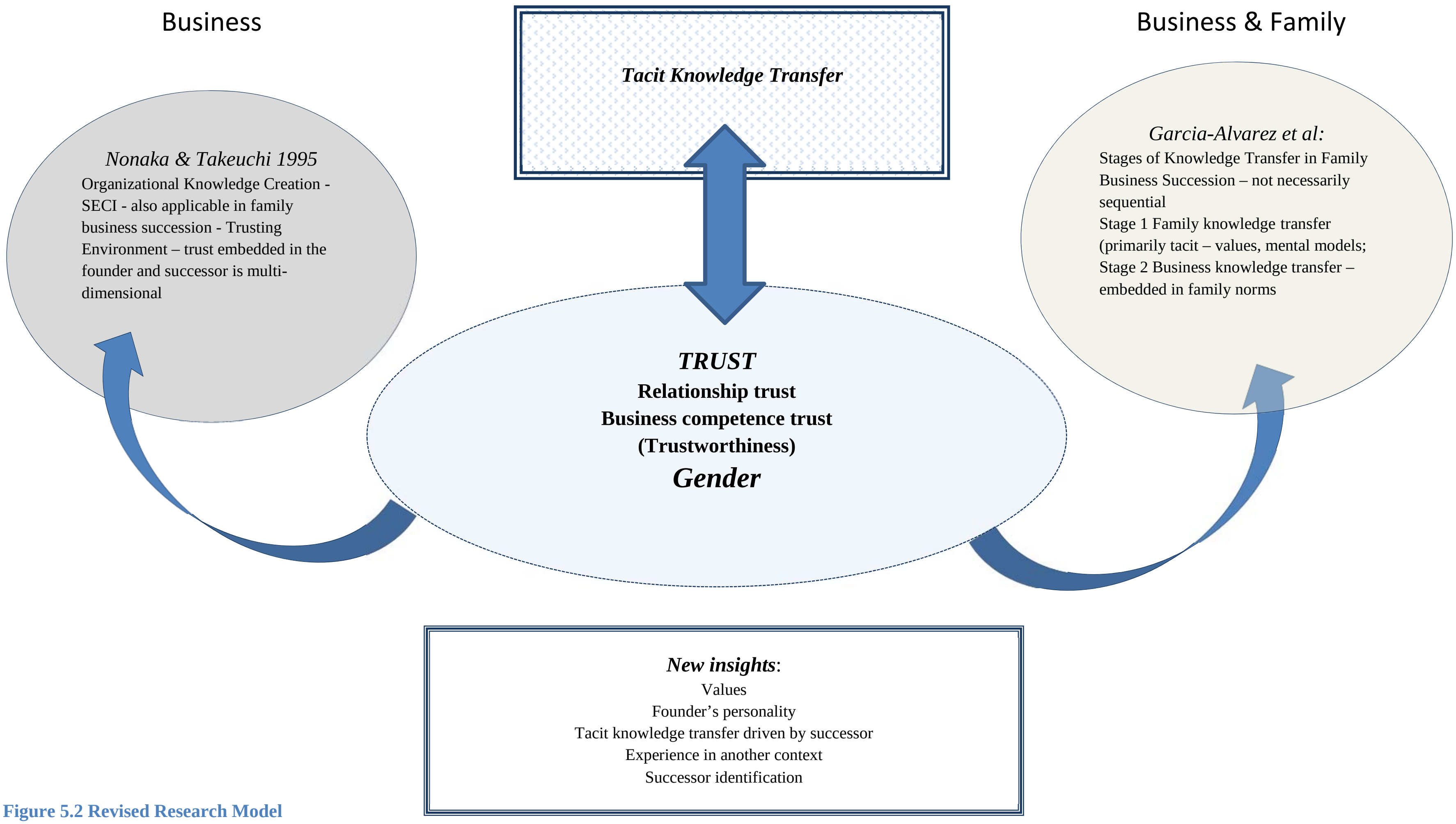


Figure 5.2 Revised Research Model

5.5 Contribution to practice

The findings of this research will be useful to members of family businesses who are interested in understanding more about the dynamics of knowledge transfer in family business. Likewise many of the advisors to family business can assist family firms to understand the nuances of succession and tacit knowledge transfer.

Family firms may be advised to be deliberative about the business socialisation, even if family succession is not contemplated or assured. In one case the partnership agreement between the founding partners precluded family succession. In this case there was still a distinct business socialisation process that spanned the successor's childhood and adulthood even though the son was not being considered for succession. In this case, when the founder approached his partners with a plan to retire, the partner discussion led to a decision that the original agreement did not suit the current life plans of any of the partners which led to the consideration by all partners of family succession. In this situation the family succession process, though not anticipated, benefited from the prior business socialisation.

Parents should be aware that although it may seem apparent that one particular child is suited for succession (by gender, birth order, etc.), they would be wise to include all children in discussions about the business as demonstrated by the cases in this study life circumstances and aspirations change and that may result in the deemed successor choosing another path or a child who was not planning to enter the business emerge as the successor.

Family firms contemplating succession can take from this study the importance of frank communication between the eventual successor and the founder. Given the distinction drawn between relationship and business trust it would be important for the founder and successor to acknowledge the distinction in order to avoid a feeling of mistrust. The founder's reluctance to empower the successor based on his perception that the successor is not ready (does not have yet have the skill or knowledge) is likely founded on the founder’s desire to see the successor succeed or to avert the successor from making a significant mistake. The successor on the other hand may interpret this reluctance as a general (unfounded) mistrust. Open communication about how each sees the succession progression could serve to avert a misunderstanding.

Family firms with female successors can learn from this research that there is evidence of a difference in the experiences of daughters and sons in the succession processes. Specifically, fathers tended to be protective or shielding when the successor was female compared to fathers with male successors. Being aware of this, founders are in the position of being able to change or compensate for their protective inclinations.

Founders who wish to prepare family successors should take from this study the powerful impact of stories and conversation in conveying values to the successor generation. Stories and conversation results in sharing not only family values, but also shares business values with the successor generation. As pointed out by one founder, it is important that the conversation focus not only on the negative or challenging aspects of the business, but should focus on the successes and positive experiences. This focus on the positive gives potential family successors a reason to want to join the business.

Founders who are transferring the business to a non-family successor will take from this research that they should consider the role of stories, narrative, metaphors and sharing of history in the preparation of the successor. This will enhance the transfer of knowledge beyond the operational ‘know-how’ to include the values and principles that provided the foundation for business success.

Founders and families should be conscious of the value to potential successors of early informal exposure to the business. Successful family member successions in this study were consistent in the early exposure of the successor to the business, as a child visiting the place of business or accompanying the founder while conducting business. This early exposure can facilitate the transfer of tacit knowledge, a key to successful generational transfer of the family business.

5.6 Limitations of the study

There is some limitation in using structured interviews. The structure does not always permit the interviewees to fully express themselves hence limiting data collection. This is somewhat mitigated by use of prior theory to develop the structure. Having said that, the researcher and the academic supervisor may have inadvertently influenced the interviewees' responses through the structure of the interview protocol.

This study relies on the recollections of founders, successors and key observers. These recollections are subject to the memories and the inherent biases and memory lapses in recalling past experiences. Each interviewee will have unique memories of specific events that may not be consistent with others' memories of the same events.

The subjects for the study were not randomly selected and the selection may have been influenced by the nature of the researcher's network and the available subjects. Specifically, the difficulty in locating female successors (and their relative reluctance in participating), may have limited the generalizability of the results.

5.7 Directions for future research

This study found that the founder's personality plays a role in the knowledge transfer process in family firms. Generally the founder played the role of a coach or director and that seemed to be determined by the founder's personality. This study did not explore the positive or negative value of either approach or whether a particular personality was more suited for successful knowledge transfer. Further study could provide additional understanding about the nature of the impact of the founder's personality on generational knowledge transfer.

In this study an unexpected finding related to the successor experience in developing a new business stream. In addition to building confidence and business development skills this may have contributed to knowledge development or to tacit knowledge transfer through a process where the successor is coached or encouraged by the founder to develop the new business stream. Additional study of the experience of the successor in developing a new business stream could provide insight into how leading that new business stream leads to a new stream of tacit knowledge and whether the development of that tacit knowledge is impacted by the degree of tacit knowledge originally from the founder to the successors.

Prior research has shown that the family firm's objectives are typically more than wealth creation and include legacy, family employment, and other non-wealth producing related objectives. In this study some successors chose to change the business model or the focus of the business after they assumed control. The data analysis did not reveal whether the degree of tacit knowledge transfer was different in these cases. Was the confidence to branch out or the insight that lead to seeing the opportunity based on a high level of tacit understanding or was it more related to the successor's personality or achievement needs? Research whether there is a relationship between the degree of tacit knowledge transfer and the degree to which the successor changes the business model or focus could provide insight on how founders can ensure the non-wealth creation objectives of the family firm remain intact after succession.

Further investigation of gender differences should examine the succession process to daughters, contrasting experiences with male and female founders.

Additional research examining the relationship between the degree of continued financial interest and the role of the founder and specifically on what whether and how the nature of founder involvement is impacted by continued financial involvement. In this study there was a difference between the roles of founders who retained a financial interest and those who had no direct continuing interest beyond the familial affiliation. Those who retained a financial interest continued to play a direct role in either the business operations or in overseeing major decisions. Those who did not have an ongoing direct financial interest played a more support and advising role. Although this evidence that the founder who has less financial interest in the business plays a less controlling and directing role and more of a mentoring role with diminished financial involvement is clear, it is not strong enough to generalise the results. This warrants more study before solid conclusions leading to generalisations across cases can be drawn.

Investigation of the degree to which tacit knowledge transfer continues or patterns the financial interest could reveal insight into the relationship between the level of financial interest, tacit knowledge transfer and how this relates to the founder’s feeling of commitment.

This study did not address the degree that deep 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.

The issue of birth order of the family member successor may be a factor in successor identification. While this study produced some evidence that gender is a significant factor, future research should take into account birth order as a factor.

This study's methodology had a limitation that the data was not collected from real-time independent sources. A great deal of the data was drawn from interviewees' (founders, successors and key observers) recall of events and as such are subject to memory lapses and potential for inaccuracy in recall. The structure of the interviews that encouraged participants to recall events did not always allow for standardized comparisons of different participant's recall of the same events. Although the researcher did not observe significant differences in recall, future studies that examined various family and firm members' recall of specific events could provide more insight into whether this is a significant research design issue in this context.

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APPENDICES

APPENDIX A – PARTICIPANT RECRUITMENT ADVERTISEMENT

Family Businesses for Case Study Research

I am recruiting family businesses to be involved in a case study research project. The commitment will be for four hours of interviews over a period of several weeks. It is essential for this study that both the founder of the business and the next generation successor be available for an interview. The successor can be a family or non-family member.

This study is conducted as part of a doctoral program at the University of Southern Queensland.

For more information contact:

Mike Henry

School of Business

Grant MacEwan University

henrym@macewan.ca

780-497-5147

APPENDIX B – LETTER TO ADVISORY CONTACTS

Dear XXXXX,

I am contacting you to ask for referrals for a research study I am conducting as part of my doctoral research entitled Tacit Knowledge Transfer in Family Firms at the University of Southern Queensland. I am interested in interviewing individuals from firms in the real estate development and retail sectors. For firms involved in the research, I will be interviewing the founder of the firm, the successor (who may or may not be a family member) and a third person who has a long standing connection to the firm (this may or may not be a family member).

If you know of any family businesses that might be interested in participating in the research, please forward the attached information to them, or if you prefer, send me their contact information and I will contact them, and let them know you suggested I do so.

Thank you for your assistance. Please feel free to contact me if you would like further information or have any questions,

Mike Henry

School of Business

Grant MacEwan University

henrym@macewan.ca

780-497-5147

APPENDIX C – PARTICIPANT INFORMATION FORM

University of Southern Queensland

The University of Southern Queensland

Participant Information

TO: Participants

TITLE OF PROJECT: Tacit Knowledge Transfer in Family Firms

RESEARCH TEAM: Mike Henry, DBAR student University of Southern Queensland, Associate Dean, Grant MacEwan University tel 780-497-5147 Fax 780-497-5200 henrym@macewan.ca

Prof. Ronel Erwee, Doctorate Supervisor, School of Management and Marketing, Faculty of Business, University of Southern Queensland, Toowooma QLD, 4350, Australia, erwee@usw.edu.au tel, 61 (07) 4631 1173

Description

This research study explores the nature and process of the transfer of knowledge in family firms from the founder of the firm to the second generation successor.

The researchers request your assistance because the experience of family and nonfamily members in a family business is important in understanding how knowledge is transferred.

This project is being undertaken as part of Doctorate in Business Administration Research Degree, student Mike Henry, Supervisor, Prof Ronel Erwee.

Participation

Your participation in this project is voluntary. You can withdraw from the project at any stage without comment or penalty. Your decision to participate or not, or to withdraw from the project will not affect your current or future relationship with the University of Southern Queensland.

This project involves the submission of anonymous (non-identifiable) material. Please note: it will not be possible to withdraw your data once submitted.

This project involves an interview. If you decide to withdraw your data please notify a member of the research team. Any information obtained from you will be destroyed.

This project involves audio recording.

It is expected your participation will take approximately 90-120 minutes of your time.

Please note: the data obtained from this project may be used at a later time for any research purpose.

Risks

There are no risks beyond day-to-day living associated with your participation in this project.

Confidentiality

Any information obtained in connection with this project and that can identify you will remain confidential. It will only be disclosed with your permission, subject to legal requirements. If you give us your permission by signing the Consent Form, we plan to publish the results as part of Mike Henry's dissertation submission and follow-up academic, peer-reviewed articles.

In any publication, information will be provided in such a way that you cannot be identified.

All data received for this project will remain stored for a minimum of 5 years in secure facilities.

Consent to Participate

Please read this information sheet carefully so that you understand what the project involves. If you do not understand any part of the project or require further information please contact the research teams members named above.

We would like to ask you to sign a written consent form (enclosed) to confirm your agreement to participate

Questions/further information about the project

Please contact the researchers named above if you have any questions or if you require further information about the project.

Concerns/complaints regarding the conduct of the project

Should you have any concern about the conduct of this research project, please contact the USQ Ethics Officer, Office of Research & Higher Degrees, University of Southern Queensland, West Street, Toowoomba QLD 4350, Telephone +61 7 4631 2690, email ethics@usq.edu.au

Where the research may cause distress, independent 24 hour counselling services are available through Lifeline on 13 11 14 from anywhere in Australia.

APPENDIX D – PARTICIPANT CONSENT FORM

The University of Southern Queensland

Consent Form

Tacit Knowledge Transfer in Family Firms

Tacit Knowledge Transfer in Family Firms

By signing below, you are indicating that you:

- have read and understood the participant information document regarding this project
- understand that you are free to withdraw at any time, without comment or penalty
- have had any questions answered to your satisfaction
- understand that if you have any additional questions can contact the research team
- understand that you can contact the USQ Ethics Officer on +61 7 4631 2690 or email ethics@usq.edu.au if you have any concerns about the ethical conduct of the project
- understand the project will involve audio recording
- are 18 years of age
- agree to participate in the project

Name ....

Signature ....

Date ..../......................................./.....................................

Should you have any concern about the conduct of this research project, please contact the USQ Ethics Officer, Office of Research & Higher Degrees, University of

Southern Queensland, West Street, Toowoomba QLD 4350, Telephone +61 7 4631 2690, email ethics@usq.edu.au

APPENDIX E – INTERVIEW PROTOCOL

Interview Protocol – Founder, Successor, Key Observer

Introduction

Name of the company Click here to enter text.

Industry Choose an item.

Role Founder, Successor, Key Observer

3.0 Succession

3.1 Role of the founder

3.2 Is the successor is a family member or a non-family member?

3.3 Is the successor male or female?

3.4 Is the successor a family member or a nonfamily member?

3.5 Role of the successor.

3.6 Role of Key Observer –(if applicable)-

3.7 How is the role of the founder impacted by whether the successor is a family member or a non-family member in generational family business succession?

3.8 When did the family business succession process begin?

Probing questions

When do you recall the successor being present during conversations about the business?

Can you describe the event or situation or a typical event or situation where this occurred?

When was it apparent that the successor would be anointed as the next head of the family business?

4.0 Process of Tacit Knowledge Transfer

Explain what tacit knowledge is…business instinct-gut feeling….distinguish between general business knowledge and knowledge crucial to managing and leading the business.

Use example of

Probe for quotes to use ‘structured content analysis’ – there may be contrasting quotes from founder and successors…cases will differ in the examples that they use.

What is the crucial tacit knowledge about the business that is key to successfully succession?

E.g. Values, history, communication, relationships,

What knowledge did you pass onto the family member successor – E.G.BUSIENSS RELATIONSHIPS, HISTORY, VALUES OUTCOME, LONG TERM PLANNING

When did the family member successor begin learning about managing or leading the business?

How did you pass this information onto the family member successor?

Probing questions

What knowledge managing or leading the business did you pass onto the non-family member successor?

Probing questions

When did the nonfamily member successor begin learning about managing or leading the business?

How did you pass this information onto the nonfamily member successor?

What knowledge is held in the family?

Probing questions?

Degree of Trust – type and nature

Describe the trust relationship between the founder and family member successor.

Describe the trust relationship between the founder and nonfamily member successor.

Did the relationship between the founder and family member successor become closer when it became clear that the family member could be the successor?

Did the relationship between the found and nonfamily member successor become closer when it became clear that the nonfamily member could be a successor

How did the trust relationship and degree of closeness impact on the transfer of tacit knowledge?

Probing questions?

Gender Differences

Was gender a factor in determining the family successor?

Would the experience of the successor been different if the successor was a different gender?

Describe the nature of the business knowledge that was transferred to the family member successor.

Describe the nature of the business knowledge that was transferred to the nonfamily member successor.

When did the business knowledge transfer to the family member successor begin?

When did the business knowledge transfer to the nonfamily member successor begin?

What was the first concrete management or leadership knowledge transferred to the family business member?

What was the first concrete management or leadership knowledge transferred to the family business member?

Once the family or nonfamily member was identified as the successor, how did the rest of the family become aware of this? - Probe-what was their reaction.

Once the family or nonfamily member was identified as the successor, how did the rest of the employees-shareholders become aware of this?

What was their reaction?

How do you see the succession today?

Probing- would you have done anything differently?

How has the founder's role changed?

How has the role of the successor changed?

How will these roles in change in the future?

How do you see it progressing in the future?

What advice would you offer other family businesses regards to succession and transfer of tacit knowledge?

APPENDIX F EXAMPLE OF DATA CODING

(Individual Identifiers Removed)

TRUST – FAMILY		TRUST –BUSINESS COMPETENCE	
A. Go right ahead. We've have had a wonderful partnership and a wonderful relationship. The XXs are a wonderful family. You zeroed in on trust and it is very high here. I trust those guys 100%. I hope they trust me the same way.	*SO-5* *(initials + Page # of* *Transcript*	***A. Not trust, but trustworthy. I'm going to send you a piece of paper on this because I have spent a lot of time on that. Trustworthy is way beyond, you have to be worthy of trust. Which means you need to be loyal, it also means you need to be frank, and of course you need to be honest. All of those pieces.***	*F1-12* *Maybe quotable in text*
I am making the assumption that you have always trusted your sons. ***A. Of course, they are my sons.***	*F2-8*	***A. Yes, sometimes misaligned, but there are members of my family I wouldn't trust.*** Q. Okay, but your immediate family? ***A. I wouldn't trust my daughter, I'm not talking about her being dishonest; I just wouldn't trust her judgment.*** Q. But you trust her personally. I'm not talking about their judgment or her ability; I'm talking about if they would deliberately do something to hurt you or to steal. ***A. She wouldn't but I think she would do it, but not through intent.***	*F1-13*
They share everything with me now.	*F1-8*	***That second layer of trust, that is correct. That is exactly what it is,***	*SO2-4*

TRUST – FAMILY		TRUST –BUSINESS COMPETENCE	
There are no secrets. I am on their board and if I think I have something to pass on to them I do and they listen to me and usually follow it through, or at least consider it.		***where Bill would get to the point where he would trust that they were going to make the right decision and then he would release the reins a little bit more. Bill is a very wise fellow. He is wonderful man.***	
A. His trust, well I guess his believing in me because I didn't always believe in myself so overtime you become aware that you can do things that you never thought you would be able to do. I don't know if that answers your questions? Q. Yes, it starts to Q. When you said Larry believed in me, how did you know that? Did he actually say "I believe in your or was it a sense that you knew he believed in you"? ***A. I'm sure he probably said "I believe in you" because with is _________ graphic thing "you are powerful, you are important, you are gifted." He would lay out the plan then he***	*S1-7*	***A. I guess you would have to say it was trial and error because he would give them an opportunity and they'd do it right so then they would get the next opportunity to prove it again. Yeah, I think that would be the right answer.*** Q. So it was almost a bit of "let's try this out and see what you do and if you figure that one out let's keep working and keep building on the trust". ***A. Both of the guys are very much too just jump in and take the responsibility. He didn't have to push it on to them. They reached out and took it. So you can see how I am almost like one of the sons in this way. Bill has certainly been my mentor, especially through my early years.***	*SO2-5*

TRUST – FAMILY		TRUST –BUSINESS COMPETENCE	
would entrust me to execute it. So he believed in me but he takes you on the journey, he says "well you can do this right?" Yes. "Well are there any obstacles"? "So you can overcome those obstacles and yes you can do that!" So, I guess he saw things from 30,000 ft whereas sometimes I was viewing things from street level.			
Trust, honesty, we are never trying to stab each other in the back, which I guess is all sort of the same thing. I think this is what will make us successful, is that we are honest with each other, we trust each other and we work towards mutual goals even if those goals change over time or need to change direction. I believe that together we can do that.	*S2-8*	***They would try things and if it worked out hopefully I gave them some praise and if it didn't work out I never said anything because the mistakes was something they had to carry through with themselves. There were not criticized for it, we'd discuss it and say well that what happened and go on as it was an obstacle not the gold.***	*F1-2*
		They share everything with me now. There are no secrets. I am on their board and if I think I have something to pass on to them I do and they listen to me and usually follow it through, or at least consider it.	*F1-8*

TRUST – FAMILY	TRUST –BUSINESS COMPETENCE	
	Q. Does XXXX trust you? **A.** ***Oh yes*** Q. Has he always trusted you? **A.** ***I guess so but only when it was necessary did he tell me something. So when I am just doing ads or a web page what do I need to know besides what I am putting in the ad or on the web page? Once we had the retreat and I started doing accounting he implied trust and I earned it.***	*S3-7*
	A. ***Well, I knew trust was big and I knew it was at those breakfast meetings. Through my entire life he has always instilled that in me, you do what you say and if you say you are going to do it you do it and if I didn't while growing up or whatever age I was I would get into trouble. Your word is your bond. I know for a fact that he prides himself on being able to do a handshake deal with people and if he says he's going to do something or if he says give me a month to do some due diligence and if he knows in four days that it's not going to work he will just phone you back and tell you, he won't take the month. As soon as he knows if he is doing it or not, you know, and that's one of the reasons for building those relationships and partnerships, the power of partnerships. If people trust you they will continue to come back and you want to know what, there are times when you have to go to somebody and you have to say "no I can't do this" and this is why or something bad happens so that comes to the accountability part where you know this happened and***	*S3-14*

TRUST – FAMILY	TRUST –BUSINESS COMPETENCE	
	I can't pay this bill or you are going to wait 8 months or 6 months, or I am going to have to do this or that. But if you go to those people, they might not like the answer and they may be mad and leave having an emotional response but at the end of the day you never lied, you were honest and you provided them with the best solution that you have at this point in time and if they don't like that then they can provide you with a different solution that was better suited for them and that is something that I have seen, people come back although they may not have been happy with the results at least there was never anything that didn't happen on the up and up.	
	So I said to the shareholders at the time, and there were 5 of us, I would like you guys to trust me to be the president of the company and have the only signing authority in the company. So trust me with 100% control of the company and they did, and at that point it was clear although we didn't use titles that who was the president.	*S3-7 – Family business but example of nonfamily relationship business competence trust*
	Well, I knew trust was big and I knew it was at those breakfast meetings. Through my entire life he has always instilled that in me, you do what you say and if you say you are going to do it you do it and if I didn't while growing up or whatever age I was I would get into trouble. Your word is your bond.	*S2-14*
	I: I'm interested in the fact that you, sort of, tagged along with XXX as he was going onto some of these expansions and whatnot. Did he talk to you about—did you have conversations about what was	*S4-18*

TRUST – FAMILY	TRUST –BUSINESS COMPETENCE	
	happening? ***Oh, certainly. And once I was educated, he listened to me. You know, I think they started to look at me as a resource, right? Yeah, it was really interesting and there was an abrupt change in our relationship when—you know, I sort of think it was third party validation. Like, I became desirable, and I became employable, I became educated—***	
	I: So can you think about how you—did he say, "You know, I need your help with this" or "Do you want to come along with me?" ***Just come along, and you know I think I just naturally morphed into it. I remember discussing with the vendor, talking directly to the vendor, you know—feeling confidence. But I remember him—when he decided he wanted something, I remember looking at him and he was very decisive it was, "We are taking that one." Yeah, I was pretty impressed.***	*S4-19*
	J: Well, by the time I—when I got involved with the business, concurrent to that, the business was transferring – the leadership of the business was transferring from my father to XXXX. And, you know hindsight's 100%, but I wonder if I was insurance? Like, I was a resource to bring in to that. But, it—perhaps a year earlier, they had started this process of "I'm retiring and you're in charge" and XXXXX was very ambitious. And so, he did a lot of investing. Right when I was arriving—jeeze, I think even before I was on payroll—we were out negotiating to purchase the company, and I was on team at that point. And it was a very natural working	*S4-20*

TRUST – FAMILY	TRUST –BUSINESS COMPETENCE	
	relationship. So when I arrived—sorry, your question was, "When did you become involved in decision making? ***I: Yeah*** ***J: It's very clear that probably within 3 or 4 months of arriving, maybe 6 or 9 months, the company was losing control. You know, there were some problems.***	
	J: So, I remember taking my father andXXXXX out to X XXXXX's, and I had done 6 or 9 months of service sales, as fellas do over here – taking care of customers and that sort of thing, and some other things, just bringing some other skills to bear. But, I sat down with them and I said, "Guys you're up shit creek and use my skills or don't." ***I: Those are the exact words XXXX used.*** ***J: So, I said, "I want you to give me your biggest asset and I'm going to run it." So, they gave me XXXXXX and I ran it and everybody participated, everybody was rowing. My father went out and sold a couple XXXXX—and we were in trouble. It was effective. That was sort of the start of my executive career and then after that I always had responsibility, major responsibility. So it didn't take very long. I would say inside of a year I was making some of the largest decisions of the company.***	*JO-20*
	J: You know, I think I'm just naturally an assertive person. I'm an achiever and acquirer and appropriator. So, I think I saw the	*S3-22*

TRUST – FAMILY		TRUST –BUSINESS COMPETENCE	
		difference between—you know I was committed, intensely committed and interested. It was obvious because, leading up to that I just appropriated all kinds of additional responsibilities. It was in my mind time and that I could help and that, really at that point, they needed the help. It sort of went from "they" to "we" at that meeting, so we entered that meeting as "they and me" and we came out as "we" (laughter).	
		J: Yeah, I'm a big fan too. He became my entrance to the business. And although he was cheap, I mean I was disgusted that I was working for as cheap as I (laughter) – as little as I was, it was a beginning. You know, I apprenticed under him on the sales side of things and he was a wonderful coach. ***I: Sure, yeah. Do you remember going to XXX and getting a XXXX?*** ***J: It actually wasn't XXXXX, it was XXXXX's and that was a wonderful, wonderful thing. My father wanted me to have XXXXXXXXXX. So, we went to XXXX's and I'm used to him and I'm used to me and I go straight for the XXXXXX and he shakes his head and goes, "Not this time, pick the best XXXXXX." I tell you, I Xxxxxxx it was a wonderful XXXX, and a wonderful gesture.***	*S3-27*
And of course with an absent father, he became somewhat of a father figure. So, I think we've had two generational changes in this company, you know. One full one from xxxxx to xxxxx and then one	*S4-32*		

TRUST – FAMILY	TRUST –BUSINESS COMPETENCE
sort of partial one from xxxx, because we're xxxxxx and something else, right? But, I think our father got it best, I think xxxxx and I struggled. But, in his case, he didn't have any expectations, right? That was a clear thing. So, if you're going to do that, first have a coffee with our father and see what he did. But he did a couple things – was he transferred a great deal of the equity along with the—he didn't try to milk the kids is what I'm saying, and I see other people do that.	
As you mentioned earlier, you've seen people who hold on the assets and the control, he was willing to take that risk— ***J: I think it's the validation they hold on to, I mean, it's like, the feeling of importance, right? You know, it's the means to—it looks like, in some cases, they got the kids dancing like marionettes, while they meter out the income potential, you know?***	*S3-36*

APPENDIX G – SYNOPSIS OF THE CASES

Pseudonyms have been used to protect privacy

CASE # C-1 CAPMEN (CAPMEN)

Company Background

Capmen Investments was founded in 1985 by Pete Sanderson. The business started providing consulting services to the home building enterprise founded by Pete and his two partners, fellow university students and grew over 25 years to be a holding company for four companies in the new residential home sales sector. A related company is dedicated to sales development and direct marketing is also controlled by the holding company.

Successor-Family Background

The family includes Pete, his wife and one daughter and one son. Pete is in his late 60s. His wife has supported Pete in the business, but has been consistently employed outside of the business (except for periods out of the workforce for child rearing). His daughter has not been engaged in the business and has opted for an unrelated career path.

Successor process

Pete's son George is the designated family successor along with his cousin Larry. The original agreement with the founding partners was that in the event that one founder exited the partnership, the other two partners would be given right of first refusal to acquire the exiting partner's shares. When the time came that Pete decided to exit, the remaining partners' life stage had changed resulting in no desire to acquire Pete's shares. Pete's son and nephew had worked in the business as teenagers but had left to pursue other careers. When Pete learned that his partners did not want to buy his shares he began succession discussions with his son and nephew. George and Larry returned to the business with the succession intents.

Future plans

Pete financed the successors in purchasing a part of the business from him with the intent that when they were able to realize enough profit from their operation to repay the loan they would then move to further acquisition. At the time of the interviews the successors were almost two years ahead on the repayment schedule and were discussing future acquisition plans. Pete was sufficiently out of the day-day-operations that he could spend six months of the year 'retired' out of the country and be heavily involved in philanthropic and community activities during the six months that he was in town.

CASE # C-2 URBANSTUDIO (URBAN STUDIO)

Company Background

Mike is a successful professional who was a partner in a local architectural firm. He moved to the region as a young man with his wife after graduation. He began working for a local firm and was engaged in many practices and on his way to taking over as a principal of the firm when the local resource-based economy crashed and he had to make some decisions. By this time they had two young children and with little local prospect for new projects he left the firm and decided to take a year to travel the continent with the family and seek other opportunities. After working in two other regions the family made a decision to return to the region and Mike began to seek work and re-established himself by taking on a project that had been cancelled during the downturn but now was re-activated. Over the next twenty years he formed a partnership and built a very successful medium sized firm. In recent years the partnership dissolved and Mike looked at retirement.

Successor-Family Background

Mike and his wife raised two children in the region and has just recently reached 60 years of age. The oldest (a son) was destined to follow in his father's footsteps and study architecture. He began to study architecture and quickly found that it was not a good fit, so he withdrew and enrolled in a different university for general undergraduate studies. He eventually found further study in an unrelated technical discipline and has pursued a very successful career in another (but geographically close) country. Mike's daughter Susan subsequently pursued graduate study in architecture and had plans to seek a career in another major metropolitan city.

Successor process

Although Susan had worked in the firm as a teenager in reception and clerical roles there was no plan for her to succeed her father. Her older brother was the implied (and perhaps designated successor). When she completed her professional studies her father had ended his long time business partnership and had no specific plans for the business but he did retain his 'customer list' –i.e. his client relationships and there were not encumbrances on the list – he had the flexibility to continue his client relationships. With this asset he invited his newly graduated daughter and another former employee to join him in establishing a new firm.

Future plans

Mike and the two successors (his daughter and former employee) had contemplated the succession process in general terms. They would start the firm and Mike would bring his old clients to the firm. At some time after the firm was well situated they would enter the formal succession process. At the time of the interviews, the founder and two successors were just beginning the conversation with a preliminary framework for succession about to be formally proposed by the successors.

CASE # C-3 BURCO (BURGCO)

Company Background

The firm is a small niche architectural firm that has been operating as a single partner for almost three decades. When John started the firm he was interested in developing a reputable firm that would be successful with a regional clientele. He consistently employed support and technical staff and usually had one or two students who were completing seven month paid internships with him. One of these interns was Rory. Rory impressed John enough that he offered Rory a permanent position after graduation and soon Rory became the designated successor. This made sense as he entered his 60s and began to think of retirement.

Successor-Family Background

Rory was from another region in the country and had a long career working in construction related businesses. He returned to university studies to pursue a career in architecture. His program required internships and Rory found an internship with John. After completing the internship he returned to complete his studies and when John made the offer for ongoing employment, Rory joined the firm as an employee.

Successor process

After working as an employee for some time it became clear that both John and Rory enjoyed their working relationship. Over time John began to treat Rory as a partner, encouraging Rory to have his own clients, involving Rory in major decisions and offering a profit share that was akin to a partnership share.

Future plans

Rory was established as the designated successor and at the time of the interviews the two had initial conversations about formalizing the partnership and succession plans. John was envisioning a gradual transition where the partnership would be formalized, he would gradually retire and Rory would become the major partner.

CASE # C-4 URBANSTUDIO2 (URBAN STUDIO-2)

Note that the company and founder is the same as in Case C-2 URBANSTUDIO, but this case focuses on the nonfamily successor

Company Background

Mike is a successful professional who was a partner in a local architectural firm. He moved to the region as a young man with his wife after graduation. He began working for a local firm and was engaged in many practices and on his way to taking over as a principal of the firm when the local resource-based economy crashed and he had to make some decisions. By this time they had two young children and with little local prospect for new projects he left the firm and decided to take a year to travel the continent with the family and seek other opportunities. After working in two other regions the family made a decision to return to the region and Mike began to seek work and re-established himself by taking on a project that had been cancelled during the downturn but now was re-activated. Over the next twenty years he formed a partnership and built a very successful medium sized firm. In recent years the partnership dissolved and Mike looked at retirement as he entered his early 60s.

Successor-Family Background

Mike and his wife raised two children in the region. The oldest (a son) was destined to follow in his father's footsteps and study architecture. He began to study architecture and quickly found that it was not a good fit, so he withdrew and enrolled in a different university for general undergraduate studies. He eventually found further study in an unrelated technical discipline and has pursued a very successful career in another (but geographically close) country. In addition to identifying his daughter as a potential successor, Mike identified Rob as a potential successor. Rob had worked for Mike as a technician in the original firm and prior to the original partnership ending, Rob had returned to university to study architecture. When Rob graduated he and Mike had a chance meeting at which time Mike suggested to Rob that he join him as he started the new firm.

Successor process

Although Susan had worked in the firm as a teenager in reception and clerical roles there was no plan for her to succeed her father. Her older brother was the implied (and perhaps designated successor). When she completed her professional studies her father had ended his long time business partnership and had no specific plans for the business but he did retain his 'customer list' –i.e. his client relationships and there were not encumbrances on the list – he had the flexibility to continue his client relationships. With this asset he invited his newly graduated daughter and Rob to join him in establishing a new firm.

Future plans

Mike, Rob and Mike's daughter had contemplated the succession process in general terms. They would start the firm and Mike would bring his old clients to the firm. At some time after the firm was well situated they would enter the formal succession process. At the time of the interviews, the founder and two successors were just beginning the conversation with a preliminary framework for succession about to be formally proposed by the successors.

CASE # C-5 COOLWAY (COOLWAY)

Company Background

The company began as a residential appliance repair service in 1968. Over the years Glenn joined other mechanics in delivering services and built up a small but very successful operation that shifted from residential to commercial work. There were several related companies with different partners engaged in each. By the early 1990s the company began to expand through acquiring other companies. The oldest son Greg, a trade journeyman joined the business in the mid-1990s and consolidated the companies under one holding company. The company expanded over the next few years. The second son, Victor joined the company after completing business graduate studies and soon after the company re-organized with Victor taking a leadership role in operations and eventually strategy. The company has expanded dramatically and is a major industry player in western Canada with over 300 employees. Glenn is retired from the company and as he enters his early 70s he spends half his time at home and the winters in a warmer climate.

Successor-Family Background

Glenn has two sons Greg and Victor. He raised his sons with the expectation that they would complete their education and pursue careers. examining While both sons worked in the company as teenage in laborer/helper positions they did not plan to stay with the family company. Greg pursued a journeyman education in his father's footsteps and began his career with a competitor. Victor pursued undergraduate studies followed by graduate business studies with the intent of pursuing a career in the financial or manufacturing sectors.

Successor process

Greg joined the company after completing his journeyman preparation and after two years of working for another company. He quickly assumed management of the company and led an expansion strategy. At the time that Victor had completed his graduate business education the expansion was taking its toll on the company and Greg and his father asked Victor to return to the city and join the company. Victor returned and after some time working in the company proposed a partnership arrangement with his father and brother.

Future plans

At the time of the interviews, Greg and Victor had purchased the company from their father and while he had no direct continuing financial interest, Glenn remained as a director and maintained an office at the company headquarters.

CASE # C-6 TANKIT (TANKIT)

Company Background

Eddie was a chemical engineer who grew up in a rural district, attended the regional university and worked for a multinational energy firm. At an early point in his career he became somewhat dissatisfied and announced to his family that he was quitting his job and wanted to found a business that would allow the family more flexibility. He founded a company providing tanks for sewage holding and eventually branched out to other holding tanks. This fit into his desire for increased flexibility as in a northern climate the winter precluded related construction activity over the winter months. He's enjoyed his career and now in his mid-60s is enjoying semi-retirement.

Successor-Family Background

Eddie and his wife raised two daughters. Both daughters were aware of the business while they were growing up and spent time at the business, but only one daughter Susan long term interest in the company. When Lisa finished high school she joined Eddie in the company and began becoming involved in the administration. Eventually she left the company to return to post-secondary to pursue a teaching career. Near the end of her education she came to the understanding that she did not want to pursue a teaching career so in her last semester she left school and approached her father about working with him in the business. She quickly assumed a major role and became a partner with her father. They sold the business a few years later.

Successor process

After a few years working with her father and earning partnership Lisa led the company in expansion and growth while beginning to raise her family. Seeing her own family growing in number she announced to her father that she wanted to exit the company and they elected to sell the company to a new investor.

Future plans

The company is now controlled by the new investor and Eddie and Lisa while still close, are pursuing separate investment paths.

CASE # C-7 DAVIDSON (DAVIDSON)

Company Background

Davidson Management Realty is a real estate brokerage and property management firm founded in by Brent Davidson and Leslie Davidson, his wife. The family worked together to build the company with Brent managing the operations, Lee managing the administration and Brent's father managing the properties.

The company is one of the largest rental property management company owned and operated in the region. At the time of succession, a significant portion of the business was connected to public sector contracts which were not transferrable. The company also operates as a real estate brokerage. Brent found the seven day a week nature of the business did not fit into his desired lifestyle as he approached his late 50s.

Successor-Family Background

Brent and Lee worked very much as a team building the business and raising their family. The business was integral to the family's life as property management in small firm typically requires off hours availability and long hours. As their children grew older the couple desired more time with the family and looked forward to a less hectic life-style as their children became less dependent on them. They met Grant through a business broker after they had listed their company for sale.

Successor process

In 2000 Brent and Leslie began the process to sell the business, seeking more work-life balance as they grew older. Their children did not seem ready or interested in taking over the business so they looked at other options.

The most attractive option was to engage a business broker who connected them to Grant. The two parties reached a deal with the inclusion that Brent, who held a broker's license would remain part of the operation until Grant could qualify for licensure. The business transfer began in 2008 with Brent initially meeting his two month commitment to remain full time to help Grant learn about the business. This period was extended and Brent gradually exited the company as Grant became more comfortable with the business and earned his own broker's license.

The deal also included the sale of the company name which aided Grant in maintaining client relationships and in reputation management throughout the transition.

Future plans

While the succession is complete and Grant is fully in control and in full management of the company, Brent and Grant remain in contact with each describing their relationship in terms of friendship and mentorship. Brent has started a new real estate operation that is not in direct competition with Grant's operation.

CASE # C-8 OUTDOOR (OUTDOORS)

Company Background

Outdoor Outfitters was founded by Ian in 1963 and grew in reputation and size over the next twenty years to be a major supplier, renter and repair for outdoor recreation equipment. In 1983 Ian hired Diane to work in the operation and she soon assumed a major role in the administration of the operation. Another major player was Ian's son Paul who worked in the retail and service part of the business. Fifteen years later Ian passed away rather suddenly and succession became an issue. Ian is now very elderly and his son Paul has retired.

Successor-Family Background

Ian was an entrepreneur and committed to providing excellence in service and product to outdoor recreation enthusiasts. The entire family were engaged in outdoor recreation from skiing in the winter to open canoeing and boating in the summer months. Paul worked for his father as a teenager and shared his love of the outdoors. Paul always assumed that his father would retire and he would assume the family business leadership.

Successor process

When Ian passed away suddenly in 1998 the business was recovering from a regional economic recession. Changes in the regional economy in the resource-based economic region were an expected part of the economic cycle so this situation was not unusual. However after much family discussion and reflection by Paul, he decided that he did not want to take over the business, but rather wanted to pursue other interests. The family turned to Diane who reached an arrangement with Paul and the family to gradually buy out the family's financial interest. Soon after that agreement Diane realized that she needed a partner to manage the retail and service part of the business as she was best suited to manage the business operations. She approached Walter, another long term employee who became her partner. She also asked her husband Carl to join her as a manger. They grew the business as the economy recovered from the recession.

Future plans

Both Diane and Walter have reached the conclusion that after 30 years working in the business and about 15 as owners, they would like to plan for retirement. Carl has moved to semi-retirement working in the business only part time and during peak seasons. Walter's sons both work in the business and discussions are beginning about succession planning so that Diane and Walter can exit the business.