

# **THE THIRD DIMENSION OF CHANGES DURING FOB SUCCESSION: PSYCHOLOGICAL CHANGE**

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## ABSTRACT

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*This article will examine the dimensions of changes (functional, legal-economic and psychological) caused by succession in family owned business (FOB) and how those dimensions are related to each other. Of these three dimensions, research has focused less on the psychological dimension, especially from the viewpoint of personnel, stakeholders and clients. FOB succession research has concentrated on its implementation and planning: how and when to take each action. From the viewpoint of different participants, the predecessor(s) and successor(s) with owning family members have been well represented. The main interest group in this article is nonfamily employees and other stakeholders of FOB. As an outcome of this paper it will be shown by using the Acceptance, Adaptation and Commitment (AAC) model that in FOB succession there are three clear groups of participants and that the dimensions of changes are related to each other.*

**Key words:** Participant, psychological dimension, stakeholders, succession, trust

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## 1 INTRODUCTION

So far, FOB succession literature has rigorously presented different details and phenomena which are connected to the legal-economic and functional dimensions of succession. The basis for this literature has risen out of family perspectives of family control typical of FOB (Collins 2011) and had led to a situation where FOB succession literature has concentrated on the viewpoints of predecessor(s), successor(s) and family (e.g. Handler 1990 & 1991; Dyck, Mauws, Starke, & Mischke 2002; Le Breton-Miller, Miller & Steier 2004). Succession is an unique or a very rarely occurring phenomena in the life circle of FOB. And, due to this, there is very little experience of it (e.g. Dyck, Mauws, Starke, & Mischke 2002). On the other hand, the rarity of FOB succession increases confusion and suspicion i.e. psychological adaptation among all people connected somehow to FOB.

In many cases, the new manager (or entrepreneur in smaller companies) wants to adjust procedures within the FOB according to his/her ideas and thoughts (e.g. Kets de Vries 1996, Handler 1990). This means that the changes will then be in the legal-economic and functional parts of changes and causes a need for psychological processing (e.g. Koironen 2006; Astrachan & Jaskiewicz 2008; Corbetta & Salvato 2004; Zarha 2003). First of all, from the viewpoint of the predecessor and successor procedural change means the need to commit implemented changes (e.g. Kets de Vries 1996; Handler 1994; Miller, Steier & Le Breton-Miller 2006; Habbershon & Williams 1999). Whereas, for the workers of FOB, the change of manager (or entrepreneur) means firstly acceptance of the legal-economic change and after that perhaps adaptation to the functional changes. Actually, the need of adaptation to functional changes exists for all the groups of participants. They have to learn to trust both the successor and the success of the organisation after the change. The predecessor, while giving up the management and leadership, has to adapt to a new role and stage of life and learn to trust both successor and his/hers own meaningful future. S/he is leaving behind something, which has been a big part of his/her life. The successor is stepping into something s/he perhaps has dreamed of. A huge amount of work awaits the successor when s/he starts to lead the FOB. The workers have

to face all the changes the succession brings along, new leader(s), new manners of working, new strategies etc., and stakeholders (like suppliers, bankers, consultants, etc.) need to accept the new, different person to cooperate with.

The purpose of this article is to show that FOB succession through a functional and legal-economic arrangement has connections as well to human psychological information and experience processing and has actually many more participants than just the predecessor(s), successor(s) and owning family members. When e.g. shares of a company are transferred from its predecessor to its successor, it is obvious that they both need to accept the action. Also, employees and other stakeholders of the company need to be informed about the change; and this information will trigger their acceptance process. In the situation where the management of a company will be transferred from its predecessor to a successor, both of them needs to commit to the change and the employees and other stakeholders need to adapt to the change and new situation at the head of the company.

FOB companies which implement succession are made up of independent individuals. They all have their own goals and principles. So every action which take place due to FOB succession will be handled by every member in their own individual way. So far it has been presented how individuals in FOB will react to implemented changes and which kind of outcomes will occur (Le-Breton-Miller, Miller & Steier 2004). The gap this article will try to fill is the dimension of psychological changes during FOB succession and show which kind of psychological phenomena have an effect on the human mind during implementation of the changes of FOB.

This article will start by examining the dominant views of FOB succession in recent literature and will follow on with an analysis of Le Breton-Miller et al (2004). By using Le Breton-Miller et al, it will be shown that the psychological dimension of FOB succession has already found a place in the FOB literature and research but that it has not yet become a main focus. In chapter three, will be presented all participant groups, how they are attached and their levels of actions in FOB succession. In this article trust as an interpersonal and impersonal phenomenon is used to give a better understanding of the presence of the psychological dimension while implementing FOB succession in real life. Finally, in the synthesis through real life examples is presented the psychological dimension of changes and its connection to the other dimensions. The same examples are used to explain the new AAC (Acceptance, Adaptation and Commitment) model.

## 2 DIMENSIONS OF CHANGES IN FOB SUCCESSION

As the basis of this article a search was made using the Wiley online library by using the words "succession" in the field regarding the title of articles and "family connection" in all the other fields. Then the search criteria for the period of time was limited to between 1999 to 2009. The result of that search was 65 articles, 42 of which were connected to family business entrepreneurship, whereas the other 23 were not so pertinent. According to the search, it looks as if only one of these 42 articles has concentrated totally on the psychological aspect. The others were written more from a legal-economic or functional viewpoint. The result of the search was that 50% of articles concerned the planning and process of succession in family businesses, and for performance and effectiveness 17%, successor's view 10%, family relationship 10%, founder's or predecessor's view 7%, viewpoint of uninvolved family members 4% and psychological viewpoint 2%. Over half of 42 articles were published in *Family Business Review* (23 articles) and there were 4 in *Entrepreneurship Theory and Practice*; the rest were published in several different journals. Four of the 42 articles handled succession in the agricultural sector. This overview of studies published in journals on succession in FOB gives the impression that legal-economic and functional views of successions have so far dominated.

Le Breton-Miller, et al. (2004) made a much deeper analysis about the direction of recent FOB succession research. They examined more than 40 articles and seven books written on FOB succession over the last 30 years. With a literature review, they came to the conclusion that FOB is a long-term dynamic issue that requires the ability to constantly adapt to evolving circumstances. In addition, they noticed that the most evidence concerns characteristics of successor and incumbent, nurturing/development of successor(s), family relationships, hand-off of power, shared vision, succession planning and the presence of a board of directors with strong outsiders on it. According to them, the most glaring gaps were in areas such as the broader business and social context, establishing ground rules and evaluation criteria for the process, and adjusting the process in the light of feedback.

Le Breton-Miller et al. (2004) listed variations of succession according to how often each variation was mentioned in articles. To build up their model and broaden their search, Le Breton-Miller et al. (2004) included anecdotal accounts of the successions and variables only rarely, if ever, mentioned by systematic empirical and theoretical studies (e.g. Dyck, Mauws, Starke, & Mischke 2002; Emley 1999; Lansberg 1999).

TABLE 1 Variables the most mentioned in the literature according to Le Breton-Miller et al. (2004) and divided into functional, legal-economic and psychological dimensions.

<p><b>Industry context</b></p> <hr/> <p><b>FOB context</b></p> <ul style="list-style-type: none"> <li>* FOB form/Ownership</li> <li>* Previous succession experience</li> <li>* Board of directors-frequency</li> <li>* FOB formalisation (process, structure...) &amp; FOB size</li> </ul>	<p><b>Family context</b></p> <ul style="list-style-type: none"> <li>* Family council/meetings</li> <li>** Frequency &amp; Composition</li> <li>** Mission &amp; Family strategic plan</li> <li>** Norms/values</li> <li>** Rules/policies inside FOB</li> </ul>	<p><b>Social context</b></p> <ul style="list-style-type: none"> <li>* Culture</li> <li>** Social norms</li> </ul>
<p><b>Nurturing/Development of successor</b></p> <ul style="list-style-type: none"> <li>* Previous employment with the business</li> <li>* Establishing gaps between FOB needs and prospective succession abilities</li> </ul>	<p><b>Ground rules &amp; first steps</b></p> <ul style="list-style-type: none"> <li>* Governance guidelines</li> <li>* Selection criteria</li> <li>* Rule for choice</li> <li>* Identifying potential successor(s) &amp; TMT</li> <li>* Succession task force (key people/major stakeholders: TMT, board, company, veterans, counsellor, family)</li> <li>* Career plan for bypassed non-family members &amp; family members</li> </ul>	<p><b>Family context</b></p> <ul style="list-style-type: none"> <li>* Family-firm interface is positive</li> <li>* Adaptability</li> <li>* Family dynamics</li> <li>** Openness</li> <li>** Respect</li> <li>** Spouse/mom leadership</li> <li>** Shared values</li> </ul>
<p><b>Selection</b></p> <ul style="list-style-type: none"> <li>* Selection of the CEO &amp; TMT</li> <li>* Design of a formal &amp; legitimate process:</li> <li>** Final selection criteria</li> <li>** Selection committee (jury, rules)</li> <li>* Person (talents, desire) and firm fit</li> </ul>	<p><b>Transfer of Capital</b></p> <ul style="list-style-type: none"> <li>* Partition shares</li> </ul> <hr/> <p><b>Incumbent</b></p> <ul style="list-style-type: none"> <li>* Gender</li> <li>* Age</li> </ul>	
<p><b>Hand-off/Transition Process/Installation</b></p> <ul style="list-style-type: none"> <li>* Criteria for successor performance</li> <li>* Bridge manager interim</li> </ul>	<p><b>Successor</b></p> <ul style="list-style-type: none"> <li>* Personal &amp; financial investment</li> </ul>	

Le Breton-Miller et al. (2004) summarised the frequency of the most common phenomena in the literature they reviewed. The most popular classes were found in the categories of incumbent attributes. But for example, job motivation

and willingness, quality of the relationship with the successor, and personality and needs, were sometimes poorly specified. The second key category was that of successor and there, relationships with incumbent, motivation, interest and commitment, and management ability were found to be important. After these two variables, there followed nurturing and development of the successor(s), the establishment of ground rules for succession planning and incumbent phase-out & successor phase-in. On the list of least mentioned variables are several phenomena and factors, which are presumably vital to successful FOB successions, that the research has continuously under-emphasised or ignored. It is also believed that these phenomena and factors of succession should be included in the complete normative model of FOB succession, or at least investigated empirically.

TABLE 2 Variables the least mentioned in the literature according to Le Breton-Miller et al. (2004) and divided into functional, legal-economic and psychological dimension.

<p><b>Industry context</b></p> <hr/> <p><b>FOB context</b></p> <ul style="list-style-type: none"> <li>* FOB form/Ownership</li> <li>* Previous succession experience</li> <li>* Board of directors-frequency</li> <li>* FOB formalisation (process, structure...) &amp; FOB size</li> </ul>	<p><b>Family context</b></p> <ul style="list-style-type: none"> <li>* Family council/meetings</li> <li>** Frequency &amp; Composition</li> <li>** Mission &amp; Family strategic plan</li> <li>** Norms/values</li> <li>** Rules/policies inside FOB</li> </ul>	<p><b>Social context</b></p> <ul style="list-style-type: none"> <li>* Culture</li> <li>* Social norms</li> </ul>
<p><b>Nurturing/Development of successor</b></p> <ul style="list-style-type: none"> <li>* Previous employment with the business</li> <li>* Establishing gaps between FOB needs and prospective succession abilities</li> </ul>	<p><b>Ground rules &amp; first steps</b></p> <ul style="list-style-type: none"> <li>* Governance guidelines</li> <li>* Selection criteria</li> <li>* Rule for choice</li> <li>* Identifying potential successor(s) &amp; TMT</li> <li>* Succession task force (key people/major stakeholders: TMT, board, company, veterans, counsellor, family)</li> <li>* Career plan for bypassed non-family members &amp; family members</li> </ul>	<p><b>Family context</b></p> <ul style="list-style-type: none"> <li>* Family-firm interface is positive</li> <li>* Adaptability</li> <li>* Family dynamics</li> <li>** Openness</li> <li>** Respect</li> <li>** Spouse/mom leadership</li> <li>** Shared values</li> </ul>
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<p><b>Hand-off/Transition Process/Installation</b>          * Criteria for successor performance          * Bridge manager interim</p>	<p><b>Successor</b>          * Personal &amp; financial investment</p>	
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In conducting this paper I examined variables presented by Le Breton-Miller et al. (2004) to see how they were connected to functional (management, leadership, implementation of succession, daily business actions etc.), legal-economic (governance, transfer of capital, family council and meetings etc.) and psychological (relationships, openness, respect, motivation, etc) dimensions (tables 1, 2 & 3). Table 1 describes those variables which were the most mentioned in the literature; table 2 describes the least mentioned. The variables mentioned in table 3 are variables of succession I have studied myself and which I found to be of importance for the whole of FOB succession. These variables have, as far as I know, not been researched earlier.

First of all, it can be seen in table 3 that the psychological dimension of FOB succession is not totally forgotten in research and that it exists in FOB literature but only from the viewpoint of the incumbent/predecessor, successor and family (e.g. Kets de Vries 1996; Miller, Steier, & Le Breton-Miller 2006; Handler 1991; Davis & Harveston 1998). But it has to be remembered, that successful business requires also personnel, clients and stakeholders. Of course, it is perhaps impossible to present a complete list of all variables that exist during FOB succession, but it is anyway already possible to notice that quite a large proportion of the phenomena during FOB succession has been left out of research and the literature.

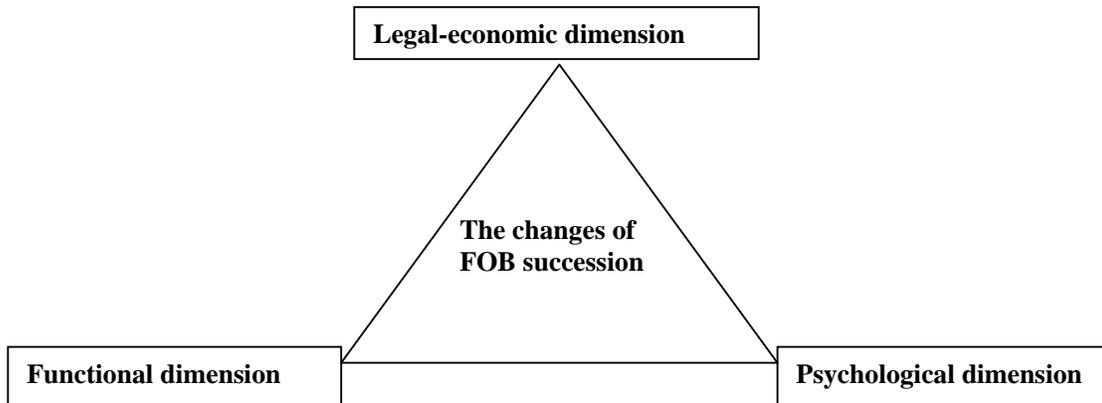


FIGURE 1 Three FOB successions dimensions of changes

During the implementation in FOB succession all these functional, legal-economic and psychological dimensions exist at the same time and have connections to each other. These connections will be presented as a model at the end of this article. Up until now variables have been presented which already hold interest for researchers of FOB succession. Table 5 highlights some variables which as of yet have not gained much interest in FOB succession research

or literature. So far it is apparent that in FOB succession there are clear dimensions (functional, legal-economic and psychological) of changes. On that basis it is possible to form figure 1.

So, it is possible to conclude that there can be found some interest in the psychological dimension in the literature, especially from the viewpoint of predecessors and successors. At the same time, it looks as though it has very rarely been the main interest of research and has in fact disregarded e.g. experiences of nonfamily employees and other stakeholders.

TABLE 3 e.g. the following psychological variables have not been studied earlier in FOB succession

<b><i>Workers</i></b>	<b><i>Clients</i></b>	<b><i>Stakeholders</i></b>
* Adaptation to new situation in FOB Effects of organisational change on: ** Psychological ownership ** Work well-being ** Adaptation to new actors in company ** Adaptation to changes in daily actions	* Adaptation to new persons at the head of the company * Adaptation to changes in business actions and daily processes	* Adaptation to new persons at the head of the company * Adaptation to changes in business actions and daily processes

In recent FOB succession research and literature there has been very strong interest in the implementation and transference of leadership and management from predecessor(s) to successor(s). Thus, it is quite obvious that in such research and literature the psychological dimensions and variables are discussed along with the main interest. In addition, the vision that FOB succession is a process, which happens delicately over a long time period, and has a certain kind of start and end, has so far oriented the research toward the contexts of the predecessor(s), successor(s) and family. In the next chapter, different groups of people are presented which are connected more or less to FOB and the implementation of its succession.

### 3 PARTICIPANTS AND THEIR POSITION IN FOB SUCCESSION

As presented in figure 2, there are many more than just the predecessor(s), successor(s) and owning family members involved in the succession of FOB. Of course, these individuals, who are active family members in the business, are at the heart of FOB succession (figure 2.). But quite close to these family members are groups of people, workers and suppliers, etc. stakeholders, which act actively in the daily business of FOB and cooperate with the core participants of FOB succession. This group of people are forced to face all the changes which FOB succession brings. These groups, along with the family members form the group of people who participate actively in the daily actions of the FOB.

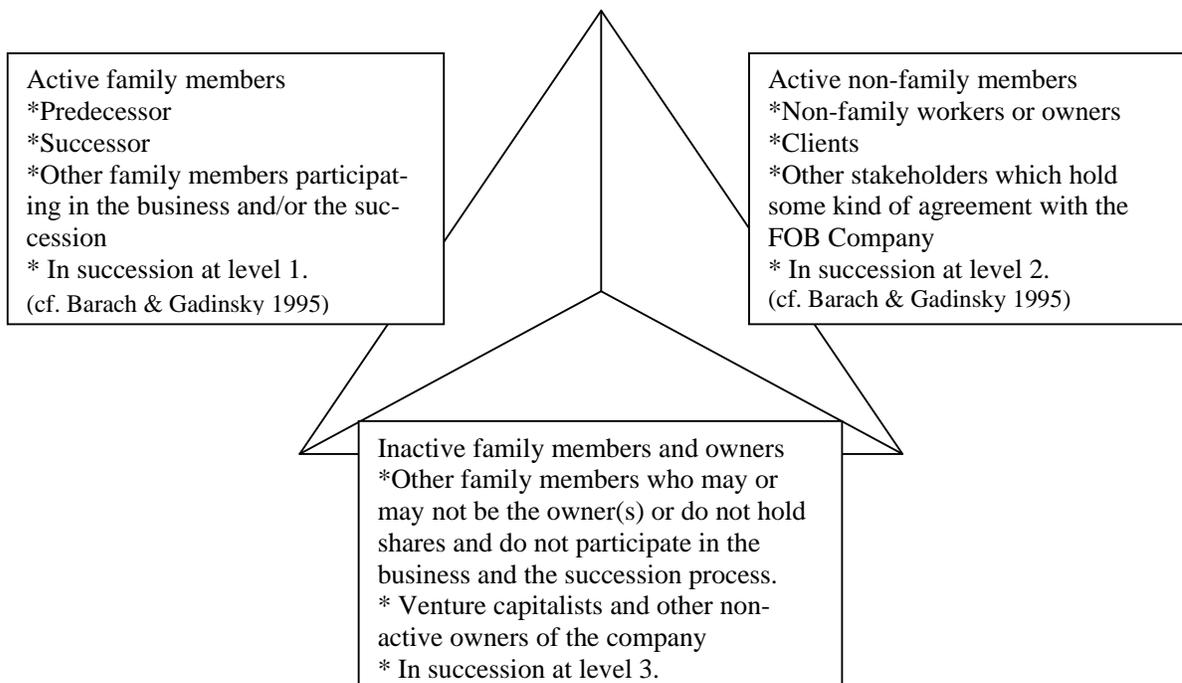


FIGURE 2 Participants in the FOB succession

The third group of people is that of the inactive family members and owners. Individuals connected to the enterprise can within time move between the levels. For instance, the predecessor(s) is in the beginning at the heart of all the action (see figures 2 and 3). Usually, the succession process begins from the intentional or unintentional thoughts of the predecessor(s) regarding the possibility of a succession (Dyer & Handler 1994, 77).

However, during the time the predecessor(s) should be able to release and leave the FOB to the successor(s) (e.g. Dyck et al. 2002). The predecessor(s) stays out of the daily actions of the FOB and their presence at the company decreases. In contrast, the potential successor(s) is not at the heart of the actions in the beginning (e.g. Handler 1990 & 1991). But over a period of time the successor(s) moves into the heart of the succession. The successor(s) has to be able to take over the control and ownership of the FOB. Everyone in connection with the FOB has to face the changes the succession brings. At the very least, the owner, the person in charge, changes. Usually, succession can bring along many more changes, like changes to business strategy, daily actions, arrangement in the personnel etc.

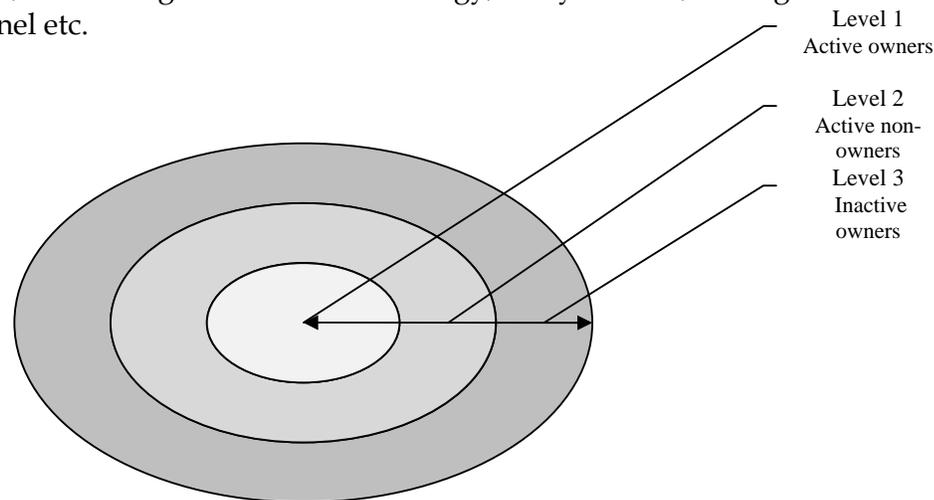


FIGURE 3 Levels of FOB succession and participants positioning (cf. Barach & Gadsinsky 1995)

Family business research and literature has concentrated on the core circle of participants of FOB succession. Naturally, they are present very actively in all dimensions of succession: functional, legal-economical and psychological. It is understandable that the farther we move away from the core circle the more FOB succession belongs to the psychological dimension. The people attached to the FOB, clients, workers and stakeholders, are not anymore sole bystanders of FOB succession. They are those who are forced to face all the effects of the changes which succession and its functional and legal-economic dimensions bring.

Like shown earlier, other participants have not been examined in FOB succession literature. However, e.g. in Le Breton-Miller et al.'s (2004) paper these groups of people appear on their lists of variables. Mostly, these groups of people are situated at levels two and three (see figure 3). Up until now, this arti-

cle has studied the topic from the viewpoint of family business and its literature. In the next chapter, the management and psychological literature will be looked at to point out the reasons for why the psychological dimension of FOB succession is important and what connection it has to the other two dimensions. This will be done by studying the phenomenon of trust, because trust can be at the same time many things: a dyadic, interpersonal and organisational, and impersonal phenomenon. Trust is highly important at the moment of change because it affects people's consideration of how they will act with a partner or which kind of cooperation they will have with them in the future. In the next two chapters, trust will be presented generally as an organisational phenomenon and it will be shown what kind of connection it has to FOB succession.

## 4 TRUST AS A PSYCHOLOGICAL EFFECT IN ORGANISATIONS

In FOB succession different groups of people are forced to rebuild their relationship and sense of trust. From the viewpoint of employees, it seems that the longer the employee has worked in the job the higher the level of trust s/he has towards the supervisor (Costigan, Ilter, & Berman 1998). Similarly, it can be presumed that the longer a client or stakeholder has cooperated with the predecessor(s) the more s/he trusts him or her. Good (1988) states this is so because trust is based on expectation of how another person will behave based on that person's current and previous implicit and explicit claims. In work organisations trust is not a necessary condition for cooperation to occur because cooperation does not necessarily put either part of it at risk. This kind of situation can occur for instance between a very powerful manager and employee (Mabey, Salaman & Storey 2000). But e.g. practice of empowerment in self-managed teams has shown to require that management entrusts the work force with responsibility and authority (Costigan et al. 1998).

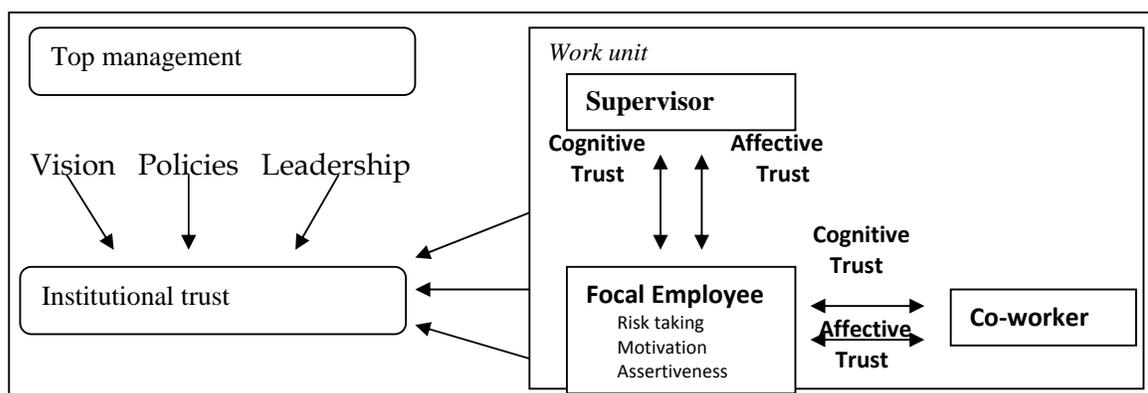


FIGURE 4 A multi-dimensional perspective of trust in organisations (cf. Costigan, Ilter, & Berman 1998, 305).

On the other hand, empowered employees express trust in managers and in co-workers by accepting additional elements of their work roles. Trust within an organisation is no insignificant matter, because e.g. trust in the leader's reliabil-

ity has been shown to be critical in terms of offering the support needed for the reception of new ideas and innovations (Ellonen, Blomqvist, & Puumalainen 2008).

Changes in an organisation are often perceived by individuals as threatening, requiring careful implementation so as to avoid mistrust combined with vulnerability and loss of security and wellbeing (Mabey et al. 2000). In FOB succession the changes in the head persons forces every person connected to the FOB to build relationships with the new leader (as interpersonal trust) and sometimes with the FOB company (as impersonal trust) (Costigan et al. 1998; Sundaramurthy 2008). Trust in organisations is connected to both interpersonal and impersonal types of trust. Interpersonal trust is divided into two dimensions: lateral trust, which means trust between employees or individuals at the same level, and vertical trust which in contrast means trust between employees and leaders (Costigan et al. 1998) (see figure 4).

Organisational trust is defined as the positive expectations individuals have about the competence reliability and kindness of organisational members and the institutional trust within an organisation (Mayer, Davis, & Schoorman 1995). An organisational climate of trust enables employees to express their ideas and feelings, use each other as resources and learn together more freely (Costigan et al. 1998). Without trust people behave in a more self-protective way and use defensive postures which prevent learning. Interpersonal trust has two dimensions, cognitive-based and affect-based trust, and their relationship is a key for work place behaviour (McAllister 1995; Costigan et al. 1998; Good 1988). The cognitive side of trust is connected to the sensible decision to trust or to withhold trust of another part. There, decision to trust is based on good reasons, like responsibility, dependability, and competence, which indicate existence of trustworthiness in dyadic trust (Costigan et al. 1998).

Impersonal trust or i.e. institutional trust is employees trust in the organisation's manager and top management (Costigan et al. 1998). This trust is determined more by the efficiency and fairness of the organisational systems. Top management trust looks to depend partly on the extent to which the organisational system produces the trust. On the other hand, impersonal trust is grounded in the roles, systems and reputations from which conclusions are drawn about the trustworthiness of an individual (Ellonen et al. 2008). Further, impersonal trust requires that an individual believes the necessary impersonal structures are in place to allow one to act in anticipation of a successful future business. Impersonal trust can be divided into two forms (Costigan et al 1998; Ellonen et al. 2008). First, into situational normality, where beliefs stem from the appearance that things are normal and customary or that everything seems to be in its proper order. And, secondly, to structural assurance, where belief grounds that success is likely because contextual conditions such as promises, contracts, regulation and guarantees are in place (Ellonen et al. 2008).

## 5 PSYCHOLOGICAL DIMENSION AND ITS EFFECT - RE-BUILDING THE TRUST

In conversations entrepreneurs often mention that in FOB succession one of first things to consider is the question of trust. The successor(s) has to be able to win the trust of the workers in the company, the trust of already existing clients, the trust of the predecessor and other family members (e.g. Lansberg & Astrachan 1994; Corbetta & Salvato 2004; Sundaramyrthy 2008), and the trust of other stakeholders. In FOB succession literature (e.g. Kets de Vries 1996, Le Breton-Miller et al. 2004; Dyer & Handler 1994; Steier 2001) it has been mentioned that there must be trust between the predecessor(s) and successor(s) and the predecessor(s) should be able to trust the competences and ability of the successor(s) (e.g. Handler & Kram 1988; Lansberg 1988). Trust in the future is important to predecessors from the viewpoint of a meaningful life after the succession. The predecessors should start to consider and plan early enough life after active daily work in a FOB business. (Kets de Vries 1996). In succession planning and implementation there is a need for trust from all participants (e.g. Davis & Tagiuri 1989; Handler 1990; Steier 2001) and ideally it should be open communication and trust, both within and across the family and firm's systems (e.g. Dyer 1986; Handler & Kram 1988; Royer, Simons, Boyd & Rafferty 2008).

FOB succession literature and research has presented ideas and models of effective succession (e.g. Morris, Williams & Nel 1996; Dyck et al. 2002, Le Breton-Miller et al. 2004). In these models, the planning and implementation of succession have concentrated on the predecessors, successors and family members and the relationships, trust, cooperation, understanding, respect and closeness between these participants. It is possible to limit examination to only the core participants of succession and to create from this base of core participants a functional and suitable model for an effective succession. It looks though that the base of core participants will be too limited however for a general model about an effective succession. Like presented earlier, FOB succession affects all persons attached to it, and not only the core participants like the predecessor(s), successor(s) or the members of the owning family. For instance, from the point of view of the workers and organisations we should take into account that trust

of the manager and leaders is based mostly on their decision outcomes instead of on direct observations (Costigan et al. 1998; Good 1988). In addition, the workers of a company observe the organisational processes to decide whether to trust their managers and leaders (Costigan et al. 1998). And further, it is important to notice that workers' trust in management and leadership is closely associated with overall work satisfaction (Driscoll 1978).

From the viewpoint of one individual worker within an organisation, dyadic trust with other workers is lateral and trust in his/her leaders and managers is vertical. Dyadic trust can be cognitive-based or affective-based (Costigan et al. 1998; McAllister 1995). Cognitive-based dyadic trust is associated with the rational decision to trust or not another (Lewis & Weigert 1985, McAllister 1995). The decision-making process to trust or not is based on good reasons, like responsibility, dependability, and competence (Lewis & Weigert 1995). All of these reasons need support of the presence of trustworthiness. On the contrary, dyadic trust of affective-base involves a deep emotional investment in a relationship and a large amount of care and concern for the trustee in such a relationship (Lewis & Weigert 1985; McAllister 1995). Deci, Connell, & Ryan (1989) found that an authoritarian and controlling leadership style leads to less initiative and self-determined employees. Whereas trust between the leader and employee, through a supportive leadership style, encourages motivation. Further, trust within an organisation increases workers assertiveness and communication of truthful, undistorted and confidential information (Davis, Allen & Hayes 2010). Also, sufficient trust makes it possible to communicate more straightforwardly and honestly and it encourages collaborative behaviour all-around (Mishra 1996).

When broadening the examination further, to include clients and stakeholders, they also have to rebuild their trust in the company going under succession. Clients and stakeholders have all created trust in the predecessor(s) and the company when the predecessor ran the company. Quite often, especially in small and medium sized companies, the founder(s) has a strong personality, which often has an effect on the client and stakeholder relationships (Kets de Vries 1996). In a successful FOB, the personality of the founder(s) must have been good and positive from the point of view of the cooperation with clients and stakeholders. It can be supposed that without a positive personality it would not be possible to perform successfully in business over the long term. Kets de Vries (1996) argues that a founder can sometimes be a difficult person with a narcissistic and workaholic personality and therefore from the viewpoint of the family be quite a troublesome person. Founder(s) have a need to control things, they need recognition but mostly they need to sense the trust. And for that sense of trust founder(s) want to do everything to succeed. From the viewpoint of the clients and other stakeholders, the founder(s) can be a trustful and great co-operator. Cooperation with the founder has been sensible and profitable for both sides, for the company and its clients and stakeholders. FOB succession is a threat to that cooperation, and the clients and stakeholders have to consider whether it is worthwhile to carry on cooperation with the successor(s).

From the viewpoint of the stakeholders, as well as of the clients, trust in the predecessor or founder is willingness to take risks while trusting behaviour (involves the assumption of risk) is a consequence of this willingness (Mayer et al. 1995). A deep dyadic relationship creates an atmosphere where it is possible to encourage risk-taking.

## 6 KEY PSYCHOLOGICAL PHENOMENA

As presented above, the rebuilding of trust requires from each individual connected to the FOB a certain kind of psychological work. Next will be presented three of the key psychological phenomena which affect the development the trust, i.e. acceptance, adaptation and commitment. These phenomena are always present while changes of succession take place during its implementation.

*Acceptance.* Hayes et al. (1999) have put forward the idea that psychological acceptance (also called acceptance) points to the willingness to experience thoughts, feelings, and psychological emotions, especially those which are negatively evaluated (e.g. fear, uncertainty) without having to avoid them, or let them determine one's actions. When people accept these internal events, they are able more effectively to use their energies, before giving in to resignation, avoidance, or control of these events, to act in a way that is congruent with their values and goals (c.f. Pieper, Klein & Jaskiewicz 2008). Acceptance involves the transfer of observational resources from controlling internal events to observing one's environment (Hayes et al. 1999). That means deciding on, and completion of the right course of action for goal achievement which practically means attention to requirements of task. (Donaldson-Feilder & Bond 2004).

Acceptance as a psychological phenomenon is connected very much with trust (c.f. Rotter 1967; Hayes et al 1999). Both of them are connected to a person's expectations about the future. Trust is connected to the expectation that another person's or group's promise, oral or written statement can be trusted (Rotter 1967) and acceptance refers to the willingness to experience events in the future. Both trust and acceptance rest on a person's capabilities to process psychological changes and face events (c.f. Kavanagh & Ashkanasy 2006). Some people more easily trust others and certain kinds of personalities, e.g. openness, amicability and emotional balance support the development of general trust (Rotter 1967). In contrast, acceptance rests on a person's age, tenure, education, and gender (e.g. Cordery, Barton, Mueller, & Parker 1991; Ellis & Child 1973; Iverson 1996).

Iverson (1996) found that the most important determinant of acceptance of organisational change was employee union membership i.e. union members

were found to be less accepting of change than non-union members. Furthermore, he mentions that in the literature there exists support for the conclusion that workers at a lower organisation level are less accepting of change than workers at higher levels. Cordery, Sevastos, Mueller, & Parker (1993) mentioned that education predicts a positive impact on the acceptance of organisational change so that with a higher education an employee has increased opportunities for skill utilisation.

In the literature there exists some propositions for how to support employees' acceptance in organisational change (e.g. Gagne, Koestner, & Zuckerman 2000; Kavanagh & Ashkanasy 2006). It is mentioned that e.g. participation, communication, and empathy can facilitate employee acceptance towards change (Gagne, Koestner, & Zuckerman 2000). Furthermore, they have found three factors to support employees' acceptance while organisational change is taking place. These factors were giving a rationale for doing a task, offering some choice about how to do the task, and acknowledging feelings about the task. While implementing organisational change, giving time for employees to handle changes looks to be good for both trust and acceptance (Kankainen 2007; Gagne, Koestner, & Zuckerman 2000). It is known that trust is not an on or off phenomenon but can vary along a scale (Ilmonen 2006; Kankainen 2007). Because of the quite high similarity between trust and acceptance it can be supposed that acceptance is also not an on or off phenomenon and it can also vary.

According to Mirvis (1985) it seems that employees' reactions to change pass through four different stages: (1) disbelief and denial, (2) anger, then rage and resentment, (3) emotional bargaining beginning with anger and ending with depression, and finally (4) acceptance. So, practically speaking, the human acceptance process happens at the same time as the adaptation to the change.

**Adaptation.** Nikopolou & Steemers (2003) give abroad definition for the term adaptation where it is the gradual decrease of the organism's response to repeated exposure to a stimulus, involving all the actions that make it better suited to survive in such an environment. Piaget (1926 & 1930) links adaptation to cognitive psychology in that adaptation to the physical and social environment and its laws occurs when each individual develops the necessary forms of thought, which make it possible to survive in the world. So adaptation is an active psychological processing of the environment where the individual uses the previously-formed mental structures, schemes, editing and interpretation of the environment (Piaget 1926; Beck 1985; Snow, Corno & Jackson 1994).

Piaget (1930) defines it by saying that every fresh external influence exercised upon the mind of a person presupposes two complementary processes. On the one hand, the person adapts themselves to the object which exercises this influence and in this way there is formed a sort of schema related to the new object (e.g. Beck 1985; Snow, Corno & Jackson 1994). On the other hand, this adaptation implies that between the new and the old habits there is a certain continuity. Adaptation with flexibility is the key to organisational survival in a conflict situation (Silverthore 2005). Conflict often leads to change and change correspondingly leads to adaptation.

Adaptation as a process of the mind follows a certain pattern and is based on a person's perception about the environment or organisation (Piaget 1926; Beck 1985; Snow, Corno & Jackson 1994). Milliken, Dutton, & Beyer (1990) argue that adaptation to change in an organisation starts with a person's information scanning, when the person collects relevant observations about the change and events in the organisation's environment. Adaptation processing has some similarities with cognitive information processing (e.g. Beck 1985; Snow, Corno & Jackson 1994). The noticing of relevant information is based on the scanning of observations so that certain observations receive attention and in the person's mind a process starts to interpret the meanings of the observation (Piaget 1926; Beck 1985; Snow, Corno & Jackson 1994). Furthermore, the interpreting of observation and its combining to earlier interpretations leads to individual or organisational learning (Håkonsson et al. 2008a; Damasio et al. 1996; Jimmieson, Terry & Callan 2004).

The link between trust and adaption allows observations of action in an organisation (Puranam & Vanneste, 2009). As mentioned earlier, the workers of a company observe the organisational processes to decide whether to trust their managers and leaders (Costigan et al. 1998). Processing of trust is one kind of adaptation process where a person makes mental notes of other people's behaviour and communication. Through this process they decide how deeply it is possible to trust the other person(s).

**Commitment.** According to Porter, Steers & Mowday (1974), organisational commitment can be defined as meaning the strength of an individual's identification with and involvement in a particular organisation. This kind of commitment can be characterised with factors where an individual has a strong belief in acceptance of the organisation's goals and values, has a willingness to exert considerable effort on behalf of the organisation and has a definite desire to maintain within the organisational membership (c.f. Pieper, Klein & Jaskiewicz 2008; Eddleston, Chrisman, Steier & Chua 2010; Davis, Allen & Hayes 2010). Organisational commitment is considered to take on a mediating role in organisational change (Iverson 1996). Organisational commitment can increase employees' adaptation to changes and create a receptive atmosphere to change among employees (Stace and Dunphy 1991; Guest 1987). Furthermore, it looks as though employees who experience a high level of job security will likewise experience a high level of organisational commitment (Iverson 1996).

According to Iverson (1996), researchers generally agree that commitment can be described by two separate but related concepts i.e. attitudinal and behavioural commitment. Attitudinal commitment is referred to as affective organisational commitment, and represents the degree of loyalty an individual has for an organization, specifically, an individual's identification and involvement in the organization (Guest 1987). In contrast, behavioural commitment are those processes which individuals use to link themselves to an organisation and focuses on the actions of the individuals (Iverson 1996). Sharma & Irving (2005) have handled commitment from the viewpoint of the FOB successor. They have presented four different dimensions of commitment: affective as desire based,

normative as obligation based, calculative as opportunity based and imperative as needs based.

The attitudinal component of organisation commitment has been seen to be more applicable to HR policy formation (Iverson 1996; Guest 1987). Guest (1987) mentions that attitudinal based organisational commitment combined with work-related behavioural commitment will result in high employee satisfaction, high performance, longer tenure and willingness to accept change.

Trust and trustworthiness are key elements of organisational commitment (Wong & Sohal, 2002; Pearson & Marler 2010). When an individual promises to cooperate she or he is forced to consider the other person's trustworthiness and her or his own trustworthiness towards the other person. As was presented earlier, trust is not a matter of course and an on or off thing (e.g. Sako 1998, Kankainen 2007). It is possible to suppose that trust has an effect on how deep the cooperation with another person will be and the level of cooperation will be based on the level of trust. Furthermore, it is important to note that when implementing changes in an organisation the longer persons have cooperated together the deeper the trust between them will be (c.f. Costigan et al. 1998).

## 7 SYNTHESIS

As the synthesis of this paper, and what we already know about FOB succession, it has now been shown that in FOB succession there exists three clear dimensions: legal-economic including ownership and membership of organisation, functional and psychological (see tables 3 and 4). First of all it is possible that changes in the organisation caused by FOB succession can start from any of the three dimensions.

*P1. In FOB succession changes have effects on each dimension alone or the same change can have an effect on more than one dimension at the same time The start of change can happen from any of the dimensions.*

Further, it is possible to conclude that in FOB succession there are more participants than just predecessor(s), successor(s) and members of the owning family. These dimensions of changes touch more or less every group of participants. Although e.g. separate clients are not members of or own any part of a FOB, they have to get used to cooperating with the successor(s) and sometimes business actions are based on agreements. On the basis of the literature review it is known that organisational commitment is formed from both behavioural and attitudinal commitment (Iverson 1996; Guest 1987). The behavioural part is connected to people's actions in an organisation. People make observations of the happenings within their organisation and combine these observations with earlier experiences (Costigan et al 1998; Beck 1985; Iverson 1996; Guest 1987).

*P2. Furthermore, it can be supposed that an individual's behaviour within an organisation defines the organisation's functions where the individual's behaviour is based on the adaptation process based mixture of the individual's observations and earlier experiences.*

For example, when a child of a family wants to join FOB and start to run the company after the predecessor, that kind of decision is based on psychological consideration. To be able to act successfully in daily actions of FOB, the successor needs to adapt to the existing situation and actions within the company, i.e. between functional change and psychological change is *adaptation*. From the viewpoint of trust they have to trust their own talents and capabilities to carry

on the FOB (e.g. Ward 1987; Kets de Vries 1996; Miller et al 2006; Sundaramurthy 2008).

Correspondingly, on the basis of the literature we know that attitudinal commitment is connected to an individual's identification and involvement in the organisation (Iverson 1996). Attitudinal commitment further represents an individual's degree of loyalty to the organisation and people's attitudes have an effect on how and what they will accept (Guest 1987). Acceptance as a psychological phenomenon connects a person's expectations to the future so that a person is willing to experience events in the future and wants to fulfil the agreed changes (c.f. Kavanagh & Ashkanasy 2006). From the viewpoint of the workers, the change of manager (nomination of manager is legal-economic change) needs their acceptance. If a worker does not accept the manager as his/hers leader, s/he is not able to adapt to the functional changes which the nomination and new manager will bring to the FOB. For example, between legal-economic change and psychological change is *acceptance*.

*P3. People need to define their level of acceptance so as to commit legal-economic changes, show their loyalty for the organisation and how they will fulfil the agreed changes in the future.*

When the predecessor decides to give or sell shares of FOB to the successor, then functional change is transference of responsibility for the FOB and legal-economic change transference of shares. Both the predecessor and successor need to commit to the change; and so between functional change and legal-economic change is *commitment*. Correspondingly, if transference of the shares to the successor leads to functional changes, both the predecessor and successor need to commit all the functional changes which they have to do and e.g. the clients and stakeholders have to accept that change.

*P4. Commitment includes at the same time attitudinal and behavioural elements.*

Sharma & Irving (2005) argue that an individual with a high level of affective commitment to an organisation displays a strong belief in acceptance of and an enthusiasm about the organisation's goals. Furthermore, they say that such individuals show a strong desire to contribute to these goals, as there is an observation of alignment between organisational and individual goals. Correspondingly that kind of alignment leads to a belief that the career goals of an individual can be satisfied in the context of the organisation.

As mentioned earlier, acceptance as a psychological phenomenon is very similar to the phenomenon of trust (c.f. Rotter 1967; Hayes et al 1999). Both of them are connected to a person's expectations about the future. Trust is based on the expectation of how another person will behave based on that person's current and previous implicit and explicit claims and acceptance refers to the willingness to experience events in the future.

*P5. Acceptance as a psychological phenomenon has, in the same way as trust, a certain scale of variation instead of simply either yes or no. It can be supposed that the level of acceptance has an influence on adaptation and how strong commitment will develop.*

We know that development of trust takes time (Sako 1998). As well it has been defined that people while deciding whether trust or not does it mostly by notifications of others behaviour at present or by earlier experiences (Costigan et al 1998). Furthermore, in the acceptance process presented by Mirvis (1985) it can be seen that even before acceptance employees have to handle emotions which are caused by received information about the change. On the basis of what is known in cognitive psychology we know that information handling needs processing where observations are compared with earlier experiences and memories (c.f. Piaget 1926 & 1930; Beck 1985; Snow, Corno & Jackson 1994).

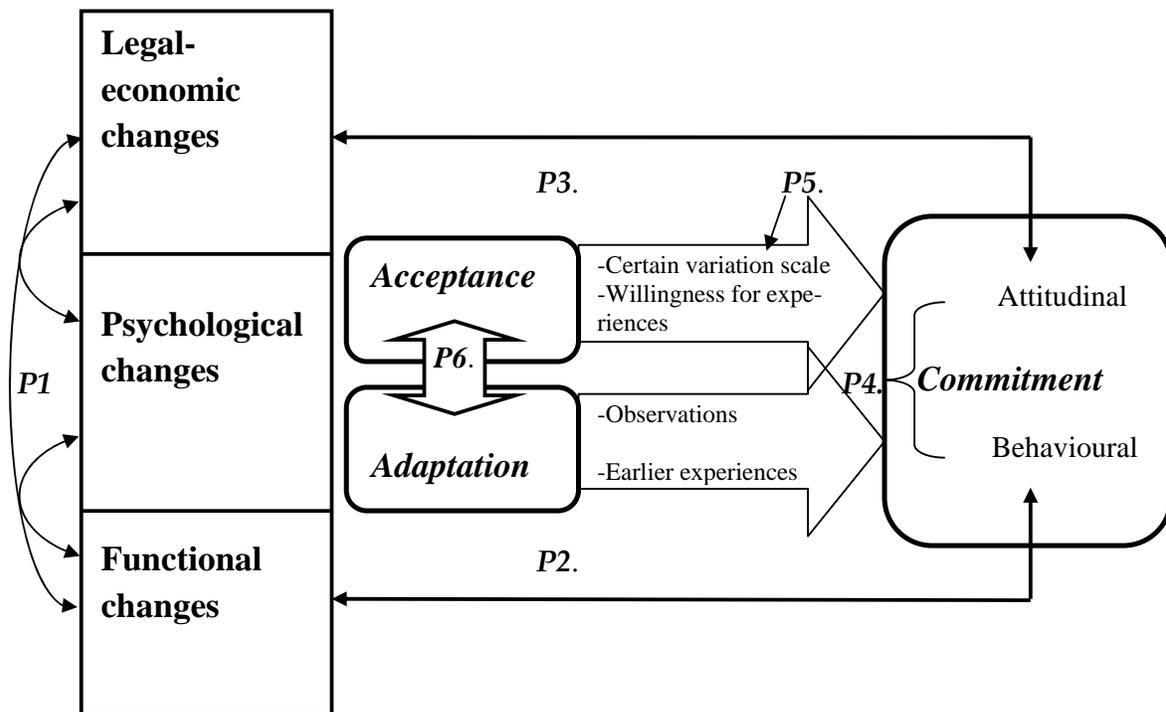


FIGURE 6 Connections between dimensions of changes and psychological process

*P6. Adaptation and acceptance form an ongoing and overlapping process, where the individual compares earlier experiences to made observations about actions and happenings in the organisation and both acceptance and adaptation have an influence on each other.*

The minimum change during FOB succession is the change of the owner and manager of the FOB. This adaptation needs support from positive observation about organisational changes. These positive observations are the same which define trust towards the organisation and its actors. In all the change, there is a rebuilding of trust present. Like presented above, change in an organisation

appears for people as being a threatening and challenging moment. Avoiding or a reduction of mistrust at the moment of change demands such behaviour which encourages trustful action during and after FOB succession (Mabey et al. 2000; Costigan et al. 1998; Lewis & Weigert 1985; McAllister 1995). From the viewpoint of effective succession and organisation it is very important to notice that people define trustfulness of an organisation more due to its processes and the outcomes of leaders and managers than due to given statements and information (Costigan et al. 1998). It is important for organisations that given information are consistent with implemented actions. On the other hand, the earlier presented ideas about effective succession (e.g. Dyck et al. 2002; Le Breton-Miller et al. 2004) can lead or mislead an organisation to accelerate the implementation of succession which may lead to individuals not having enough time to rebuild their trust towards the FOB or the successor(s).

## 8 CONCLUSION

In conclusion, this article has clearly presented dimensions of FOB succession which already exist in FOB literature, but certain ones have been focused on. As has been shown earlier in this article, e.g. changes in the legal-economic dimension require psychological acceptance of the participants. Agreements, selection of board members, selling and the buying of shares, all need acceptance. Every new member of the organisation becomes accepted by others when joining the group. Accepting requires trust while undertaking an agreement, as both sides need to trust the other party. To be able to adapt to something a person has to be able to trust the target of adaptation, whether it is the membership within an organisation or a new way of doing some daily task.

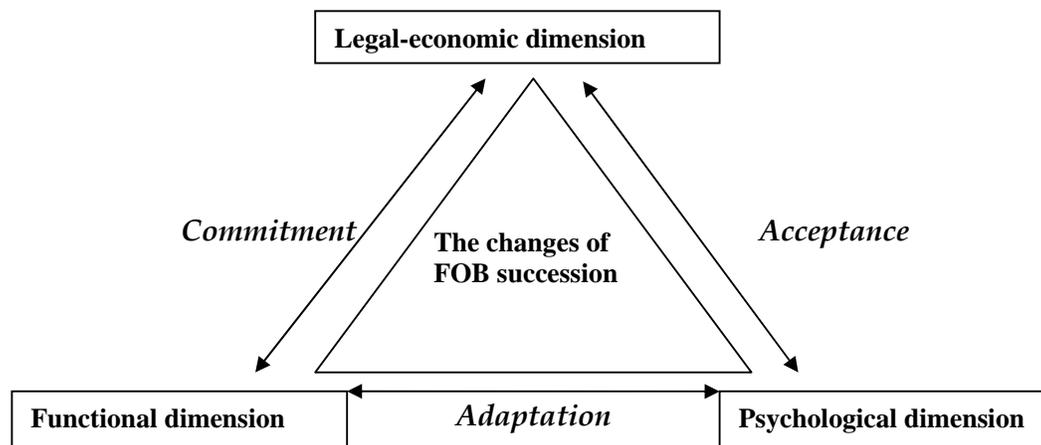


FIGURE 7 Acceptance, Adaptation and Commitment (AAC) model

In an organisation, a family or a team people want trustworthy members around them; and it is inconvenient to cooperate with people who are known to be untrustworthy. The legal-economic dimension connected to the functional dimension means a need for commitment. Every member within a group or team, regardless of the level of organisation, has to commit to already taken decisions and individual tasks to perform. As a result now can be defined as the Acceptance, Adaptation and Commitment (AAC) model, in which the dimen-

sion of changes has certain psychological phenomena to connect them to one another.

In the presented AAC model, attitudinal commitment can be linked to the legal-economic dimension and acceptance due to its connection to individuals' identification and involvement in their organisation. In comparison, behavioural commitment is linked more to the functional dimension and adaptation due to its focus on the actions and behaviour of individuals within their organisation.

McCauley & Kuhnert (1992) presented the idea that workers' trust in the leader of an organisation should be appended with commitment as an organisational variable. Further, they found that workers observe their conditions and what takes place in their work environment to make a decision on the degree of trust they will afford the management; and every positive action such as professional development programmes can be seen as increasing workers' commitment to the organisation. And it is obvious, that in the same way as the workers, the clients, stakeholders and family members, are all individuals who make observations to assess the amount of trust they have in the management and the success of the FOB during and after succession.

In the future, researcher, FOB managers and consultants should take into account as well more the outer circles of participants, because success in business is a result of cooperation of different people around and in the company. From the viewpoint of the success of FOB, it is clear that clients are at least as an important group of people as any others involved in the business actions. Commitment with dyadic and organisational trust is one of the key elements for the continuance of any company. Steier (2004) mentions that the character of FOB is not always trust facilitating. In particular, it appears that the relationships between different generations are especially challenging (Drozdow & Carroll 1997). Steier (2004) highlights that reliance on trust as a governance mechanism of FOB brings along e.g. strategic advantages. But in the long run FOB looks to lose the governance advantage because later generations are involved much more, and not close family members, and that increases the risk of mistrust between family members and those who act in the daily business of FOB (Drozdow & Carroll 1997; Steier 2004; Pieper, Klein & Jaskiewicz 2008). From the viewpoint of employees or other stakeholders mistrust or arguments between owning family members do not encourage trust or good and constructive cooperation.

This article has presented the new AAC model, which outlines all (functional, legal-economic and psychological) dimensions of changes and shows how all three dimensions are connected to one another. The model (figure 7) has been built on a literature review of articles from the scientific fields of family business, management and psychology. And due to the wide and diverse fields covered in the literature review this article gives a well-formed and truthful picture of the dimensions of FOB succession and their relations. Of course, this article is the first step for the AAC model and it needs to be tested in future research. Dimensions and psychological phenomena can be tested with Pear-

son's correlation and the internal reliability of dimensions and psychological phenomena with Cronbach's alpha. The AAC model presented here is offered now as a stimulus for new thinking for families, their service providers and researchers in the field of FOB succession.

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