

**All generations on board!**  
**The board as a succession arena**

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**Abstract**

Succession in family firms is a crucial event, since it concerns the continuity of the firm as a family firm. The succession process starts with the introduction of the successor and ends with the withdrawal of the predecessor. The literature indicates that the board of directors can have a role in both the introduction and withdrawal phases, but this role has scarcely been researched. As the board is an intermediary between the family and the firm, and often consists of family members, it can be a means of managing family generations through the succession process. This paper aims to investigate the role of the board in the succession process, assuming that the board can be used as an arena in this process. In addition to having governance functions over the firm, the board can have a function directed at the family instead of the firm, related to the succession of family generations. More specifically, the board can provide support in the process of introducing the next generation of family members to the firm, and can engage the previous generation that is about to leave direct operations. This article contributes to the field by identifying the board as a tool in the succession process that can be used by the family for several purposes, depending on the family's intentions.

**Keywords:** board functions, board of directors, family firm, succession, succession arena

## Introduction

Succession is a fundamental process in family firms, since it is through succession that a firm manifests itself as a family firm (Gilding, Gregory, & Cosson, 2015). The process of succession consists of several steps, from the introduction of the next generation to the withdrawal of the former generation (Cadieux, 2007), and includes the training of the next generation (Cabrera-Suárez, 2005). One way of introducing the next generation to the firm is through summer jobs at young ages (Churchill & Hatten, 1997); later, the next generation can take on the role of full-time employees who can advance in position (Cater & Justis, 2009). Furthermore, family councils, and family gatherings can be arenas in the succession process (cf. Gilding, 2000; Suess, 2014; Umans, Lybaert, Steijvers, & Voordeckers, 2018). Another arena is the board of directors, in which the next generation can be included to learn about the firm (Corbetta & Tomaselli, 1996; Ikäheimonen, 2014; Meier & Schier, 2016) and the previous generation can be retained and kept informed (Ahrens, Uhlaner, Woywode, & Zybura, 2018; Cadieux, 2007).

Although succession is a well-researched topic within the family firm literature (Gilding et al., 2015), the board's role as a succession arena that includes the next and previous generations is barely addressed. Instead, attention is directed at the different roles held by actors during different stages of the succession process (Ahrens et al., 2018; Cadieux, 2007), for example, and at the organization and governance of the succession process (Michel & Kammerlander, 2015; Umans et al., 2018). Similarly, succession is rarely researched within the family firm board literature, which rather focuses on the monitoring and service functions of the board (e.g. Bammens, Voordeckers, & van Gils, 2008, 2011; Siebels & zu Knyphausen-Aufseß, 2012). Such functions can be categorized as business-related governance functions, although a family firm consists of both business and family spheres (cf. Basco & Perez Rodriguez, 2009). This article conceptualizes the board as an arena in which the process of succession is played out – a perspective that offers an enhanced view of the board's role in focusing not only on business-related functions, but also on family-oriented functions related to succession. In relation to the succession literature, a focus on the board of directors can provide a more comprehensive picture of where and how the succession process can take place.

The aim of this article is to investigate the role of the board as an arena for the succession process, which occurs due to the presence of different generations on the board. To fulfil this aim, the literature on succession and boards is brought together, and then empirically developed and evaluated.

This article's contribution lies in conceptualizing the board as an arena in which more than just governance functions aimed at the firm can be executed. The board can also be an arena for handling family continuity within the firm in the succession process. This view contrasts with the board literature focusing on business-related functions, although the family firm does consist of both business and family spheres (cf. Basco & Perez Rodriguez, 2009).

The article is structured as follows. In the theoretical framework, the succession process is described, along with the board's role in it. The relevant literature is then combined in order to identify the board's role in the succession process. The methods section describes how the empirical research was conducted through case studies. In the findings section, three different board activities related to succession are presented, resulting in a suggestion of the board's succession-related function. The paper ends with discussion and conclusions.

## **Theoretical Framework**

### **The Succession Process**

Succession is a critical event in family firms, since many family firms do not survive from one generation to the next (De Massis, Chua, & Chrisman, 2008); in other words, for many family firms, succession is unsuccessful (Miller, Steier, & Le Breton-Miller, 2003). Succession is suggested to consist of two parts: succession of ownership and succession of leadership (Le Breton-Miller, Miller, & Steier, 2004). Research does not always consider both parts of succession, and sometimes refers only to leadership succession (e.g. Handler, 1994; Nordqvist, Wennberg, Bau', & Hellerstedt, 2013; Tatoglu, Kula, & Glaister, 2008).

Succession is a process with different steps or activities (Bracci & Vagnoni, 2011; Cabrera-Suárez, 2005; Handler, 1994; Sharma, Chrisman, & Chua, 2003). For example, Cadieux (2007) refers to the four stages of initiation, integration, joint reign, and withdrawal. The training or socialization of the next generation is an important aspect of the succession process, and includes transfer of knowledge, exposure to the business, working experience, socialization, and learning of management skills (Bracci & Vagnoni, 2011; Cabrera-Suárez, 2005; Le Breton-Miller et al., 2004; Wang, Watkins, Harris, & Spicer, 2004). Choosing successors from the family allows family firms to develop a long-term plan for training (cf. Fiegener, Brown, Prince, & File, 1994). Successor development can start early, when the successor is a child, for example by having the potential successor work in the firm during vacations, and can continue after the successor has joined the firm (Churchill & Hatten, 1997). Cater and Justis (2009) describe how a successor can first enter as an employee, then become a low manager, subsequently rise to top manager and,

finally, reach the role of owner/manager. In other words, the firm can be an arena for the succession process.

Family councils or family gatherings can also be arenas that involve the next generation (cf. Gilding, 2000; Suess, 2014; Umans et al., 2018). Other stages in the successor development phase include university studies and gaining working experience in other firms (Cabrera-Suárez, 2005). In addition, Meier and Schier (2016) describe how board membership can be a way to introduce the next generation to the firm, making the board yet another succession arena. Succession concerns not only the next generation, but also the previous generation that is about to leave the firm (Cadieux, 2007). Leaving the firm's operations is not always easy, due to high attachment to the firm (Umans et al., 2018). A transitional role within the firm has been suggested, and the previous generation developing new interests outside the firm are considered to be important in order for the succession to be successful (Le Breton-Miller et al., 2004).

According to Cadieux (2007), the previous generation does not always leave the firm, but may, for example, continue to supervise strategic decision-making, provide advice or remain a director of the board. Previous generation involvement after succession can either have positive aspects, such as mentoring the successor or solving conflicts within top management, or negative aspects, such as resistance to change or restriction of the successor's discretion (Ahrens et al., 2018). Participating in the board, family councils or family gatherings can also be a way for the previous generation to retain a connection to the firm and receive information (cf. Gilding, 2000; Suess, 2014; Umans et al., 2018). Cadieux (2007) reported that previous generations could also handle employees' well-being and direct the values of the firm. Lastly, the preceding generation can be included in the board as part of the succession process (Cadieux, 2007; Meier & Schier, 2016).

Overall, literature on the board's role in the succession process is scarce, and the board is only mentioned by a few researchers as an arena for both next and previous generations. The next section discusses the existing literature on boards in family firms.

### **The Board as an Arena for the Succession Process**

The board's primary functions are argued to be monitoring and service; for example, the board selects and evaluates the CEO, provides advice and counsel, considers the shareholders' interests, reduces agency costs, takes part in forming firm strategy, and monitors management (Zahra & Pearce, 1989). In a family firm, the board's role in the succession process is part of the consideration of the shareholders' interests. More specifically, in a family firm, the majority of

shares are held by a family (Westhead & Cowling, 1998), and there is usually the desire to continue to be a family firm, hence an aspiration for succession (cf. Chua, Chrisman, & Sharma, 1999). If the family shareholders desire a generational transfer, the board is a logical actor in the succession process, as it is responsible for considering the shareholders' interests.

The board functions that are usually researched in the family business area are monitoring and service (e.g. Bammens et al., 2008, 2011; Vandebeek, Voordeckers, Lambrechts, & Huybrechts, 2016). These functions are typically operationalized, as in mainstream board research (e.g. Corten, Steijvers, & Lybaert, 2017; Deman, Jorissen, & Laveren, 2018; Lohe & Calabrò, 2017; Mustakallio, Autio, & Zahra, 2002; van den Heuvel, van Gils, & Voordeckers, 2006; Zattoni, Gnan, & Huse, 2015). While succession planning has been proposed as something that the board can engage in (Corbetta & Tomaselli, 1996), the topic has scarcely been researched. An exception is the work of van den Heuvel et al. (2006), which reports the solving of succession issues as being part of the control function of the board, while Basco and Perez Rodriguez (2009) include succession planning and the selection of family members to enter the firm as being within the board's functions. The board functions that are usually researched can be considered to be the core functions of the board, from a research perspective. Additional board functions such as succession planning may be considered as more peripheral functions. However, being peripheral does not mean that such functions are less important, depending on the circumstances; rather, they are not recognized as something that a board should do to the same extent as the monitoring and service functions.

Moreover, the board of directors can play a role in the succession process through including the younger generation in the family (Corbetta & Tomaselli, 1996). Taking part in board meetings can be a way for the next generation to gain leadership skills and learn about the firm (Ikäheimonen, 2014; Mazzola, Marchisio, & Astrachan, 2006; Tomaselli, 2001). Furthermore, the board can have formal and informal meetings with family members who are not working in the firm, in order to inform them about the business (Tomaselli, 2001). In addition, previous generations can be included in the board in an advisory position (Ahrens et al., 2018).

### **Discerning a Board Function Related to Succession**

After examining the board's role in the succession process in the succession and board literature, it is possible to identify different board activities in the succession process. For the next generation, board membership or participation in board meetings can be a way to be introduced to the firm, learn about the business, be trained, and gain leadership skills (Corbetta & Tomaselli, 1996; Ikäheimonen, 2014; Mazzola et al., 2006; Meier & Schier, 2016; Tomaselli,

2001). Furthermore, board inclusion can be a way to introduce possible successors to the firm, while simultaneously introducing the firm to possible successors (Ikäheimonen, 2014).

Turning to the previous generation, these family members can contribute with advice through being directors (Ahrens et al., 2018), and directorship can be a way to maintain a connection to the firm (Cadieux, 2007). However, older family directors do not always contribute with advice and experience, as discussed by Thomas, Coleman, and Howieson (2007, p. 112), who report cases in which previous generations are not “very productive or have anything of value to add to board deliberations”. This might be a sign that the board is informing those family members about the firm rather than benefitting from their presence (Corbetta & Tomaselli, 1996). In such a case, the function of a board including older generations can then be compared with the board function of information dissemination, as discussed by Machold and Farquhar (2013), who describe the boards of non-family firms spending time on informing directors of various matters.

To summarize, several activities related to the succession process can be identified in the literature as a result of including next and previous generations as board members. This finding indicates that other board functions exist beyond those that are usually researched, which we denote as the board’s succession function, comprising different activities. In the findings section of this article, the suggestions from the literature will be evaluated along with the empirical findings in an attempt to categorize the different activities related to the board’s involvement in the succession process as parts of the board’s so-called “succession function”. We now turn to the methodology of the article.

## **Method**

The purpose of this article is to investigate how the board of a family firm can act in the succession process by involving different generations as directors. This is done by defining the board’s role in the succession process as the board’s succession function. Since different purposes of the board of a family firm can be discerned in the literature, an exploratory approach is taken. For this purpose, case studies were considered to be an appropriate methodology.

### **Case Selection and Data Collection**

In this paper, four family firms are analysed in terms of different family generations’ board involvement in order to determine how the board is used in the succession process. The case firms were selected based on several criteria. First, they had to be family firms – in other words, owned by a family by more

than 50 percent and identified as family firms by the CEO or chairperson (Westhead & Cowling, 1998). Second, they had to include family members within the board in order to be relevant for the research question. Third, concerning board composition, variation between only family members and external directors was sought, since such variation could affect what boards do (cf. Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Data was gathered through interviews, annual reports, newspaper articles, and the firms' websites. More information about the case firms is provided in Table 1.

[Insert Table 1 about here]

A total of 27 interviews were performed at the case firms, 26 of which were recorded and thereafter transcribed. The total quantity of recorded interview time was 39 hours. The interviewed persons comprised family members and non-family members, managers and non-managers, owners and non-owners, board members and non-board members, and family members from different generations. Interviewing respondents in different positions made it possible for us to obtain an overview of the motives for board inclusion of different generations, and for the engagement of different generations in addition to the allocation of eventual directorships. All of the interviewed family members were involved in the case firms in different ways. After the case studies were conducted and transcribed, additional information was sought on the firm websites and in newspaper articles in order to complement the empirical data.

The family engagement in the case firms is summarized in Table 2, which lists the family members who were engaged in the firms at the time of the case studies. Table 2 describes the family members in terms of their generation and ownership status, as well as whether or not they are board members, chairpersons, CEOs, managers, and/or employed in the firm.

[Insert Table 2 about here]

Case descriptions of the four case firms can be found in Appendix 1. In the case descriptions, the firms are anonymized, including the individual family members. Some family members who were not engaged in the firms but are part of the owner families are mentioned in the text. Not all of the mentioned family members were interviewed. In addition to providing a description of the families, their firm, and the board engagements, we consider the manner in which the last generation was introduced to the firm and the engagement of the previous generation. The family's goals for the firm are also considered.

## **Data Analysis**

We began the data analysis by constructing case descriptions to obtain an overview of the material concerning family involvement and the role of the board (Miles, Huberman, & Saldaña, 2014). The interview transcripts were then coded for board activities and the purposes of having different generations present, in order to identify board functions related to different generations' involvement and expectations for the participation of different generations. The coding for the board's involvement in succession through the participation of different generations was based on a scarce pre-understanding, and could be categorized as inductive coding, in comparison with deductive coding (Miles et al., 2014). Events mentioning the next and previous generation were sought, the involvement of family members was mapped out, and the board's role in introducing the next generation and retaining the previous generation was identified. The data analysis was iterative, since the researcher went back and forth between theory and data a number of times (Miles et al., 2014); this resulted in the idea of the board's succession function consisting of different activities. Hence, the analysis proceeded in an abductive manner (Thornberg, 2012) in which the revisiting of the literature and empirical data helped to develop the three activities that make up the board's succession function.

In Appendix 2, the derivation of the board's succession function is demonstrated, with quotes from the interviews condensed into categories, which then are condensed into the activities making up the board's succession function. This way of working is inspired by grounded theory and, more specifically, by the methodology of identifying categories based on codes (e.g. Charmaz, 2006).

## **Findings: The Board as a Succession Arena**

The empirical data indicate that the board can be an arena for the succession process; more specifically, for handling the entrance of the next generation and the exit of the previous generation. The analysis of the empirical data, together with theoretical arguments, resulted in the identification of three different board activities for next and previous generations. Depending on whether the next or the previous generation is involved in an activity, it can have different meanings; in essence, however, the basis for an activity is the same regardless of whether it is the next or the previous generation participating.

The identified activities are as follows: first, appointment as a director, that is, being a board member; second, presence at board meetings, that is, being at meetings; and third, performance in board meetings, that is, being engaged in board meetings. To summarize, appointment of the next generation as directors



can symbolize continuity and commitment from the family, while engaging the next generation in the governance of the family firm. In a similar manner, having the previous generation as directors can symbolize continuity and commitment to the firm they have been governing, probably over a period of many years. Second, having the next generation present at board meetings can provide the next generation with information about the firm and its governance, so that they can learn from it. Similarly, the previous generation can be present at board meetings in order to receive information about the firm and teach the next generation about its governance. Third, evaluating the performance of the next generation at board meetings can lead to selecting the next successor. Evaluating the performance of the previous generation can also lead to selection, but here the family belongingness seems to be strong, as the case studies indicate that the previous generation can stay in the board for many years after leaving daily operations. This study suggests that these three activities together make up the board's succession function, meaning that the board can be an arena in the succession process. The different activities and their meaning when different generations participate are shown in Table 3.

[Insert Table 3 about here]

The succession taking place in the studied firms at the time of the case studies was management succession. In firms B, C, and D, the ownership was mainly in the hands of the generation leading the firm, while the next generation was on its way into the firm, or had entered the daily operations quite recently and was still learning about the firm's governance. However, it was acknowledged that these family generations are potential future owners; hence, ownership succession might take place in the future. It was only in Firm A that the next generation had been established in the firm for several years, both in managerial positions and as minor owners.

### **Appointment as a Director**

The next generation can be appointed as directors in order to awake an interest in and commitment to the firm. In Firm B, the owner Oliver expresses having included his children Martin and Hanna as deputy board members in order for them to "feel a certain responsibility". Before being appointed, Martin and Hanna had expressed interest in being engaged, and board membership was a way to introduce them by the "back door". Martin was also present in board meetings before being elected as a deputy board member, he tells us. In his position working in Firm B, Martin presents matters in board meetings, and participates in discussions about the business. However, Oliver says that his children are not active directors and that his daughter does not have to return home from the distant city where she is studying in order to participate. Hence,

appointment does not necessarily include participation in meetings, although the mere directorship can signal future involvement. Hence, future generations might not be included based on their present capacity to contribute, but rather based on their potential future capacity, along with their present or potential ownership and family status. One interpretation in Firm B is that the very appointment to deputy director is meant to awake the children's engagement. If the children want to, they can attend meetings in order to listen and learn, but they do not have to participate, Martin says.

Furthermore, board inclusion denotes a signal to employees and other stakeholders that the firm includes the next generation and thus can continue as a family firm. The CEO in Firm B suggests that the engagement of the next generation as employees is important for the other employees. If the next generation is not interested in the firm, the firm might be sold, and then several jobs could disappear. The CFO/personal manager and CEO tell us that they both wish for the children to take over the firm. As a step in that direction, Audrey says that she and the CEO participated in suggesting that the next generation be elected as alternate board members in order to engage them. Hence, the purpose of including Martin and Hanna as board members is to awake their engagement and for them to be introduced to and learn about the business. This purpose is supported by the young age of Hanna and Martin, who are both in their twenties and still studying (Hanna) or recently starting to work in the firm (Martin). Their appointment as directors is thus interpreted as a way of awaking their engagement in and commitment to the firm, while simultaneously signalling to employees and other stakeholders that the firm can continue as a family firm.

In a similar manner, the directorship of the previous generation can signal to employees and other stakeholders that the firm is a family firm that will keep its members in the board. It can also be seen as an honorary position. The directorship of the owner's mother in Firm B was referred to as such when she was a deputy director. This position can be based on what the previous generations contributed in the past, their ownership status, and their family status. In that sense, these persons might not be included as board members based on their present contribution. Similarly, the founder of Firm C is the chairperson of the board, even though Eve, who is a member of the second generation, performs the chairperson's duties. The founder is the chairperson on paper and participates since he enjoys it, one family member in the second generation says, although he might not contribute that much to the business anymore. Rather, he is present at the board because he is the founder of the firm and father of the next generation. In Firm D, the previous generation are directors because they are founders, own 20 percent each and are the parents of the next generation, the CEO says, although they do not contribute much to the governance of the firm. These observations indicate that the previous generation

can be included for reasons other than a contribution to governance. The presence of members of the older generation as directors who do not really contribute to board work has also been found by Thomas et al. (2007). An indication of the founders' symbolic meaning towards the employees in Firm D is that they are engaged in organizing meetings for retired employees and pay attention to employees' birthdays.

### **Presence at Board Meetings**

By being present at board meetings, the next generation can gain an understanding of the firm and board, learn about the firm, and be socialized into it. Socialization is part of gaining the leadership skills necessary to take over the firm (Cabrera-Suárez, 2005); according to Mazzola et al. (2006), board membership is a way to gain such skills. Gaining competence is indicated as a purpose of board participation by Martin in Firm B, since he says he is there to listen and learn. He further comments that, at board meetings, he reports on his responsibilities as an employee in the firm. This is interpreted as learning about and being socialized into the board and firm. In addition, Martin sometimes participates in top management team (TMT) meetings.

In Firm A, the board of directors is not seen as a way of introducing the next generation in the firm; instead, one of the family members says that the next generation was elected as a way of providing the board with industry knowledge (hence, presence at meetings was expected). However, board presence as an arena for gaining competence is partly noticed in Firm A, as the family CEO says that he uses the board to teach meeting skills to the third generation.

In Firm D, the inclusion of three individuals in the third generation working in the firm as co-opted members of the board was found on the firm's website after the case studies were conducted. The potential inclusion of the third generation in the board is mentioned in the interview with the CEO. At the time of the case studies, the interviewees express that one aim for the board is to have external directors who can bring knowledge that is not available among the other directors. The third generation cannot contribute to this aim, as the third generation has limited experience in other industries when entering as directors, whereas Ivy and Thomas of the third generation have some experience from working at Firm D. Max has a few more years of experience both within the firm and as a TMT member. This supports the interpretation of including the third generation as a way of teaching them their role as potential future owners. This view is present in the firm, since it was the CFO's argument to include Max in the TMT.

By being present at board meetings, the senior generation can receive information about the firm in order to stay updated, thus playing a passive role. This is similar to the information dissemination activities observed by Machold and Farquhar (2013), who reported that the board members were receiving information on the operations of the firm. In Firm C, Aaron describes how the second generation present their ideas at board meetings for him to check to determine whether they can pursue them, which is usually the case. Hence, the participation of the former generation means that the generation governing the firm has its decisions approved by the founder, while the founder is simultaneously informed about the plans of the next generation. In Firm D, the founders are board members, although they are not very active anymore. They are rather there to listen – in other words, to receive information. One of the respondents actually says that board meetings can sometimes take the form of informing the founders. The founders also give comments during the meetings, although they do not have enough knowledge about the business to contribute to board work, the respondents say. By these comments, the CEO means that the older generation has left the responsibility and decision-making to the second generation, even though they have their own viewpoints.

### **Performance in Board Meetings**

Observing the performance of members of the next generation in board meetings can be a way of evaluating them in order to see who is willing and able to assume different positions in the board and firm. Just as family members can learn the firm by being present at meetings, having the next generation perform and be active on the board can be a way for the firm to get to know the family members (Ikäheimonen, 2014) and evaluate the appropriateness of the potential successor. Although selection is part of the succession process (Sharma et al., 2003), it has not been empirically indicated in the case firms, possibly since none of the firms was in this stage. One can imagine that when Martin and Hanna in Firm B begin to be active on the board, the selection function can be activated in order to evaluate whether they can assume the responsibility of the family firm and, in that case, which positions they are suited for.

Similarly, evaluating the performance of the previous generation means that the board can be an arena for phasing out the previous generation from the firm and its governance. Theoretically, board inclusion can be a way to evaluate what members of the previous generation can contribute, in order to evaluate their directorship. In practice, however, the members of the previous generation stay on the board even though they might not be considered to contribute to board work. At one of the firms, the argument for their inclusion is that they are major owners, parents, and founders. At Firm A, the previous generation remained on

the board for life, while at Firm B, members remained until they were over 90; thus, the board's exit function might not exist in practice.

While selection based on performance in board meetings has not been empirically indicated, it was interpreted as partly desired in two case firms. However, since the individuals involved are family members, it was not considered possible in practice. Selection based on performance was theoretically derived and it is possible for it to exist, but it was not active when the case studies were conducted. This finding is supported by the recent inclusion of the next generation at Firms B and D. At Firm D, the inclusion was made after the case studies were conducted. At Firm B, the next generation does not have to participate in board meetings, even though Martin does so. It can be assumed that, when both the siblings work there, they will both participate, and that selection through an evaluation of their performance can then be activated.

## Discussion and Conclusions

### Discussion

This study suggests that the board can be used as a succession arena, as a tool in the succession process. The board can be used both to introduce the next generation to the firm and to retain the previous generation. The board can thus assume a succession function directed at the family in addition to the traditional governance functions directed at the firm. The activities (on the part of previous and next generations) within the board's succession function proposed in this paper are *appointment* as a director, *presence* at board meetings, and *performance* in board meetings. This paper suggests that the board's succession function is latent, and is activated when a member of an incoming generation is elected to the board, or when a member of an older generation is about to leave the daily operations of the firm, while remaining active in the board. The board's succession function is furthermore a peripheral board function from a research perspective, in comparison with the more traditionally researched governance functions, although it can still be at least as important as other functions within a family firm, since a successful succession is crucial for continuing to *be* a family firm. However, in order for the activities of receiving information and teaching/learning to occur at board meetings, and in order to be able to evaluate the performance of different generations at board meetings, the coexistence of the board's succession function with governance functions is necessary.

In including the next and previous generations of family members as board members, the board does not only act as an intermediary between the owner and firm, as stated in agency theory (Fama & Jensen, 1983); it also acts as an intermediary between the family generations, as the generations pass through

the board. In this way, the board is a way for the family to be engaged, making the board not only useful for the firm, but also useful for the family. Engagement on the part of the next generation can benefit the firm in the long run, if the engagement and introduction of the next generation is successful. Inclusion of the next generation on the board can be a way to facilitate family continuity within the firm, since such inclusion can foster engagement from the next generation. Indeed, succession within the family is crucial for family firms, since family ownership and/or management is in the very essence of a family firm. This proposal of a board's succession function in addition to its governance functions contrasts with family business research, which tends to consider business-related governance functions (e.g. Bammens et al., 2008; Zattoni et al., 2015), as the succession function is family-related. This paper shows the relevance of considering the family and functions directed at the family when researching the board of directors. It also contrasts with previous literature highlighting the capabilities of directors and what they can contribute (e.g. Hillman & Dalziel, 2003). In regard to next and previous generations, it is rather what they can contribute in the future or have contributed in the past that is of importance.

The literature suggests that family firm boards are largely composed of family members (Gomez-Mejia et al., 2011). One reason for this could be that the board is used not only as a means of governing the firm, but also as a way of governing the family by being a succession arena where generations are introduced, developed, and phased out. Including different family generations on the board for this reason automatically leads to a high level of family representation. A high level of family representation on the board is not considered beneficial from a governance perspective, however (Gomez-Mejia et al., 2011). Instead, outside directors are regarded as being better at fulfilling the board's governance functions. That perspective disregards the important succession functions of the family firm board, which are directed at the family. For the fulfilment of introducing the next generation and retaining the former generation, the involvement of family members is necessary. In that sense, a high level of family representation can be an indication of a family firm in generational transition. In such a situation, advice could be sought from external advisors who are not board members (Strike, 2012). Overall, board composition is a balance between business governance needs, such as advice from external directors, and family governance needs, such as the need to introduce the next generation. This suggestion indicates that the board can be used in a way that reflects the family's goals for the firm. If the family does not desire the board to be used as an arena in the succession process, the board's succession function might not be activated in a generational transfer.

## Theoretical Implications

In conceptualizing the board as a succession arena, the family character of the family firm is considered. This is not always the case in family business board research, in which board functions are conceptualized in a similar manner as in mainstream board research, with some exceptions (e.g. Basco & Perez Rodriguez, 2009). Instead, the board is activated as a succession arena in which both future and former generations can be included for reasons other than taking part in the board's governance functions. Succession is a practical problem, and this paper suggests that the board can be a tool to facilitate this process. The paper can thus help to improve our understanding of the succession process.

This paper further contributes to family business board research by suggesting board functions other than the traditional governance functions of monitoring and service (Bammens et al., 2008). When researching the boards in family firms, it is important to consider the purpose of the board with the participation of different directors in order to obtain a complete view of what board functions are fulfilled. This paper proposes that the board's succession function, which includes the activities of *appointment*, *presence*, and *performance* at board meetings, should be considered in board research, in addition to the board's governance functions. This suggestion allows the board to be regarded as a tool for the family; in its use, the family's goals for the firm and for the board must be considered, in addition to the current situation of the family and board. For example, which board functions are needed at this time, and where can they be situated? Is there a need to monitor or handle succession and, if so, in which arenas is it suitable to perform these functions?

The paper also contributes to the succession literature by conceptualizing the board as an arena for different phases in the succession process. In regard to the previous generation, the board can be involved in handling the withdrawal phase of succession (Cadieux, 2007), while simultaneously being used in regard to the new generation for the initiation and integration phases of the succession process (Cadieux, 2007). The scarce focus on the board in the succession literature means that parts of the introduction and integration of the next generation – the parts taking place in the board – might be overlooked. Similarly, the withdrawal phase of the previous generation might not be completely observed if the board is not considered as a succession arena. Therefore, it is suggested that succession literature should place more focus on the board of directors in order to capture its role in the succession process.

## **Practical Implications**

For external board members in family firms, it is important to keep in mind that family firm boards do not only serve the interest of the firm and the current owners, but also the interest of the family, including its younger and older members. In that way, the expectations between family firm owners and external board members can be aligned regarding board functions and board composition. Using the board as a succession arena can, for example, involve informing family members about the firm during board meetings; this might not align with the expectations of external directors, who would probably focus more on the board's governance functions.

Family firm owners who are considering stepping down from the business can be made aware that it is possible for them to leave daily operations but remain engaged through the board, and thus provide insight into the firm. In addition, family firm owners can include the next generation in the firm without employing them, in order to awake their interest in the firm and enable them to be familiarized with it. Including members of the next generation also offers the opportunity to evaluate them in order to select appropriate individuals for different positions. In other words, the family can consciously use the board as an arena for succession, in addition to or instead of other arenas, such as family councils or gatherings (cf. Gilding, 2000; Suess, 2014; Umans et al., 2018). The board as a succession arena can also complement on-the-job-training (cf. Cater & Justis, 2009) and be an opportunity for the next generation to learn the governance of family firms.

## **Limitations and Suggestions for Future Research**

One limitation of this study is that it is not longitudinal. Following the case firms over an extended period would make it possible to observe how the board's succession function is activated and whether the board's activity in governance functions changes. Also, the family expectations of successors and predecessors could be followed. Similarly, generational involvement for the purpose of succession in other arenas, such as the TMT and as employees, could be followed longitudinally in order to see how the future generation is introduced to the firm through different arenas. In the same manner, the former generation can be followed in different arenas to investigate how the board and other arenas for succession – such as the family council or employment in the firm – can complement each other, substitute for each other, and interact. The family council is not very common, according to Siebels and zu Knyphausen-Aufseß (2012). In that sense, the board is available as an arena in the succession process since is legally necessary in the context of this study. While this paper has focused on the board's role in the succession process, there may be interplay between the board and other arenas in the succession process. This identification



of the board as a succession arena enables future research to simultaneously consider several arenas in the succession process.

This paper has mainly treated the introduction of the next generation and the withdrawal of the previous generation. However, the succession process also contains the training and development of the next generation. The board's role in this process is an avenue for future research to explore. For example, it is possible that at some stage, outside directors are selected to the board in order to develop the next generation's competence for managing and governing the family firm.

It is possible that having the previous generation stay on the board after departing from daily operations may limit the freedom of the next generation; for example, the previous generation might try to influence the new management of the firm, causing conflict (Davis & Harveston, 1999). Such consequences of having the former generation on the board were not investigated in this paper, since they were outside of the scope of this study. However, investigation into that topic is recommended for future research. Similarly, the inclusion of next and previous generations could result in tensions in relation to external board members, if said external members do not consider the succession functions as something that the board should engage in, but rather prefer to focus on governance functions.

Another area of interest is the involvement of different generations in the different board functions. For example, the experience of the former generation can be a valuable resource to the board of directors (Ahrens et al., 2018). Similarly, the inclusion of the next generation of family members can provide fresh insights to the board, making the next generation a resource. In other words, the contributions of individual directors from different generations to the board's governance functions can be further investigated in future research. Similarly, if a board has not hitherto been engaged in the board's succession function and then is activated, it would be interesting to investigate whether and how the board's involvement in the governance functions change. It is possible that the involvement in governance functions does not change if new generations are included, as long as these persons are present at board meetings mostly to listen. Once the next generation has been present at meetings for a while, they might start to contribute to the governance functions, while the succession functions aimed at the next generation are gradually deactivated.

This paper has identified two situations in which the board can be used as a succession arena. First, such a role is dependent on the family life cycle – more specifically, on whether there are previous generations that have left or that are about to leave daily operations and whether there is a next generation to engage.

In addition, the intention to remain as a family firm is a precondition for a future generation to become engaged as board members in order to awaken an interest in the firm. This paper builds on a few case studies, so its results cannot be generalized; however, an interesting avenue for future research would be to investigate in another manner and potentially identify the antecedents to the board as a succession arena.

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**Table 1: Information on the Case Firms**

	<b>Firm A</b>	<b>Firm B</b>
<b>Number of Employees</b>	35	95
<b>Annual Turnover (million Euro)</b>	4.5	30
<b>Balance Sheet Total (million euro)</b>	3	20
<b>Firm Size</b>	Small	Medium
<b>Type of Business</b>	Manufacturing	Manufacturing and retail
<b>Firm and Succession History</b>	The founder took over a branch of the firm where he was employed when the firm in question was sold. This is considered as the start of being a family business. The second generation has since then taken over, and the third is also involved.	The firm was started about 100 years ago by the current owner's grandfather. His father eventually took over and during the 1980's his son, the current owner, bought the firm. The fourth generation is also engaged in the firm. The CEO is external, as was the CEO before.
<b>Strategy</b>	Slow growth, high quality products, local production, stay a family firm.	High-quality products, good service and knowledge, to offer products in different price ranges, remain locally located, no growth intentions, stay a family firm.
<b>Firm Age</b>	80 (40 as a family firm)	110
<b>Interviews</b>	5 (4 family members)	6 (2 family members)
<b>Interview Time</b>	7 hours 15 minutes	9 hours

	<b>Firm C</b>	<b>Firm D</b>
<b>Number of Employees</b>	60	450
<b>Annual Turnover (million euro)</b>	12	45
<b>Balance Sheet Total (million euro)</b>	6	18
<b>Firm Size</b>	Medium	Large
<b>Type of Business</b>	Manufacturing	Building and retail
<b>Firm and Succession History</b>	The firm was founded in a garage when the founder left his employment to start his own firm in the same business. Through a tough generational transfer, the firm is now managed by the second generation and owned by the first and second together. The third generation is also engaged.	The firm was started by a couple and is today run by their children. The first, second, and third generation are all engaged in different ways today. The firm has grown a lot, and has just passed the threshold to become a large firm, which has pressed the need for consolidation.
<b>Strategy</b>	No growth intentions, customer-adapted products, offer high quality and manufacturing when customers' orders are received. Unclear ownership intentions.	Continued expansion, gain control over the business, high quality products. Unclear ownership intentions.
<b>Firm Age</b>	40	40
<b>Interviews</b>	7 (5 family members)	9 (5 family members)
<b>Interview Time</b>	8 hours 15 minutes	14 hours 30 minutes

**Table 2: The Families in the Firms**

		Generation	Owner	Ownership Share	Board Member	Chair-person	CEO	Manager	Employee
Firm A	Anna	2	X	46 percent	X			X	X
	Henry	2	X	39 percent	X	X	X	X	X
	Joanna	2	X	< 1 percent				X	X
	Molly	3	X	5 percent	X			X	X
	Andrew	3	X	5 percent	X			X	X
	Steve	3	X	5 percent	X			X	X
Firm B	Oliver	3	X	100 percent	X	X			X
	Martin	4			X				X
	Julia	4			X				



		Generation	Owner	Ownership Share	Board Member	Chair- person	CEO	Manager	Employee
Firm C	Aaron	1	X	49 percent <sup>a</sup>	X	X			
	Catherine	1	X	49 percent <sup>b</sup>	X				
	Eve	2	X	13 percent	X			X	X
	Harry	2	X	13 percent	X		X	X	X
	James	2	X	25 percent	X			X	X
	Bob	3							X
Firm D	Mary	1	X	20 percent	X				
	Robert	1	X	20 percent	X				
	Parker	2	X	20 percent	X		X	X	X
	John	2	X	20 percent	X			X	X
	Matthew	2	X	20 percent	X			X	X
	Emily	2							X
	Ivy	3							X
	Max	3						X	X
	Thomas	3							X

<sup>a</sup> Together with Catherine

<sup>b</sup> Together with Aaron

**Table 3: Conceptualization of the Board's Succession Function**

	<b>Responsibility</b>	<b>Competence</b>	<b>Selection</b>
<b>Next generation</b>	<i>Symbolizing continuity and commitment</i>	<i>Receiving information and learning</i>	<i>Leading to selection</i>
	↑	↑	↑
	<i>Appointment as a director</i>	<i>Presence at board meetings</i>	<i>Performance at board meetings</i>
	↓	↓	↓
<b>Previous generation</b>	<i>Symbolizing continuity and commitment</i>	<i>Receiving information and teaching</i>	<i>Eventually leading to exit</i>
	<b>Symbol</b>	<b>Information</b>	<b>Exit</b>

## **Appendix 1**

### **Case Description of Firm A**

Firm A is a small manufacturing firm that is currently owned and managed by the second generation – by the two siblings Anna and Henry. Anna and Henry own 46 percent and 39 percent of the shares, respectively, while Henry's three children, Molly, Andrew, and Steve, own 5 percent each and Henry's wife, Joanna, owns less than 1 percent. All of these family members are employed in the firm and have management positions, while Henry is the CEO. All management positions except for one are held by family members. The members of the founding generation, Liam and Ella, are no longer alive. The third generation's partners are not engaged in the firm, but have other jobs. The children in the fourth generation are in elementary school (some are even younger), and visit the firm occasionally. Some of Henry and Anna's siblings were engaged earlier, but were bought out when they wanted to leave the firm. One niece has been working in the firm as a summer job. Anna's children are grown-up and are not interested in joining the firm, although they have been working there during the summers. The future of the firm lies in the hands of Henry's children in the third generation, says Anna, although there is no succession plan.

The board is composed of five of the family members engaged in the firm: Anna, Henry, Molly, Andrew, and Steve. Ten years ago, the board consisted of Henry, Anna, and their mother Ella. About a year after Ella passed away, the third generation members were elected as directors and became owners at around the same time. When entering the board, the third generation had already been working at the firm for several years, and hence knew the business and industry well. Before that, the siblings worked in the firm during the summers and then started as regular employees one by one after finishing their education. When they became directors, the siblings became more engaged in the firm and were expected to be present at TMT and board meetings. They gained a larger influence over pricing calculations, for example.

### **Case Description of Firm B**

Firm B is a medium-sized firm in the manufacturing and retail business that is currently owned by a member of the third generation, Oliver, with 100 percent ownership. The previous generation is no longer alive. Oliver is not active in the daily management of the firm, but runs side projects related to the firm's business. The management consists of two non-family members: the CEO Logan, and the CFO and personal manager Audrey, both of whom have been

working for several decades in the firm. Oliver participates in TMT meetings occasionally, as does his son, Martin. The fourth generation consists of the two siblings Martin and Hanna. Martin has been working in the firm for a few years and is responsible for one of the firm's core functions. Hanna will probably enter the business soon, but is currently studying (at the time of the case studies). The mother of Hanna and Martin is not active in the firm, nor are Oliver's sibling and his/her family.

The board is composed of Oliver, Logan, Audrey, and two external board members. Moreover, Martin and Hanna are deputy board members, with the addition of a former employee. Before Oliver's children joined the board, Oliver's mother was a deputy board member; however, she quit when she was over 90 years old. In addition to being deputy board members, the fourth generation is being introduced to the firm through occasional meetings with their father. When they were younger, Martin and Hanna worked in the firm during the summers and were given various tasks. Martin also worked at the firm for a while before starting to study. After finishing his education, he started working at the firm full-time, with tasks related to his education. Audrey and Logan say that they participated in encouraging Martin to start working at the firm, since they both perceive it to be important for the firm to stay as a family firm. Eventually, Hanna will start working at the firm so, in that sense, there is a succession plan. As the sole owner, Oliver positioned his children as directors so that they would feel a responsibility for the firm.

### **Case Description of Firm C**

Firm C is a medium-sized manufacturing firm that is currently managed by the second-generation family members Eve and James, together with Eve's husband Harry. These three family members own 51 percent of the firm together, while Aaron, the founder, and his wife own 49 percent. Eve and James have another sibling who is not involved in the firm, but whose partner was involved for a while. During a thorough generational transfer, this person left the firm and Eve, James and Harry took over the management. In addition to these people, the non-family employee Luke holds a key position, as he has specific technology knowledge. Harry is the CEO of the firm. The founder is partly active in the firm, as he has opinions about improvements in the production. The board consists of the founder, who is the chairperson, the three family members in the second generation, and Luke, the non-family member. In addition, Catherine, the wife of Aaron, is a deputy board member but does not participate in meetings. Eve and Harry's children are not involved in the firm, nor is James' family, with the exception of his son Bob. Bob has worked at the firm for a few years, but is not part of the management or the board. Overall, three generations are active in the firm.

The three family members in the second generation have decided that their children should not take over the firm, since they do not want them to go through a generational transfer like they did. However, the second generation has started to consider giving the third generation the chance to take over if they would like to. Some children in the third generation have worked in the firm during the summers. In addition, the son of James has started to work full-time in the firm. Before starting in the office where he is now, Bob was in production for several years. In that way, Bob was introduced into the firm starting with the hardest job, as described by the second generation. When James potentially wants to reduce his working hours in a few years, Bob could take over some of his tasks and perhaps continue working in the firm if it is sold in the future. One possibility that has been discussed is to sell the firm while perhaps ensuring that the family can still work there. There is no clear-cut succession plan, and the intention to stay as a family firm is not clear.

### **Case Description of Firm D**

Firm D is a large firm within the building and retail industry, although it maintains many governance characteristics of a small/medium-sized (SME) firm. Mary and Robert founded Firm D, which is now managed by their three children, Parker, John, and Matthew. Parker is the CEO. These five family members own 20 percent each. The siblings in the second generation are responsible for one branch each; together, these branches make up the business of Firm D. There are also different side projects loosely related to the core business, and more family members are involved in the firm. From Parker's family, his wife Peg manages one of the side projects. Their children Max and Ivy both work in the firm, where they have administrative responsibilities, and Max is engaged in the top management team. No one else from Matthew's family is working in the firm, and his children are still school age. John's wife Emily is working in the administration of Firm D. Their son Thomas has recently started working at the firm, while another of their children was working in the firm before. Taken together, there are 10 family members involved in the business in different ways.

Ivy originally had no intention to start working at Firm D; however, when the firm needed to hire someone at the same time as she wanted to get a new job, she started working there. Her brother Max did not have the intention to join the firm either, but did so after finishing his studies. The two siblings worked at the firm during the summers before. After a few years in the firm, Max became part of the TMT. Several of the interviewees mention that Max is part of the TMT because of his position in the firm; others mention that it is also because of his family membership and potential future role as owner. The interviewees say

that Ivy has the potential to become the next CEO, and in fact, after the case studies were conducted, it was announced that Ivy will take over as CEO after her father in a few years' time. Max has taken courses in leadership, board work, and family businesses, for example, through his job at Firm D. According to Parker, it is also planned for Ivy to take a course in board work. One of John's children worked in the firm before, and another of his children, Thomas, has recently started. The three family members in the third generation who work at the firm, Ivy, Max and Thomas, were appointed as co-opted directors after the case studies were conducted.

The management of Firm D is made up of the three siblings, together with other persons in managerial positions. In sum, the management team contains about 10 persons, including the son of Parker. The board is composed of seven directors, five of which are first- and second-generation family members. The other two directors are external board members, and one is the chairperson.

The future ownership situation is not clear, since some interviewees say that the goal is to survive to the next generation, while they and other respondents simultaneously talk about the possibility of selling the firm. Some people say that it is not possible to continue as a family firm since there are too many family members in the third generation, while others think that it could be possible with another generational transfer. Hence, there is no clear plan for succession. What is clear is that there is a purpose to include the third generation in the firm, at least, even if the goals for the future ownership and management compositions are not clear.

## Appendix 2: Derivation of the Board's Succession Function

Category	Codes	Quotes
Appointment as a director - symbolizing continuity and commitment	The next generation appointed to feel certain responsibility	Firm B - non-family member CFO: Well, when we talked to Oliver, me and Logan, we have said that we would like Martin and Hanna, or one of them, to continue to run the firm. And we have talked about, why not appointing them to the board, and engage them a bit. Because we think now that they are grown-ups, it might be time to feel and to choose... And they can arrive at, no this is not for us. And that's, that's also important for the future of the firm.
		Firm A - 3d generation family member: I think that the bank wanted someone external, and then we thought, what can they contribute with? They don't know anything about the industry. So then I think we [the 2nd and 3d generation] talked about it, that it's better to broaden the group [the board] with experts [the 3d generation].
		Firm A -Interviewer: Howcome you got appointed to the board? The children [the 3d generation]?  3d generation family member: Well, I don't know. I don't really remember but, I think it was so that we should feel that, it was our firm as well. (...) We had been working here quite many years before that.
		Firm B - 3d generation family member: Yes, I changed that about a year ago, where I put both the children as deputy directors so that they would feel certain responsibility.
		Firm B - 3d generation family member about appointing the next generation as directors: It is, well it is a bit in order to introduce them through the backdoor. That they should feel, a certain engagement. And they have shown that they have an interest, both of them have said that they have an interest and would think it would be fun. And then I have countered with appointing them as deputy directors.
	The previous generation still present as director	Firm C - Interviewer: Now you [the 2nd generation] seem to have taken over. He [the founder] is still the chairperson].
		2nd generation family member: Yes, but I have taken the role as meeting chair [during board meetings] in order to set a structure.

Category	Codes	Quotes
Presence at board meetings	Being present in order to learn	Firm B - 4th generation family member: That we, both me and my sibling now got appointed as deputy directors. And we have, he/she [the parent] has said that if you would like to you can be there and listen and see what it is like. But it has never been a must. And it has not come until now when we have... or when I have become interested in working and being part in it.
	While the next generation is present, the older generation seizes the opportunity to teach	Firm A - 2nd generation family member (about board meetings): And there I'm used to politics, that you have to ask for the word. I try to teach them, but it's a bit hard.
	Being present in order to get informed	In external communication from Firm B, a family member from the 2nd generation is described as being honorary board member, and still keeping himself/herself informed about the business. This was the case a few years before the case studies were conducted.
		Firm D - 2nd generation family member (about his parents being directors): They think it's really fun. They appreciate it, that's the way it is. And they are, they have been part of this whole process, with board meetings. And making the decisions. Then they have not always been part of the faily operations. But they have been listening, reflecting and give their comments. Interviewer: So they are updated because they are part of the board, then. Is it their way to get an understanding? 2nd generation family member:Yes, it is.
	Being present in order to get informed and approve decisions	Firm C - 1st generation family member: We have 4, 5 meetings a year. Where we discuss different things, like new investment. And I get to know how they [the 2nd generation] have planned it. If I don't support it I have to say that, or if I think it is OK. And most often it is, the ideas they come up with.