

CAPABLE AND COMMITTED CHILDREN: A SUCCESSOR-CENTRIC THEORY OF FAMILY
BUSINESS SUCCESSION

A Thesis
by
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ABSTRACT

CAPABLE AND COMMITTED CHILDREN: A SUCCESSOR-CENTRIC THEORY OF FAMILY BUSINESS SUCCESSION. (August 2011)

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In contrast to dominant models and theories of family business succession that take a founder-centric approach, I used a case study approach to propose a successor-centric theory of family business succession that explains the successful continuity of family firms through successors who are capable and committed to the continued profitability of the family firm. Contrary to the established literature, I identify how successors are the most critical actors for passing a family business from one generation to the next. My research suggests that successors are the most responsible actors for continuing the family business, yet the dimensions of successor capability and commitment mediate the founder's effect on succession and moderate the founder's likelihood of planning the succession process.

DEDICATION

I'd like to dedicate this to my wife, Meredith. Thanks for believing in me and providing encouragement during all those sleepless nights I spent working on this project. I couldn't have gotten this far without all of your love and support.

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A couple of years ago, when the first thought of pursuing a lifelong journey of scholarship started to form in my naïve but ambitious mind, I had no idea that I would have gone through all the steps that it took to get to this point. I thought I knew what the art of research entailed then, but I had clearly underestimated things. After finishing this thesis, I feel like I have come a long way but I also recognize that I still have a long way to go. There is no question in my mind that this is the most productive and rich learning experience that I have had in my college career thus far, so I would like to thank everyone who helped make this thesis possible; it will serve as a great foundation for my future career in academia and business.

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Cathy Fletcher, President

Paul Fletcher, Vice President

Robyn Fletcher, General Manager

GRANDFATHER MOUNTAIN STEWARDSHIP FOUNDATION

Catherine Morton, Advertising Director

MAST GENERAL STORE

John Cooper, President

Lisa Martin, Vice President

Mark Gould, CFO

TWEETSIE RAILROAD

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CHAPTER 1: INTRODUCTION

Rationale

As the child of an entrepreneurial couple, I spent my whole life growing up in a family business. I think it is safe to say that after growing up in a family business environment I understand the balance and tradeoffs that small family firms face. When things fall into place, the family business can provide wealth and a sense of security for family members. Yet, when the economic future of the family depends solely on the business, there are always those times where working and living with family members can be a cumbersome and unappetizing process. If a family business causes too much undue stress, it could easily cause both the family and business to crumble.

As long as I can remember, my father has given extended impromptu pep talks about the benefits the family business could provide for future generations. Naturally, passing the business on to the next generation should involve some level of succession planning. However, as I grew older it became apparent that my father is hoping for succession rather than planning for it.

Realizing how important the idea of succession is to my dad, I wanted to do this research project to provide insight for my parents and other business owners who want to preserve the legacy of their family businesses. This study should be helpful for families that want to improve the chances of continuing their family business.

Purpose of the Study

Family businesses make a significant contribution to the global economy but nearly 70% of first generation family businesses do not transition to the next generation, with only 3 to 5% making it to the fourth generation or beyond (Beckhard and Dyer, 1983; Grote, 2003). Much of the literature focuses on founders but a successor is needed for a family business to continue. Therefore, the purpose of this exploratory study is to develop a successor-centric theory of succession.

Research Questions

An overwhelming portion of the literature suggests that family business founders and incumbents are the most critical actors in succession. I wanted to do an exploratory study to also see what role successors play in the process. In order to develop a theory that focuses on the contributions of the successor to the succession process, I used the following research questions to guide this study:

Q1: How does the successor affect succession?

Q2: How does the founder/incumbent affect succession?

Q3: Is founder support a necessary condition?

Q4: How does a succession plan fit into the succession process?

CHAPTER 2: LITERATURE REVIEW

An Overview of Family Business

Since the beginning of the family business research field, scholars and practitioners have cited the dominance of family owned businesses in the global economic landscape as evidence for directing research efforts toward family businesses (Sharma, 2004). Despite this fact, family business scholars still face challenging tasks that all social sciences must go through; after much discussion and debate, the field still does not have clear definitions. Chua, Chrisman, and Sharma (1999) pointed out how scholars have made various attempts to review, consolidate, and conceptualize a definition of the family firm but none have gained widespread acceptance. However, several attempts to create a unified definition of family business are grounded in the belief that family plays an important role in creating and determining the vision, control mechanisms, and resources used in a family firm and should therefore be distinguished from nonfamily firms (Brockhaus, 2004). Perhaps Astrachan and Shanker (2003) offer the most holistic view with three possible definitions of family business that include a broad, middle, and narrow definition of the family firm. Since I did not want to build a theory around a very limited definition of family business, it was important for the definition to take continuation of family leadership into account and also be applicable to a large portion of the family business community. Therefore, this paper uses Astrachan and Shanker's middle definition to define family firms: a business that a family member runs and has the intention of passing onto another family member. Under this definition, family

businesses make up 58% of the American workforce and 59% of the GDP (Astrachan & Shanker, 2003).

Whether small or large, family businesses face unique obstacles and issues that non-family businesses do not encounter. Even simple business processes can become complicated and difficult as family, management, and business ownership systems increasingly overlap and intermingle. For this reason, many scholars have looked down on family business, considering them inefficient and not worthy of study (Dyer, 2003; Hoy & Sharma, 2006). Just looking at the odds family businesses face sheds light on why this bias has been so prevalent. The life of the average family business lasts approximately 24 years, which is the typical length of the founder's tenure (Beckhard & Dyer, 1983). Research shows that approximately 30 percent of all family firms will successfully complete succession from the first generation to the second; then only 10 to 15 percent of family businesses survive to the third generation, and a small 3 to 5 percent of all family businesses continue into the fourth generation and beyond (Beckhard & Dyer, 1983; Grote, 2003; Handler, 1994; Ibrahim, Soufani, & Lam, 2001; Lansberg, 1988). The low survival rate of family firms has echoed throughout the literature and motivated scholars to make succession one of the most studied topics in family business research.

Family Business Stakeholders

Succession requires the involvement of several players within the family firm. Before diving into the literature on the succession process, it is necessary to differentiate the perspectives of various stakeholders that make up a family business in order to understand the impact succession has on a family business (Lansberg, 1988). Stakeholders can be

divided into four different contingencies: family, owners, managers, and people external to the firm. Each contingency has different goals and expectations but the overlapping and intermingling goals and expectations of the family, management, and ownership contingencies are particularly important in family business succession matters. This paper focuses on the roles of the founder and successors, which are the two most critical stakeholders in the succession process.

Founders/Incumbents

In this paper, the term “founder” is used to denote the family member from the family business’ first generation that has majority ownership and managerial control over the firm. In generations following the first generation of the family business, the term “incumbent” describes the family member in the business that holds the most managerial control and typically holds majority ownership. The founder and incumbent fulfill very similar roles with the only major difference being the generation he or she is from. Recognizing that there is a very low survival rate when transitioning leadership from the first generation to the second, I will use the term “founder” to generally describe the family member in charge, unless the situation warrants that I use the term “incumbent” to point out that the business has made it past the first succession.

Successors

A successor is the family member who assumes managerial control and eventual ownership control of the family business after the founder steps down or leaves the family firm. The term “potential successor” describes a family member that has the necessary traits and willingness to potentially take over the family business but has not or did not assume

leadership of the business. Though much of the succession research focuses on the role of the founder in the process, or the succession process itself, little attention has been paid to the role of successors. Past research has examined successor attributes that are good for succession (Chrisman, Chua, & Sharma, 1998). Family business scholars generally agree that successors need to be willing, capable, and committed to taking over the family business (Barach & Ganitsky, 1995; Barach, Ganitsky, Carson, & Doochin, 1988; Cabrera-Suarez, 2004; Chrisman et al., 1998; Handler, 1994; Sharma, Chrisman, & Chua, 1997). Handler's (1994) research shows that the more a next-generation successor has achieved fulfillment of career interests, psychosocial needs, and life stage needs in the family firm, the more likely the individual will experience a positive succession experience.

The Succession Process

Researchers have characterized succession as a process rather than an event (Handler, 1994). This notion indicates that succession does not just happen with a management change or transfer of stock; as all participants in the succession process must devote much time and commitment to the process. There are varying definitions of the succession process but Sharma, Chrisman, Pablo, and Chua's (2001) definition is best suited for this paper because it does not limit itself to one type of succession scenario and takes a very holistic approach by defining the succession process as the actions, events, and developments that affect the transfer of managerial control from one family member to another.

While family business scholars generally agree that succession is a process, many have proposed different variations of the process (Barach & Ganitsky, 1995; Cadieux, 2007; Churchill & Hatten, 1987; Handler, 1990). The researchers that have contributed to

developing models of the succession process generally break succession into four stages. Churchill and Hatten's (1987) four-stage life cycle approaches family business succession by focusing in on the founder and successor. Handler's (1990) four-stage model examines the adjustment of roles between the incumbents and successors. While some researchers like Cadieux (2007) have adopted some of these models, there are still many differing views and models on the succession process. Nonetheless, in some way or another, each of the four stage models examines the role adjustments of successors and founders. Yet, there are other factors to consider in the succession process, such as timing. Davis and Tagiuri's study (1989) finds that different life-stage combinations of a father and son can either smooth the progress of family business succession or complicate it. The research indicates that relationship factors and timing can have a dramatic effect on succession.

Why Succession Does Not Occur

Research shows that only approximately 30% of family businesses make it the second generation (Beckhard & Dyer, 1983). While most of the research has focused on successful succession, De Massis, Chua, and Chrisman (2008) argue that little systematic attention has been paid to factors that prevent transfer of managerial control from one family member to another. They paid a lot of attention to how incumbents, successors, and non-family stakeholders can prevent succession but essentially narrowed it down to three exhaustive but not mutually exclusive direct causes: All potential family successors decline management leadership of the business, the senior generation rejects all potential family successors, or the senior generation decides against family succession even if willing and acceptable family successors exist. Therefore, it is important to recognize how the relationships between

important stakeholders like founders and successors can play a crucial role in the succession process.

Family business research suggests that the person most responsible for the continuity of the family business is the founder; this is because the founder is the only stakeholder that is part of all three contingencies central to a family firm (Barnes & Hershon, 1989; Lansberg, 1988). For this reason, much of the family business succession literature focuses on the founder. When it comes to succession, many founders frequently develop a complex set of rationalizations and compromises that prevent them from engaging in succession planning, have ambivalent feelings towards succession, or inadvertently sabotage potential successors (De Massis et al., 2008; Handler, 1994; Handler & Kram, 1988; Lansberg, 1988).

Nonetheless, many researchers and practitioners say that one of the most significant factors that determine continuity of the family firm from one generation to the next is whether the succession process is planned (Dyck et al., 2002; Dyer, 1986; Handler, 1994; Lansberg, 1988; Venter & Boshoff, 2007; Ward, 1987). Despite the rational reasons for planning succession, research suggests that leadership succession is seldom planned in family businesses (Lansberg, 1988). Founders are often reluctant to plan the succession process (Ibrahim et al., 2001; Lansberg, 1988). It is a generally held belief that a founder or incumbent's resistance or reluctance to create a succession plan and successfully follow through with it can jeopardize a family business and all who depend on it. Unless the succession process is a sudden or forced event, the process should be thoroughly planned (Dyck, Mauws, Starke, & Mischke, 2002).

The low survival rate of family businesses also highlights the fact that many family businesses lack capable and committed successors (Lansberg, 1988). There are several reasons why qualified successors may choose not to participate in the family business. Potential successors may have different career interests or goals; on the other hand, they may not want to work with family, or have concerns about the fairness of decision-making, resistance to change, or ability of co-workers (Covin, 1994). Furthermore, a successor's unwillingness to forgive family for mistakes, or lack of appreciation and recognition may also create more hurdles for succession (Hubler & Kaye, 1999); or family issues may hinder a potential successor's desire to join and manage the family business (Birley, 1986).

Successors in Theory

Little research has paid attention to successors in the succession process; researchers have generally paid more attention to the succession process than the successor (Sharma et al., 1997). However, one of the few theories that have a strong focus on the successor's role in the succession process is Venter, Boshoff, and Maas' (2005) successor-related factors theory, which used 332 survey responses from South African family business owner-managers and successors to create a theoretical model of how successors influence successful succession.

Venter, Boshoff, and Mass' research measured the success of the succession process using two conditions: satisfaction with the process and continued profitability of the business. The successor-related factors theory advances the succession literature by focusing the spotlight more on the successor; as seen in Figure 1, the theory indicates that the successor's willingness to take over, preparation level, and relationship with the founder influence the succession process. However, the successor-related factors theory heavily relies

on founder-centric constructs, limits itself to succession processes that are very linear in nature, and examines the perception of success instead of the reality of success.

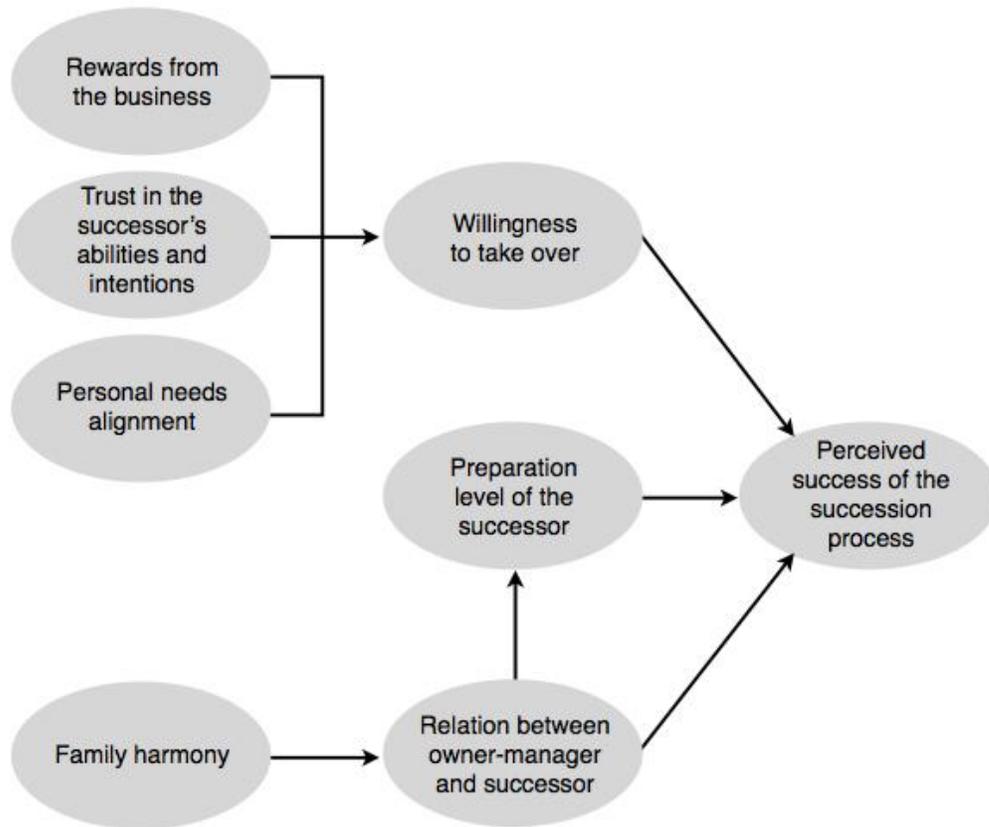


Figure 1. Venter, Boshoff, and Maas' Successor-Related Factors Theory

Venter, Boshoff, and Maas (2005) propose that in order to close the gap between perception and reality, future research could be designed to collect field data on what is actually done in family businesses to plan for succession. In this paper, I use an exploratory approach to move away from measuring successful succession based on perceptions. The goal is to understand several types of succession, especially those that do not follow a linear succession process. This paper examines the role of the successor and founder in the succession process, explores the effects of succession planning, and develops a successor-

centric theory of succession that attempts to explain several different types of succession without readily relying on the founder.

CHAPTER 3: METHODOLOGY

Reasoning

As a budding researcher and potential successor to a first generation family business, I wanted to know how the succession process works and what it looks like to each critical stakeholder in a family firm. Topics like succession planning and how the incumbent-successor relationship affects the successor's willingness and ability to assume leadership of the family firm were particularly interesting to me. Even though Venter, Boshoff, and Maas' (2005) theory of succession looks at the roles of successors in succession, it still uses several founder-centric constructs. Therefore, my intention was to use an exploratory and low-constraint qualitative research approach to fully explore successor roles and succession planning in family businesses. I conducted semi-structured interviews with important stakeholders at several family businesses in the High Country of North Carolina, creating case studies of participating family businesses that were used to develop a more successor-centric theory of succession that also takes succession planning into consideration.

Preparation

Before conducting interviews and gathering data, I made sure to diligently prepare. I submitted the prospectus for this project and received approval and human research training from Appalachian State University's IRB before conducting research. Recognizing that there is a history to each family business, I decided against keeping the study's family businesses

anonymous. Consequently, the interviewees sign a consent form and were given the opportunity to approve or amend what I wrote about them before publishing.

In order to familiarize myself with the topic, I conducted a preliminary review of the family business succession literature. I then used the literature review and personal experience to develop detailed first round questions for incumbent, successor, and non-family executive stakeholders. The questions were designed to capture valuable information about each family business across six categories: business history, business details, family relations, the work environment, the successor's training, and the succession process. The study was designed so that the interview process would be semi-structured, thus allowing me to gather the same type of information from all interviewees while also asking impromptu questions to further understand details and circumstances that were unique to each firm.

After designing the interview questions, I began searching for potential family businesses in North Carolina's High Country. The process involved contacting local business professionals and searching through web, print, and advertisement media for new leads. In order to be considered for this study, each business needed to meet the following criteria: the business needed to be family owned or controlled; family members needed to be employed in the top management positions in the firm; and most importantly, the company should be in the process of succession or have completed one or more successions throughout the history of the business. I recognize that a successful succession includes both leadership and ownership transfer, but fully examining both is too large for the scope of this paper. Attention was first paid to leadership transfer.

The Case Study Approach

I had to choose a way to organize and categorize data that would help with developing new theory. In order to understand the similarities and differences between each family business, I elected to employ a case study approach (Yin, 2009). In this approach, qualitative researchers seek to examine the complex interrelationships in each case. Patton and Appelbaum (2003) point out that in exploratory situations where there is no clear, single set of outcomes; case studies may be more useful for creating new theory than the natural science approach. The objective of this type of study is to develop theory, not necessarily to test theory (Eisenhardt & Graebner, 2007). Therefore, it is important to point out that randomization is not necessary when selecting cases (Eisenhardt, 1989). The goal is to choose cases that are likely to replicate or extend the theory; cases must be purposive so that they are relevant to the theory (Patton & Applebaum, 2003). Yin (2009) compared the addition of cases to the addition of experiments, looking for replication; multiple cases add confidence to the findings. The researcher should continue adding cases in an iterative process until the incremental improvement is minimal (Eisenhardt, 1989). Though scholars have disagreed on the number of cases that are necessary, Eisenhardt (1989) suggests that researchers should use between four and ten cases.

Researchers look for critical cases to prove or disprove findings; particular parts of case studies are used for persuasion (Siggelkow, 2007). So when searching for potential cases, I purposely sought variation across family business succession processes to get the most accurate and unbiased assessment of reality as possible. Seeking to create a theory that really examines the roles of critical actors and succession planning in the succession process, I searched for family businesses that planned the succession process and firms that did not

plan. I looked for a range of examples, from a smooth succession process to problematic successions and forced successions that resulted from incumbent death or other issues. This search returned a list of four potential businesses that fit the criteria and demonstrated various levels of difficulty in the succession process. The initial list of qualified family businesses included: Mast General Stores, Cheap Joe's Art Stuff, Tweetsie Railroad, and Eggers Law. However, the search for other qualified family businesses did not end there. As interviews were conducted, a snowball effect led to new leads. After five weeks of interviews in February and March of 2011, the list grew to a total of seven family businesses. The expansion included Grandfather Mountain, Gardens of the Blue Ridge, and The Biltmore Company.

Approaching Qualified Family Businesses

Once a qualified family business was identified, I began gathering data about the business from conversations with local businesspeople, newspaper articles, books, and online sources. Armed with some basic knowledge about each family business, I began attempting to contact potential interviewees from the incumbent, successor and non-family executive groups at each family business. The process of recruiting qualified interviewees typically involved calling each place of business and asking to speak to the firm's incumbent. If they were not available, I would leave a message and wait for a response. After first introducing myself and describing the purpose of my thesis to incumbents, I would ask to set up an interview time if they were willing to participate.

I preferred to talk to founders and incumbents of the family businesses first; however, these stakeholders were often the busiest of all the interviewees. Furthermore, when

searching for non-family executives I looked for people who had been with the firm the longest or had a more close relationship with the family than other employees. Very early on, I learned that this project would require a great deal of flexibility. Some interviewees wanted to preview the interview questions before meeting; some didn't have as much time as others and had to limit or reschedule appointments. As I adapted to each individual's needs throughout the study, I sought to maintain the same level of integrity as every other semi-structured interview I conducted.

Data Collection Methods

The primary method of data collection was qualitative interviews of family and non-family executives from each family business. The qualitative interviews were also supplemented by information from company websites and documents, tours of the business, informal conversations, and observations.

I performed in-depth qualitative interviews of family and non-family executives from each firm. After acquiring the interviewee's signed consent, the interview process was tape-recorded. The semi-structured interview design, as demonstrated in Appendix A, helped encourage discussion about the successors, founders, family relationships, succession planning, and leadership succession in the firm. This allowed me to gather the same data from all interviewees while further investigating each family business using on-the-spot questions. The typical interview took one to two hours to complete. The interviews ranged from 45 minutes in length to two and a half hours, averaging one hour and fifteen minutes each. If gaps in the cases emerged or additional questions were warranted, follow-up phone interviews were conducted.

All of the interviewees showed interest in my family business history and often shared experiences and informal conversations about their family business before or after the interview took place. Many of the interviewees were also kind enough to give me a tour of their business and introduce me to employees as we walked through. Observing different work procedures and how the family and non-family executives interact with employees provided a lot of insight into the personality of each business. Many of the interviewees also provided written family histories, and company documents such as product catalogs, advertisements, mission statements, and brochures. When necessary, I also sought to independently gather data from magazine and newspaper articles, local government documents, and state court cases.

Data Analysis

The first step in the data analysis process involved listening to and transcribing the most critical parts of the interview recordings. Over 15 hours of interview responses were transcribed and used to create case studies, selected interview responses can be found in Appendix B. Transcripts, notes, and critical quotes were used to build cases and support findings. I first reviewed each case individually, using content analysis to look for nuances, core themes, and unique findings. I coded and analyzed the data by copying and pasting quotes and notes from transcripts and interviews into different word documents that represented 22 emergent categories:

- Family Business History
- Description of first generation
- Description of second generation
- Description of third generation
- Description of fourth generation
- Family relationships
- Company core values
- Business size

Business' industry
Interviewee's background
Incumbent's perception of successor
Successor's perception of Incumbent
Successor's capabilities
Successor's commitment
Successor's development
Similarities between generations
Differences between generations
Family conflicts
Non-family conflicts
Succession planning
Succession conflicts
Business after succession

Building the cases was particularly difficult for me. Initially wanting to include all of the data collected from each business into a case, I ran into problems chronicling and separating each member's tenure and view of the succession process. After analyzing each case, I decided not to include Cheap Joe's Art Stuff. I recognized that while Cheap Joe's easily fit into the theory I constructed, it was hard to clarify some of the case's smaller details and it also did not add anything unique to the understanding of my theory.

After looking at each of the six selected cases individually, I performed a cross-case analysis to note similarities and differences across cases. This was used to verify and extend theory. When examining the number of employees in each firm in Table 1, it is evident that the size of businesses in this study range from three employees to nearly 2000 employees, depending on seasonality. The smallest case is Gardens of the Blue Ridge while the largest is the Biltmore Company. For firms in this study, the history of family involvement ranges from two to five generations. The businesses range in age from 31 years to 126 years old. This may be viewed as a biased sample since the average family business only lasts 24 years. Nonetheless, choosing family businesses that have been successful over time was important to understand why family businesses succeed even after facing different obstacles.

Table 1. Overview of Family Business Cases

COMPANY	Number of Employees	Competitive Industry	Year Established	Business Organization	Stock Ownership	Family Generation	People Interviewed	Interviewee's Position
Biltmore Company	1100-1950*	Tourism, Food and Beverage, Home Products	1895	S Corp & LLCs	Only Immediate Family	Fourth	Bill Cecil Jr.	President and CEO
							Steve Miller	Exec. Vice President
							Michael Reed	Exec. Assistant
Mast General Store	200-400*	Retail, Tourism	1883	C Corp	Family and ESOP	Second	John Cooper	President and CEO
							Lisa Martin	Vice President
							Mark Gould	CFO
Tweetsie Railroad	25-200*	Theme Park, Tourism	1957	C Corp	Mostly Family	Third	Chris Robbins	President and CEO
Grandfather Mountain	40-110*	State Park, Tourism	1885	501(c)(3), prev. S corp	Non-Profit, previously Family	Fourth/Fifth	Catherine Morton	Advertising Director
Cheap Joes Art Staff	65	Direct Mail Art Supplies	?	S Corp	Only Immediate Family	Second	Joseph Miller Jr.	COO
							Carolyn Fogle	PR Executive
Eggers Law	11	Legal Services	1950	PLLC w/ subchap S election	Only Immediate Family	Third	Stacey Eggers IV	Managing Partner
Gardens of the Blue Ridge	3-9*	Direct Mail Plant Nursery	1889	S Corp, prev. Sole Prop.	Only Immediate Family	Third/Fourth	Cathy Fletcher	President
							Paul Fletcher	Vice President
							Robyn Fletcher	General Manager

* the larger number in the range includes seasonal and part time employees

CHAPTER 4: FAMILY BUSINESS CASE STUDIES

The Biltmore Company

After making regular visits with his mother to Ashville, NC, George Washington Vanderbilt liked the area so much that he wanted to build a summer home there. Construction of the Biltmore Estate began in 1889 and was finished in 1895. Even though he founded Biltmore Farms in 1896 - 1897, George's interests lied more in philosophy, the arts, and horticulture than in the family business that traces back to Cornelius Vanderbilt. It is believed that a large part of George Vanderbilt's inheritance was used to maintain the large estate. After George's death, ownership of the property passed to his wife Edith. The estate and dairy farm was passed down through the generations, first passing from George and Edith to their daughter Cornelia Stuyvesant Vanderbilt. In 1924, Cornelia would marry the British aristocrat John F.A. Cecil and they had two boys: George was born in 1925, and William was born in the Biltmore in 1928. In 1930, the Vanderbilts opened the Biltmore to the public as a tourist attraction while continuing to live there until 1956.

John Cecil passed away in 1956 and Cornelia would later pass in 1976. Their children would inherit the Biltmore property and land through a trust when they each turned 30 years old. George turned 30 in 1955 and take control of Biltmore Farms, leaving William to inherit the less profitable Biltmore Estate when he turned 30 in 1958. When William Cecil inherited America's largest privately owned home, the Biltmore Estate was losing close to a quarter of a million dollars a year; it would take William Cecil a decade just to turn a profit of \$16.24 in

1968. Mr. Cecil then focused on increasing revenue by drawing more publicity to the attraction and starting new ventures like the Biltmore Winery that was opened in 1985.

The Succession Process at the Biltmore Company. While growing up and learning about the Vanderbilt and Cecil heritage and understanding the tradition of country estates, William Cecil felt a strong sense of stewardship to the Biltmore Estate that helped property become profitable. When he operated the Biltmore, Cecil was a very inspirational leader but he was also known for being the final decision maker for the firm; employees and family members recall Cecil telling people things like “be reasonable, do it my way” or “if you want a second opinion, ask me again.” Cecil was a very motivational but strong-headed person. Long time employee and VP Steve Miller described Cecil as a very entrepreneurial person but also suggested that he did not have the same people skills as Cecil’s son Bill Jr.

Cecil’s children Bill Cecil Jr. and Diana Cecil Pickering grew up in the family business. There was no formal plan but the kids knew that their father wanted them to be in the business. Bill Cecil Jr. would eventually become the family business successor but it did not seem that way when he was younger. When Bill graduated from high school, he did not see himself coming back to the family business. However, after graduating from the University of Colorado, the job market was tough and Cecil Jr. realized what an opportunity it was to work at the business, he joined the business in 1982. However, Bill’s relationship with his father had been strained all through high school and would continue to be strained until 1991, but since then the two have worked well together. Since joining the business, Bill Cecil Jr. continued to study how to run the business in hope that he would one day get the

chance. He would continue to work at Biltmore, taking on more responsibility and projects as time went by until he unexpectedly and suddenly got the chance in 1995:

In early 1995 he decided it was time, I was ready, and he retired. We planned a centennial celebration to mark the company's 100 anniversary for September of 1995. Unknown to us, or at least me, he announced during the dinner that it was not only our centennial, but his retirement. It took awhile for me to really believe him.
Bill Cecil, Jr., President and CEO of Biltmore Company

After William Cecil retired, he told Bill that he expected him to turn it over to the next generation in at least as good of shape if not better. It has been a responsibility that Cecil Jr. takes seriously. Vice President Steve Miller recalls that when he started nearly three decades and a half ago, the company had annual revenues of \$3 million and today revenues are at \$140 million. Much of this steady growth is due to new entrepreneurial ventures that are taken on by the talented and bright team members like Bill Cecil, and Steve Miller. With the mission of keeping the Biltmore a privately owned and operated estate, the family has different standards and rules in place to make succession from the fourth to the fifth generation as smooth as possible. Bill and Diana get along very well and they want that type of atmosphere to continue into future generations. Diana organizes and oversees much of the succession plans and succession policies from a position on the company's board of directors. The policies now require family members to have at least one year of outside work experience before coming into the business. However, the only family member from the fifth generation that is old enough to have the policy apply is Bill's oldest son Ryan; he is currently working at an investment company in Virginia. As more children from Bill and Diana's family come of age, the policies are sure to expand.

Eggers, Eggers, Eggers, and Eggers, Attorneys at Law

Having a business name that very distinctly showcases the fact that it is a family business, the history of the Eggers law firm can be traced back to 1950 when Stacey Eggers Jr. opened his own law practice in Boone, North Carolina after studying law under a Superior Court judge in Ashville and passing the bar exam. With over 60 years of experience as a lawyer, Eggers Jr. has a wealth of legal knowledge that his partners (who are also family members) can draw from. Eggers Jr. practiced law in Watauga County 18 years before North Carolina's District Court System was adopted in 1968. During the earlier part of Eggers' career, the absence of the district court system meant that Eggers would participate in cases that took place in the Justice's location of choice, which could include their homes or even a barn. Much has changed in Boone and the surrounding area since Eggers began practicing law but the Eggers' goal of serving the community has not changed, even as more partners and family members have joined.

The Succession Process at Eggers Law. Succession is different at the Eggers law firm. As with many other law firms, the Eggers take a team-approach. Since the firm has to serve several clients at a time and keep all the partners up to date on the various aspects of each case, the work environment at Eggers, Eggers, Eggers, and Eggers encourages a lot of collaboration. The shared-leadership model that Eggers Law uses makes sense considering all the barriers to entry that family members have to go through just to work at the firm. Family members who want to join the family business need to obtain a bachelor's degree before attending law school and then must pass the NC bar exam before coming to the firm.

The law firm did not become a family affair until 24 years after Stacey Jr. started practicing law when his son Stacey III joined the law firm after graduating from Wake

Forest. Yet, the family business and its name would soon expand to Eggers, Eggers, and Eggers when Stacey Jr.'s daughter Becca would also join the family firm after graduating from Campbell University's law school in 1986. However, tragedy would strike in 1990 when Stacey III unexpectedly passed away from a heart attack, leaving the family to grieve their loss while picking up his workload:

In 1990, my dad suddenly passed away from a heart attack. If you want to talk about times that are tough on a family business, if you have a death of a family member, in most businesses that doesn't affect the rest of the business or partners nearly as much because only one person is grieving a loss. In a family business, it is everyone's problem; getting back to work immediately following that was a very tough thing. The family had to pick up and go through the work my father was working on – it was quite a challenge.

Stacey Eggers IV, Managing Partner at the Eggers law firm

To honor the late Stacey Eggers III, the law firm's name did not change. So when Stacey III's son joined the family law firm in 1990 after graduating from Campbell University's law school, the firm's name was extended to reflect the fourth Eggers partner. Stacey Eggers IV, or simply "Four" as many of his family and friends call him, is currently the managing partner at the firm. Four works with attorneys that also happen to be his grandfather, aunt, and wife who recently joined the firm as an associate. With the exception of Stacey IV's wife, the majority of all the Eggers attorneys' experience and abilities have developed within the family firm. Four offers this explanation:

As a practical matter of practicing law in a small town, to build up your practice, involvement with the community, and knowledge base of how the local practice works, it is really not efficient to go some place, work up to build up a practice and then try to move somewhere else because if I were to move to Raleigh it would essentially be starting over from scratch with reputation and client base.

Stacey Eggers IV, Managing Partner at the Eggers law firm

The Eggers work together and help each other practice law. Even though Stacey Eggers Jr. holds the title of senior partner and Four holds the title of managing partner, the stock ownership is equally divided among partners and the focus is on doing the best possible job for clients. Four stresses that titles are only nominal at the family firm and suggests that the firm's structure is not like a traditional family business where there is one successor; instead the focus is on sharing responsibilities as partners who make decisions through committee.

Gardens of the Blue Ridge

As North Carolina's oldest registered plant nursery, Gardens of the Blue Ridge has been family owned for over a century. In 1889, S.T. Kelsey began Highlands Nursery on a tract of land one mile east of what is now known as Pineola, NC. During the early stages of the nursery, Kelsey stayed at a local hotel where the young E.C. Robbins worked. Kelsey later employed Robbins at Highlands as the nursery's foreman. Robbins continued to work at the nursery alongside Kelsey's son Harlan. So when Harlan later decided to move to Massachusetts the nursery was sold to E.C. Robbins who renamed the nursery Gardens of the Blue Ridge in the early 1920s. In 1968, E.C. Robbins passed away and the land and nursery that was situated on it was passed on to his son Edward P. Robbins through a will. Edward Robbins would continue to run the family business as a sole proprietorship until his death in 1991.

The Succession Process at Gardens of the Blue Ridge. Edward P. Robbins worked at the nursery for nearly seven decades before his death in 1991. E.P. had six children who grew up around the nursery; however, none of them showed any interest in continuing the business and they all took different career paths. Two of Robbins' grandchildren, Ed and

Robyn Fletcher had shown a genuine interest in continuing the business, working alongside their grandfather since the late 1970s and early 1980s. Both grandsons joined the family firm in their early twenties and continued to work until Robbins' death. Everyone in the family knew of Robbins' intention to have the grandchildren continue the business. Robbins had played around with the idea of changing his will to allow the business to continue but still leave something for the rest of the family. However, the will did not change before Robbins suddenly passed away in his sleep, leaving the nursery's land to the surviving heirs. Despite knowing of Ed and Rob's intention to continue the nursery, the family wanted to sell the land and take the money:

There wasn't any conflict with the family if we wanted to pay the big price for the land; they just wanted to sell and get their money. They wanted too much money for that land because it was on the 221 highway. We found the man that used to own this land, he had a shrubbery nursery and was willing to sell it for a good price and we got the same amount of land as what we had before.

Katy Fletcher, President of Gardens of the Blue Ridge

Despite family opposition, Ed and Robyn were determined to continue the family business. Ed and Robyn's parents Paul and Katy Fletcher were retiring from their respective careers in Atlanta, Georgia. When retiring, they moved back to Western North Carolina to help their children continue the business:

After my father died, we asked Ed and Robyn who had been working in the business for a long time, if they wanted to keep the business going; they knew it well and they said they'd like to continue. We were retiring from working in Atlanta and we said we'd come back and help them.

Katy Fletcher, President of Gardens of the Blue Ridge

After trying to work the problem out with family it became clear that everyone still wanted to sell the land. The Fletchers then looked into finding a new plot of land to continue the business and ended up purchasing the location they currently operate from. The family

gave them three months to move all the plants from the old site to the new site. Even with the short time limit, the move was successful. Today, Ed no longer works at the business so much of the critical product knowledge lies with Rob, but Katy and Paul Fletcher help run the business side of the nursery.

Grandfather Mountain Stewardship Foundation

(Previously Grandfather Mountain, Inc.)

In the late 1700s, members of the MacRae family emigrated from Scotland and established roots in Wilmington, NC. As time went by, entrepreneurial members of the family would make a big impact on the Wilmington region, one of them being real estate mogul Donald MacRae. In 1885, Samuel T. Kelsey, who founder of the resort town Highlands to the south, approached Donald MacRae about developing a town in the Linville River Valley. Kelsey had bought options on 16,000 acres of land that included Grandfather Mountain, Grandmother Mountain, Sugar Mountain, and Flattop Mountains. The MacRae family would eventually acquire a controlling interest in this project. However, Donald would soon become sick, leaving the shareholders to elect Hugh MacRae to head the newly formed “Linville Improvement Company” in 1889. Hugh MacRae, a graduate of M.I.T., had worked as a mining engineer before heading the company. As the new leader, he began the development of a resort community and the area’s first golf course.

During the life of the Linville Improvement Company, a one-lane road was built two-thirds of the way up Grandfather so that cars could travel up the mountain. The MacRaes would charge a fee for anyone who wanted to travel the road to see the spectacular views from Grandfather Mountain. After the death of Hugh MacRae, the Linville Improvement Company was dissolved in 1952 and its assets were divided into parcels of equal value for

surviving family members to choose from. Everyone knew Hugh MacRae's grandson Hugh MacRae Morton wanted Grandfather Mountain so they left that parcel to him. Hugh MacRae Morton had a very deep connection with Grandfather Mountain. An entrepreneurial-minded person, Morton had envisioned building a bridge between two peaks on Grandfather Mountain and charging people a fee to come visit the bridge:

My father had said before World War II that he thought his grandfather's company should build a road to the top of the mountain, build a bridge between the two peaks and sell tickets for people to come in. All the cousins, uncles and aunts and other people in the family thought he was nuts. But when his grandfather died and everyone in the family let him have Grandfather Mountain; the day he got it he started going to banks trying to find someone who would loan him the money so he could build the road and bridge so he could start selling tickets.

Catherine Morton, Advertising Director of Grandfather Mountain

When Hugh Morton obtained Grandfather Mountain, he started searching for funds to build his dream bridge. The very nature of the idea was risky; Morton was turned down several times before he secured funding to build the bridge. Once he extended the road to the mountain's summit and built "the Mile High Swinging Bridge," Morton used his skills in photography to take captivating pictures of the mountain that were printed in North Carolina, South Carolina, and Tennessee newspapers. Hugh was very good with public relations and proved to be a very influential North Carolinian; during his lifetime he led the efforts to save the USS North Carolina, was successful in a 12-year battle with the government to stop the Blue Ridge Parkway from cutting through Grandfather Mountain, and even produced an environmental documentary narrated by Walter Cronkite, among several other accomplishments.

The Succession Process at Grandfather Mountain. Hugh Morton had four children; at one time or another most of them would try to prepare themselves as successors in the family business but Hugh was resistant to the idea of relinquishing control:

Hugh and Jim tried to take over the business but it never worked because my father was always there. You couldn't create your own path because it was always contingent on whether he agreed or not. As long as he was alive, he was in charge.
Catherine Morton, Advertising Director of Grandfather Mountain

When Catherine Morton approached her father about being groomed to be his successor, he told her that he wanted his successor to be someone outside of the family. However, time went by and Hugh still had not relinquished control and his chosen successor was reaching retirement age. Late in his life, Hugh Morton realized he had to choose another successor, so he contacted his two grandchildren and asked them if they wanted to take over the business; Crae Morton, who had worked in radio and sports networks most of his career, accepted his grandfather's proposal and moved to Linville to assume the role of Vice President in 2003. Crae relied on the help of Grandfather Mountain employees to learn the different ins and outs of the business before Hugh Morton passed in 2006.

Grandfather Mountain is home to more globally rare nature species than any other mountain east of the Rockies. Like Hugh, the rest of the Morton family has always held a strong sense of stewardship to the Mountain, seeking to preserve and protect the mountain's unique natural beauty. After Hugh Morton's death, the business was profitable but the family shareholders looked at methods to increase revenues. Still, they were unwilling to follow many new revenue-generating ideas for fear of how it would affect the mountain's land or image of the business. Realizing that all six family shareholders shared the same goal of preserving Grandfather Mountain and that they could not ensure that future generations

would share the same vision, the Morton family negotiated a deal with the state of North Carolina. In 2009, the backcountry of Grandfather Mountain was made into a state park after the mountain was sold to North Carolina for \$12 million; the Grandfather Mountain Stewardship Foundation was established to maintain the land, operate the tourist attraction, and continue the Morton family's goal of forever preserving and protecting the mountain's beauty.

Mast General Store

Mast General Store can trace its history back to 1883 when Henry Taylor opened the original general store in Valle Crucis NC. He would later sell a half interest in the store to W.W Mast in 1897 and the rest of the store in 1913 when the business became The Mast General Store. Priding themselves on carrying all the items the community might need from "cradles to caskets," the Mast family would own and operate the store for the next 60 years until it was sold to a doctor from Atlanta and Professor from Appalachian State University in 1973. In 1977, the doors of the Mast Store closed presumably only for the winter season but they did not open the next year. The residents of the Valle Crucis community rallied to preserve the nearly century old landmark. Luckily, John and Faye Cooper, a couple from Florida, shared the same love for the store as the community and purchased the Mast Store in 1979:

When you walk into the original mast store it is like taking a step back in time into a different era. We wanted to preserve that and make the business successful so we opened in June of 1980 and worked to get the post office back to give the community its identity again.
John Cooper, President of Mast General

Before purchasing the Mast General Store, the Coopers lived in Winter Haven, Florida. John worked as a manager of an insurance company and Faye was a part time school

photographer and stay at home mother to their two kids John Jr. and Lisa. Taking a calculated risk, the Coopers sold their home in Florida to move over 500 miles away to live in the attic of a general store in Western North Carolina. After school, the Cooper children helped run the store by stocking shelves and operating the cash register. Believers in slow and steady growth, the Coopers opened the Mast General Store Annex just a short distance from the original store in 1982 and have steadily expanded to include eight communities across the Southeast with the newest Mast Store in Columbia, SC recently opening in May 2011.

The Coopers worked together to make Mast General a success. John would provide the strategic vision while Faye managed tasks like the company books and merchandising. John is anything but the stubborn founder that is typically described in the succession literature. A strong believer in keeping a customer-centric culture, John believes that treating the customer right starts with treating the employees right. Early on, John realized that getting customer-focused employees meant stepping up benefits that include a employee stock ownership plan. Furthermore, the Coopers wanted Mast General to be a good corporate citizen by donating money, time and effort to the communities that each store serves. Early on, John recognized that he couldn't keep full control if the business was going to grow so a leadership team of employees was established to set the strategic direction of the company. Furthermore, each store has a leadership team to guide local Mast General business, culture, and corporate charitable giving.

The Succession Process at Mast General. Since working at the store at age 11, Lisa knew that she wanted the Mast Store to be her future. John Earl Cooper III worked in the store but did not seem to display the same level of interest. Nonetheless, the Coopers do not

know if he would have ever really been interested in joining the business; in 1989, he tragically died in a car wreck as a senior at Western Carolina University. As for Lisa, she worked at Mast General until she left to attend college at the University of North Carolina at Charlotte, where she would study different topics and majors until she left as an unfinished accounting major. When she moved back to Western North Carolina, she took classes in fashion from Appalachian State University before coming back to Mast to work. Lisa's parents always told her that she had to earn her own way, so she proved her ability as she steadily climbed the corporate ladder at Mast. Nearly a decade and a half after leaving Appalachian State, Lisa became Vice President of Finance and Merchandising.

Lisa's husband, Fred Martin, is also a Vice President and long-time veteran of Mast General. He joined the team in the very early 1980s while he was a senior at Appalachian State University's Walker College of Business. After graduating, Fred went to help his brother with a restaurant business in Morehead, NC before his love for the mountains brought him back to work as a manager at Mast General. Fred would work his way up the organization like Lisa did; Lisa and Fred met and got married while working at the family business. Today, John and Faye have virtually retired from managing the day-to-day operations, leaving it to Fred and Lisa Martin and the company's leadership team. When it came to filling John and Faye shoes, it was evident to everyone in the higher levels of management that Fred and Lisa were naturally the business' next leaders:

Often in succession, that leadership can be handed over rather than earned. There's no question in my mind, where I sit that both Fred and Lisa have earned their position in this organization. Not just through longevity, Lisa has been here since the company's inception... All 30 years, and Fred has been here for 26 of those years.

Mark Gould, CFO of Mast General Store

The need for a succession plan came up during a leadership team meeting. Like John and Faye, VPs Fred and Lisa had taken on many of the same responsibilities as the founding generation. It would be difficult to get all four of them together at one time to make decisions so the leadership team started focusing on how the transition of leadership should take place. However, the longtime CFO had grown accustomed to working more directly with John. Not used to taking Lisa and Fred's much more team-centered approach, the CFO saw the transition period as a good time to contemplate retirement. The Martins and Coopers then began a search for a new CFO, asking trusted friends in the community for recommendations. When a couple of independent sources recommended Mark Gould, a masters of accountancy student at ASU, the company quickly interviewed and hired Mark. Lisa says it is probably one of the best decisions she has made for the company. Today, several years after the leadership succession took place with the help of countless dedicated and talented employees like Mark Gould, the organization still holds true to its values. With the recent changes to estate tax codes that are supposed to expire in 2013, the Coopers are now looking to start the ownership succession process.

Tweetsie Railroad

From the late 1800s to 1950, steam locomotives hauled passengers and freight from Johnson City, Tennessee to Boone, North Carolina on the East Tennessee and Western North Carolina Railroad. The railroad was affectionately named "Tweetsie Railroad" by area residents for the sound the engines' whistle made as it echoed through the mountains. Today, tourists can travel to a unique family-oriented theme park located between Blowing Rock and Boone, NC that shares the ET&WNC's nickname.

Grover Robbins Jr and his brothers Spencer and Harry were the second generation of the entrepreneurial family that created the Blowing Rock tourist attraction. In 1956, Grover Robbins bought steam locomotive #12, the only surviving narrow gauge engine of the ET&WNC railroad, with the intent of bringing it back to the Appalachian Mountains to create an excursion train ride tourist attraction on a 3 mile track loop; the first public trip over the line took place on July 4, 1957 and the “Tweetsie Railroad” theme park was born. The Robbins had a great deal of foresight when they started to build one of the first theme parks in America, approximately one year after Disneyland opened. With a Wild West flare, the Tweetsie Railroad theme park’s original main attraction was a train ride on steam locomotive #12. In 1960, the company would gain another locomotive for excursion rides when it acquired the “Yukon Queen” locomotive that originally operated on Alaska’s White Pass and Yukon Route in World War II.

Tweetsie was only one of the Robbins brothers’ business ventures. Grover was the idea man but Harry and Spencer also contributed by helping run the different family businesses. Other family businesses the brothers operated included Elk River Development Corporation, Hound Ears Golf Club, and another railroad theme park that later became Dollywood after being sold outside the family. As time passed, Harry Robbins would eventually become the majority owner and manager of the theme park.

The Succession Process at Tweetsie Railroad. In the early 1990s, Harry Robbins was still successfully managing the Tweetsie Railroad theme park. Meanwhile, Harry’s son Chris had been working at different businesses the family owned. From 1979 to 1982, Chris

worked for Hound Ears Golf Club and then in 1982 to 1994 he worked at Elk River Development, rising to the rank of Vice President before leaving to pursue other interests.

Part of the land that Tweetsie Railroad is situated on is leased property. Recognizing the development potential of the land, several outside real estate developers would try to coax Tweetsie's landlords and minority family stockholders to stop leasing the land to Tweetsie and instead lease or sell the land to them. As these outside forces continued to attack Tweetsie Railroad, it became apparent to family inside the firm that Harry was paralyzed by conflicting loyalties:

“Long story short, developers figured that by getting distant family members involved they could force the sale of the company, and that is when I got involved in the family business... because dad just didn't seem to care, there were major issues to be decided and acted upon but he decided to just defer it all. Major issues like ‘dad there are people trying to take control of the company, what do we do?’ He'd respond ‘I guess we'll just let them.’ Then I'd say ‘Dad we can't do that; this is the core family business here.’ That was while he was still running the company but he just didn't seem to have the urgency about it that I felt was needed.”

Chris Robbins, President of Tweetsie Railroad

With Harry not responding to outside forces, the family was worried about losing the main family business. By exercising a provision of a trust agreement, Chris and his mother voted his father out and put Chris in charge. It was a tough decision to take over the business, as not only did Chris suddenly have to run the business and fight off outside forces, but he also had to do so in a way that also preserved his father's income and well-being. Chris entered the organization with virtually no experience at a top management position at Tweetsie. He began by continuing to manage the theme park while also leading the legal battle against the real estate developers; Tweetsie won after the case ended up going all the way to the NC Supreme Court. Since then, Chris has continued to successfully lead Tweetsie

Railroad. With no direct descendents, Chris does not want to cause friction in the family by passing it onto another family member. While the decision is something that will be decided in the future, Chris says he wants to find an exit solution that ensures that Tweetsie employees keep their jobs, whether that is through an ESOP, sale of the business, or another solution.

CHAPTER 5: A SUCCESSOR-CENTRIC THEORY OF FAMILY BUSINESS SUCCESSION

As mentioned before, family business succession is hardly ever a linear process. Aronoff (1998) suggests that the succession process should be viewed as a multigenerational timeframe that takes place in a rich stew of social, cultural, financial, legal, strategic, moral, and other dimensions that resists linear thinking. My findings agree with this description of family business succession: Grandfather Mountain and Gardens of the Blue Ridge skipped a generation when transitioning leadership, Eggers law experienced the death of a potential successor and now shares leadership among three generations, and situational circumstances warranted Tweetsie Railroad's successor to overthrow the incumbent. However, the Mast General Store and Biltmore Company cases followed the linear succession process typically outlined in the literature and had fewer complications in the managerial succession process. Examining the differences and similarities across these cases indicates that whether the founder approves the transition of leadership or not, succession will still take place when there is a capable and committed enough successor to assume leadership and continue the firm profitably. Recognizing that partially measuring the level of success of a succession process using founder or successor perceptions is a subjective process, I suggest a definition of successful leadership succession by further developing Sharma, Chrisman, Pablo, and Chua's (2001) definition of the succession process:

Successful leadership succession is the actions, events, and developments that influence both the transfer of managerial control from one family member to another and the continued profitability of the family firm after the process has occurred.

This view of successful succession processes takes the non-linear nature of succession into account and seeks to remove perceptions from the definition of a successful succession. With such a low survival rate of family firms, this attempt to move away from perceptions argues that the definition of a successful succession process should be grounded in the reality of the process, measuring the true objective and end goal of succession: profitably continuing the business under family leadership. In the following sections, I describe how founders and successors play roles in the succession process while paying special attention to the interaction of the successor's capabilities, commitment, and succession planning dimensions to create the successor-centric theory of family business succession.

In the pluralized and emerging field of family business, if there is one generally agreed upon finding about successors in the succession process, it is the belief that the most desirable characteristics successors can possess are ability, experience, willingness and commitment to the business (Barach et al. 1988; Barach & Ganitsky, 1995; Cabrera-Suarez, 2004; Chrisman et al., 1998; Handler, 1994; Sharma, Chrisman, & Chua, 1997). However, in an effort to further consolidate and move toward explicit definitions, I suggest that the most crucial characteristics needed for successors to continue family management and eventual ownership of the firm should fall into two all encompassing categories: the level of successor commitment to the continuation of the family firm, and the various capabilities that successors possess. The topic of successor commitment and capabilities regularly showed up during interview with critical stakeholders at each family business, as shown in Figure 2,

these dimensions work together to create my successor-centric theory of family business succession.

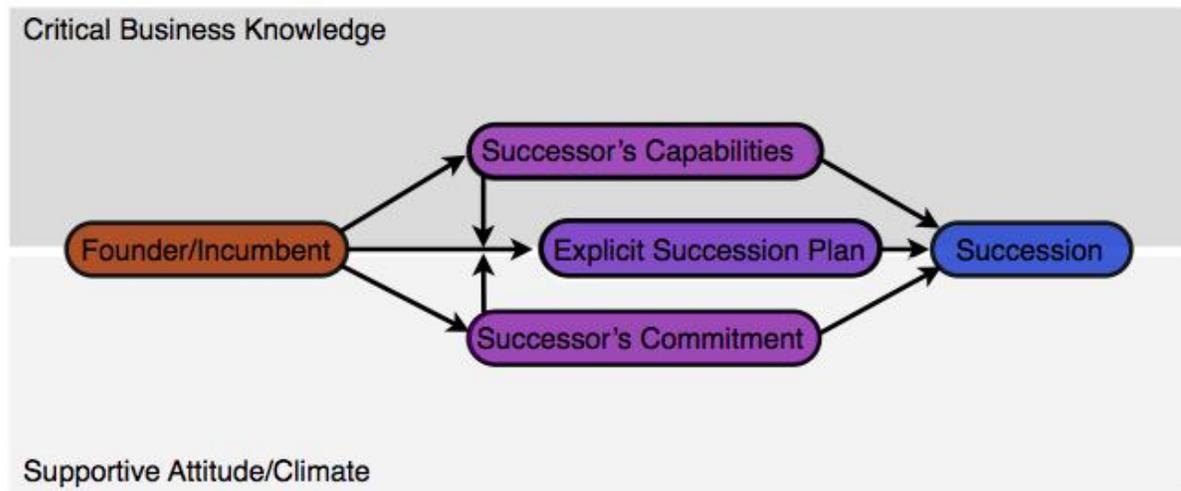


Figure 2. Successor-Centric Theory of Family Business Succession

Successor Commitment: What Family Businesses Need to Survive

Throughout the history of family business research, scholars have focused on successor commitment and willingness to take over the business. Chrisman, Chua, and Sharma's (1998) research indicates that integrity and commitment to the business are the most desirable traits for family business successors. Throughout the literature, it is evident that some scholars use willingness and commitment in the same context or assign the same meaning to both terms. However, in order to further the advancement of the succession literature and create a more rich research agenda for future successor related succession research, the difference between willingness and commitment should become more distinct. The word commitment seems to hold a stronger connotation than willingness. In some cases, a successor can be willing to take over the family business but not fully committed, thus jeopardizing the continuity of the family firm and all who depend on it. Sharma and Irving's (2005) research that pulls from the organizational behavior literature on commitment offers a

solution for this problem; different levels of willingness are accounted for in the four shades of successor commitment. Even though successors can share a common focal behavior of pursuing a career in the family firm, the motivation or willingness can vary significantly (Dumas, Dupuis, Richer, & Cyr, 1995). Therefore, I use Sharma and Irving's (2005) research to define successor commitment within this paper:

Successor commitment is characterized by the successor's frame of mind or psychological state that compels the individual toward the focal behavior of continuing to profitably operate the family firm.

Furthermore, the level of commitment that a successor has to the continuation of the business can determine how he approaches problems that arise in the family business. Sharma and Irving's (2005) four types of successor commitment include affective, normative, calculative, and imperative commitments. Affective commitment is characterized by the successor's genuine desire to be in the family firm. Normative commitment occurs when family members join the firm out of obligation, Calculative is based on opportunity costs, and Imperative commitment occurs when successors feel that they need to join the firm, often because they doubt their ability outside the firm. When family business researchers talk about commitment, they are typically referring to affective commitment (Sharma & Irving, 2005). Research suggests that affective and normative commitments are the two strongest types of commitment (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). Sharma and Irving (2005) further propose that each form of commitment leads to a different levels of binding strength of a successor with the organization.

However, commitment often develops because of multiple motives, so different forms of commitment can be found to exist simultaneously (Meyer & Herscovitch, 2001). In this study, even though successors may have entered the business with different commitment

types, by the time of succession successor commitment types were largely affective and normative; thus lending evidence that stronger commitment levels from successors lead to the successful continuation of the family business. Furthermore, the sense of obligation or desire to be in the family business pushed the successors to make tough personal decisions that ultimately helped the business persevere, even when faced with obstacles like a resistant incumbent, forced succession, or family problems. The succession process was different at each business; some businesses had a single successor, some had co-successors, while another firm focused more on shared leadership rather than naming one single successor. Table 2 highlights the different succession scenarios and commitment types that the key successors in each firm possessed.

Table 2. The Succession Process and Types of Commitment at Each Family Business

Successor (Company)	The Succession Process	Type(s) of Commitment at Succession
Bill Cecil Jr. (Biltmore)	Even though he had a rocky relationship with his father throughout high school, the tough job market encouraged Bill to join the family business after graduating from college. Since joining the family business, Bill studied how to run the business as he worked his way up, hoping that one day he'd get the chance to run the business. In 1995, he got the chance when his father surprisingly stepped down and put him in charge.	Affective and Normative
Stacey "Four" Eggers IV (Eggers Law)	Stacey Eggers IV's father, aunt, and grandfather have all worked as lawyers at the family firm. Four's career interests aligned with the family firm so he went to school to be a lawyer and joined the firm. He jokingly says "I can't imagine another job where people would want to pay me for my services."	Affective
Rob Fletcher (Gardens of the Blue Ridge)	When Mr. Robbins died in his sleep, his will left the family business' land to his surviving family. Even though the family knew that Mr. Robbin's grandchildren, Ed and Rob, wanted to continue the business, they wanted to sell the land for money. With the help of their parents, Ed and Rob found a way to continue the nursery by purchasing new land and moving every plant to the new location.	Affective
Crae Morton (Grandfather Mountain)	In the past, Crae's father, uncle, and aunt had at one time or another tried to prepare themselves as successors for the family business, but Crae's grandfather Hugh Morton made it clear that he wanted the successor to be a non-family employee. When that employee approached retirement age, Hugh realized he needed a new successor; he called his grandchildren and asked them if they were willing to take over the business. Even though he had virtually no experience at Grandfather Mountain, Crae agreed and came in as Vice President.	Normative
Lisa Martin (Mast General)	Lisa has worked at the family business since she was eleven years old. She always felt that the business was her future. Committed to the business and knowing that her parents wanted her to "earn her own way," Lisa learned the ins and outs of the business as she steadily increased her responsibilities until the point of leadership succession.	Affective
Chris Robbins (Tweetsie)	After years of successfully running Tweetsie Railroad, Henry Robbins had become ambivalent towards hostile takeover attempts from outside real estate developers. Henry's ex-wife and son Chris wanted to save the business so by exercising a trust agreement they voted Henry out and brought in Chris to take his place as the president of the family business. Chris was committed to continuing the family business and led the legal battle against the opposing real estate developers all the way to the NC Supreme Court.	Normative and Affective

Successor Capabilities: What Family Businesses Need to Thrive

When examining successors in the succession process, family business scholars have often studied the important qualities or attributes that a successor needs for succession. In their research, Chrisman, Chua, and Sharma (1998) found decision-making abilities and experience, interpersonal skills, intelligence, self-confidence, creativity, experience in the business, and past performance were all in the top ten most desirable attributes of family business successors. Much of the early literature prescribes the need for a capable successor but does not fully define the concept. Therefore, Capability, within the scope of this paper is defined as:

Successor capability is characterized as the successor's mix of intelligence, experience, relevant skills, and interpersonal skills that allows the individual to profitably continue operation of the family business.

Most of the literature follows a linear process where the successor enters the firm and gradually takes on more responsibility while further developing his capabilities until the time of leadership succession. However, capabilities can develop within or outside the family firm. Much less attention has focused on quick and forced succession events where a successor with experience in the family business may not exist. Therefore, it is important to note that capable family successors can exist outside the family firm. The definition of successor capability used in this article takes both explicit and tacit knowledge and potential capability into consideration. By looking at the successor's mix of intelligence, experience, relevant skills, and interpersonal skills, the definition does not limit itself to a specific circumstance or skill set.

Intelligence refers to the person's understanding of the business that helps successfully run the business and his capacity to further learn, reason, or understand critical

business information, circumstances, and events; it can come from formal education or natural mental capacity. Experience involves any activity, observation, or exposure a successor has in a work environment; it does not have to be work experience that is specific to the family firm as long as the knowledge the experience gained can be generalized within the context of the family firm. Relevant skills are the successor's acquired work related abilities that can be used to run the business. Interpersonal skills describe the successor's ability to interact well with critical actors in the family business environment; it is the relationship skills that allow him to gain acceptance from family and non-family employees in the family firm.

A successor's capabilities develop throughout his lifetime, within and outside the firm, and come from different experiences and sources. The sources of successor capabilities can often overlap and intermingle, the important point is that the mix of capabilities needs to be sufficient enough to continue running the firm profitably when the founder steps down or suddenly exits the firm. As shown in Table 3, the sources of successor capability came from the person's intelligence, education, work experience within and outside of the family business, ability to work well with family business employees, and in cases where the succession process was planned and followed through with, the successor's relationship with the founder was also an important factor. Much of the literature that views succession as a linear process has not addressed the fact that a capable family successor can come from outside the firm, yet various cases suggest that it is a very possible scenario.

Table 3. Indications of Each Successor's Capabilities at Time of Succession

Indications of Capabilities	Bill Cecil Jr. (Biltmore)	S. Eggers IV (Eggers Law)	Robyn Fletcher (G. Blue Ridge)	Crae Morton (GF Mountain)	Lisa Martin (Mast General)	Chris Robbins (Tweetsie)
Highest Level of Education	Undergraduate Degree	Undergraduate Degree, Juris Doctorate	Undergraduate Degree	Undergraduate Degree, Some MBA	Some Undergraduate	Undergraduate Degree
Other Indications of Intelligence Needed (as observed or described by stakeholders)	Very good at managing operations, Team oriented, Very personable	Understands client needs, legal specializations include criminal and traffic violations	Very good product knowledge, Understands changing customer demands	Very good business sense, Very analytical, understands costs and benefits of different business actions	Very Analytical, Very good sense of finances and strategic vision	Ability to assess situations and act, Very good business sense
Experience (inside/outside the business)	<ul style="list-style-type: none"> Virtually all of experience has been in the family business Gained experience from 13 years of progression through the ranks at the business before succession 	<ul style="list-style-type: none"> Went to law school and passed the bar before coming into the family business Virtually all other experience has been in the family business 	<ul style="list-style-type: none"> Took botany classes while attending college Virtually all other experience has been in the family business 	<ul style="list-style-type: none"> Virtually no experience in the family business before leadership succession occurred Previous experience was in communications (i.e. working for sports teams or radio stations) 	<ul style="list-style-type: none"> Virtually all of experience has been in the family business Gained experience from nearly 15 years of progression through the ranks at the business before succession 	<ul style="list-style-type: none"> Virtually no experience at Tweetsie before taking over Previous experience was in other businesses that the family owned (i.e. real estate)
Relationship with Critical Stakeholders at Succession Time	<ul style="list-style-type: none"> On good terms with the incumbent Good relationship with other employees 	<ul style="list-style-type: none"> On good terms with the incumbent Good relationship with other employees 	<ul style="list-style-type: none"> On good terms with brother and parents Problems with other family members over business's land 	<ul style="list-style-type: none"> On good terms with the incumbent Good relationship with other employees 	<ul style="list-style-type: none"> On good terms with the incumbent Issue with CFO Good relationship with all other employees 	<ul style="list-style-type: none"> Not on good terms with incumbent when taking control Employees relieved but hesitant due to environment of sudden succession and outside takeover attempts

Succession Planning: When the Founder Sets Doubts Aside

Succession planning is something that family business consultants and practitioners often recommend as a remedy to the low survival rate of family business. As for the academic side of family business, the available research hardly takes succession plans into consideration when actually researching the succession process; the typical succession article explains why succession plans do not formulate or offers succession plans as an afterthought or solution to a problem researchers identified in their work. Previous research does not go into great depth about how such a plan emerges but indicates that unless the succession process is a forced event then it should be thoroughly planned (Dyck et al., 2002). Succession plans can include implications for both transfers of leadership and ownership, but for the scope of this paper I will focus mainly on the transfer of leadership from one family member to the next. Before going any further it is important to define how the term succession plan is used in this paper:

A succession plan is an explicit plan that seeks to develop potential successors for eventual leadership of the family firm; it sets a framework in place for the family business incumbent to transfer leadership to an identified family successor who has developed the necessary skill set and characteristics for successfully continuing the leadership of the family firm.

Mast General is a perfect example of just how effective a thought out and thorough succession plan can be. The Biltmore Company has a succession plan in place for the fifth generation and is also finding the time leading up to succession to be indicative of a smooth transition. However, the lack of a succession plan can open the family business up to several problems, especially after an incumbent's sudden death or illness unexpectedly causes him to exit the firm. Perhaps Chris Robbins of Tweetsie Railroad offers the best explanation of what a lack of succession planning does in a forced succession event:

When somebody dies unexpectedly and without a succession plan, there is a void created where all sorts of things try to rush into it. There are sharks, bottom feeders, and wolves; it's just that somebody has to step in and take over these things. Anytime you have a void, something has got to fill it.

Chris Robbins, President of Tweetsie Railroad

In order to improve the chances of a family business' survival it is important to minimize the probability of forced succession situations by planning for succession. Trow (1961) found that family businesses that had developed a succession plan and communicated it to critical family business stakeholders were more likely to continue the family business profitably after succession than those who had not planned the succession process. Mast General and the Biltmore Company both had a founder or incumbent who was willing to relinquish control and allow the successors to assume leadership of the family firm; the transition between family members in these firms can be characterized as much smoother than what is typically found in the other cases. This is typically because the founder finds the successors capable and committed enough to lead the business and is therefore willing to plan the succession process.

The Founder's Effects on Succession

Research suggests that the founder is the person most responsible for the continuity of the family firm (Barnes & Hershon, 1989). Much of the available research takes this into consideration; building on founder-centric constructs like the founder's willingness to relinquish control, trust in the successor or a harmonious relationship with the successor.

Evidence from the cases indicates that the founder does have an effect on the succession outcome but it may not be as strong as past research might suggest. Unless a successor comes from outside of the firm to fill a role in a forced succession, the founder's effect on succession is mediated by the capabilities and commitment of the successor that is

chosen to continue leadership of the business. Therefore, the founder's effect on succession largely comes from his ability to develop successor commitment and capabilities.

Furthermore, the founder can improve the likelihood of success in a succession process by creating an explicit succession plan. However, in line with previous literature, the founder is often reluctant to plan succession. Evidence from case studies indicates that when a founder believes a capable and committed successor exists then he is more likely to plan the succession process. The founder's cooperation helps make succession a smooth transition and ultimate success. Therefore, the successor-centric theory of family business succession shows that the successor's commitment and capabilities moderate the founder's likelihood of creating an explicit succession plan and following through with it.

The founder improves probability of succession by fostering stronger successor commitment, capabilities, and succession plans. Ultimately, the founder can easily lower the chances of successful succession by undermining successors and not planning succession; but the successor can combat this by increasing commitment and capability, even when the founder does not acknowledge such improvements. If a family business is defined by its intent to continue family leadership and ownership, the burden of the succession process ultimately falls on the successor; something I will go into more detail in the next segment of this paper.

The Successor's Effects on Succession

An overwhelming portion of the literature discusses how the founder is the most influential actor in succession, suggesting that if the founder is resistant to transfer of leadership then succession will most likely not occur. However, my findings indicate otherwise. When examining the case studies, there is a lot of evidence that supports the

current research literature but there are also several diamonds in the rough that challenge it and present new avenues of study to explore. First and foremost, evidence from the cases shows that the successor's commitment level and capability to take over the business is not fully tied to the founder; successors can develop these traits separately from the founder. So even when the founder is resistant to the succession process, a potential successor can still hold an affective commitment to the business and develop capabilities by working around the founder, waiting for an opportune time for succession to occur:

I wanted Grandfather Mountain to be my life's work. In my 30s, I asked my father if he was going to groom me to be his successor. He just didn't want to talk about it. I made a real nuisance of myself until he finally turned around and barked in my face 'No, you are not my successor!' He then told me that he did not see the successor being a family member. At that point I had to make a choice: is this my life's work, or should I go elsewhere? I liked this better, if I wanted to create some identity based on my values, hopes, and dreams; I could do that elsewhere but still work here.

Catherine Morton, Grandfather Mountain

It is beneficial for a family business to have a supportive founder but my research shows that it is not crucial. When the family business intends to keep ownership and leadership in the family, the only way to have the business continue is with a capable and committed family successor. Therefore, when the founder is taken completely out of the picture, as shown in Figure 3, it becomes apparent that the business can still survive with a capable and committed enough successor.

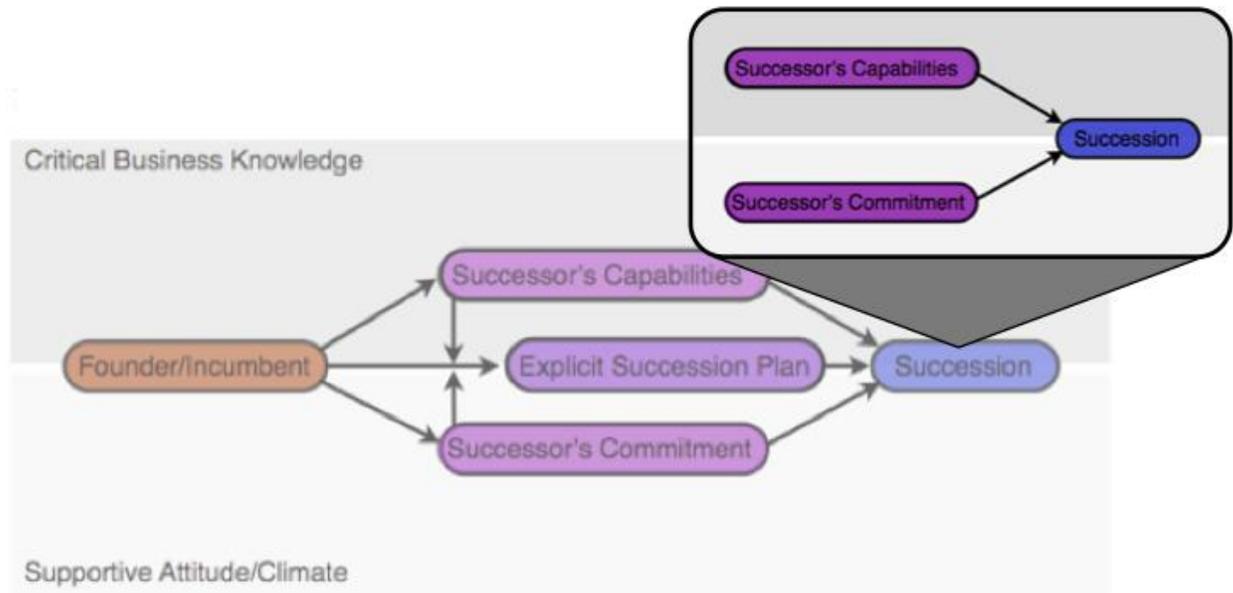


Figure 3. Key Constructs of the Successor-Centric Theory

If a capable and committed enough family successor does not exist within the firm, the successor can be a family member that comes from outside the family firm. Evidence from the Grandfather Mountain, Gardens of the Blue Ridge, and Tweetsie Railroad cases show that it is possible for a family successor to fill the leadership position in the firm even though he or she has had virtually no interaction with the founder or work experience within the family firm. In the case where the successor comes from outside the firm to fill a leadership position, he has proven his capability elsewhere and uses interpersonal skills to gain acceptance from employees. Furthermore, evidence from the cases shows how it is also possible for a capable and committed successor to outlast a founder so that he can assume leadership or overthrow the founder to ensure that the business continues profitably.

Limitations of the Theoretical Model

Although the present study attempted to make a significant contribution to the literature by focusing on the roles of the successor and succession planning in the succession process, there are still limitations to the study and theoretical model. Scholars have not

agreed on a unified definition of family business so the successor-centric theory of succession uses Ashtrachan and Shanker's (2003) middle definition of family business. Since the entire scope of the succession process was too large for this paper, the theory developed here focused on leadership succession. Even though shared leadership models can fit into the theoretical model, it was designed to focus on one potential successor. Underlying assumptions of the theoretical model include the fact that there is an estate plan or other vehicle or document that assures family ownership at the time of succession and that the firm is profitable when succession occurs.

As with all forms of qualitative research, this study can be subject to interviewer and participant biases. This potential problem was mitigated by using standardized questions, uniform interview procedures, and using multiple highly knowledgeable informants who view the focal phenomena from diverse perspectives (Eisenhardt & Graebner, 2007). Furthermore, since this study uses successful family businesses from the High Country of North Carolina, the generalizability of the theory to family firms outside of this geographical region is not certain.

Robustness of the Theoretical Model

Instead of creating a grand theory of family business succession that may not be generalizable or applicable to the average family business, I sought to create a simple model with limitations that can withstand the test of many different succession situations. The theory explains the most basic concepts of succession that emerged during my research; the theory should still hold true if researchers wanted to explore how additional factors and conditions affect the succession process. Even though the successor-centric theory of family business succession has set limitations, the simplistic nature of the model is robust enough

that the theory can still work if some of the limitations are broken. Consider how William Cecil, a previous successor at the Biltmore, proved capable and committed enough to overcome profitability issues. At Gardens of the Blue Ridge, the Fletchers were capable and committed enough to overcome problems with estate planning. Finally, Tweetsie Railroad's Chris Robbins was capable and committed enough to rest control over an ambivalent incumbent, providing a prime example of how the incumbent is not the most crucial player in succession.

CHAPTER 6: A TYPOLOGY OF FAMILY BUSINESS CONTINUITY

While developing the successor-centric theoretical model of family business succession and reviewing the interview and case study data, a typology of four different types of succession scenarios based on the dimensions of founder control and successor commitment and capabilities was also developed. Overemphasis on describing the typology and a lack of emphasis on developing the underlying theory have opened the typological literature to criticism. However, if typologies are to be considered theory then they must meet three primary criteria: constructs must be identified, relationships among constructs must be specified, and relationships must be falsifiable (Doty & Glick, 1994).

Typologies are intended to predict the variance in a specified dependent variable because the organizational types identified in typologies are developed with respect to a specified organizational outcome; they can use constructs that can represent holistic configurations of multiple unidimensional constructs called ideal types (Doty & Glick, 1994). In this case, the organizational outcome is succession; the ideal-type organizations in the typology represent a unique combination of succession-oriented dimensions used to describe ideal types that are based on the successor-centric theory developed in this paper. Figure 4 shows how four ideal-type organizations create a typology of family business continuity. Doty and Glick (1994) suggest that researchers create ideal profiles that can be specified either theoretically or empirically and used to assess real organizations on constructs; descriptions of ideal profiles are provided below.

		Is successor capable and committed to the business?	
		YES	NO
Is founder willing to relinquish control?	YES	<p>CROWNED PRINCE</p> <p>Successful leadership transition during the founder's lifetime</p>	<p>COURT JESTER</p> <p>Unsuccessful leadership transition during the founder's lifetime</p>
	NO	<p>KING IN WAITING</p> <p>Successful leadership transition following death or sudden exit of founder</p>	<p>COMMONER</p> <p>Unsuccessful leadership transition following death or sudden exit of founder</p>

Figure 4. A Typology of Family Business Continuity

The Crowned Prince

A crowned prince succession characterizes a successful transition of family business leadership that happens during the incumbent's lifetime. In this succession scenario, the founder is not the typical resistant patriarchal figure that is found in the research literature; the founder's personality type, trust in the successor's capabilities and commitment, or the life stage alignment with the successor are typically strong contributing factors in these types of successions. In a family business that goes through a crowned prince succession, the founder typically correctly recognizes and perceives that the successor has the right abilities and commitment to continue the business profitably; therefore, the founder is more likely to

relinquish control because he trusts the successor. The Mast General case offers an ideal example.

For the crowned prince successor, I find that this type of successor has had longevity in the family business, usually taking an apprenticeship approach where the successor has worked his way through different levels of the organization, proving his capabilities and commitment as he takes on more responsibility along the way. The crowned prince successor typically holds a strong affective or normative commitment to the business and takes extra discretionary actions for the betterment of the business, which typically increases the founder's satisfaction with the succession arrangement. After succession of leadership has taken place, the successor then proves his capability and commitment by continuing to run the business under the distant watchful eye of the founder; the successor may even grow business profitability to new levels if he does not misstep or have the founder negatively interfere often. The crowned prince succession is typically the most successful of the four alternatives found in this typology.

The King in Waiting

A king in waiting succession characterizes a successful transition of family business leadership following the death or sudden exit of the founder from the family firm. The Gardens of the Blue Ridge case offers an appropriate example of the succession type. In the king in waiting succession scenario, the founder is often resistant to or ambivalent about succession plans until his death or exit from the firm. A king in waiting succession scenario can also result from a premature death, sudden illness, or another unexpected forced event that does not allow the founder to serve a longer tenure in the family firm; in these cases the

family business needs a new family member to promptly assume leadership of the family firm.

This is not a very linear succession process, so unlike the crowned prince successor, the king in waiting successor can come from a number of places; it is not unlikely for the king in waiting successor to come from outside the family firm. When compared to the crowned prince successor, there is more variation in the ways king in waiting successors develop capabilities and commitments to the family business. In this type of succession situation, the successor's capabilities and commitments can come from inside or outside the firm. These types of successors typically have an affective commitment from working in the business or normative commitment from socialization processes with the business owning family members. For a king in waiting successor that comes from inside the firm, consider the capable and committed successor who outlasts a resistant or ambivalent founder and is ready to assume leadership on short notice. When a king in waiting successor comes from outside the firm it is typically because there is no existing successor within the family business or the surviving family owners perceive that there is a family member who has proven his capabilities outside the family firm. It is possible for the king in waiting successor to have virtually no interaction with the founder or family business. In these situations the successor often has to rely on interpersonal skills to win acceptance and support of the family business employees if the business is to successfully continue.

The Court Jester

A court jester succession is characterized by an unsuccessful transition of family business leadership while the founder is still alive. In this situation, the founder is willing to relinquish control for similar reasons that are found in the crowned prince succession

situation. The succession occurs because the founder is typically not resistant to the succession process; he may be worn out from the business or falsely perceives that there is an adequate successor available.

In regard to the court jester successor, the lack of capability or commitment makes him unqualified to continue to run the business. If the family business can survive through the tenure of the insufficient successor, the family owners can possibly act promptly in hope of transforming the situation into a crowned prince or king in waiting succession.

Furthermore, the family owners have the option to sell the business if things go down hill and the situation seems too difficult to recover.

The Commoner

A commoner succession is characterized by an unsuccessful transition of leadership after the death or sudden exit of the founder. The founder in this situation has similar qualities to the founders found in king in waiting successions, making it especially problematic for surviving family members when there is not a capable and committed successor in the family.

In the commoner situation, an available successor may not be capable or committed enough to successfully continue the business. However, there is a good chance that a capable and committed successor does not exist, especially if the founder kept critical business knowledge to himself and prematurely exited the firm because of illness or death. This succession alternative has the lowest probability of success; often there are already problems that linger from the predecessor's reign and the entering successor, if there is one, is typically under qualified or not committed enough. This succession scenario typically ends with the

family business being shut down or sold. There is the possibility of turning the situation into a king in waiting succession if another successor can be found, but it is not very likely.

CHAPTER 7: DISCUSSION AND CONCLUSION

My qualitative analysis of the case studies and relevant literature indicates that a capable and committed successor is the only necessary and sufficient condition for leadership succession in a family business. Therefore, I suggest, contrary to what the existing literature implies, that the founder or incumbent's satisfaction with the succession process is not necessary for the successful transition of leadership from one generation to the next. Consider the Tweetsie Railroad case where a capable and committed successor overthrew an indifferent incumbent. Furthermore, evidence for why founder satisfaction is not a necessary condition can be found in cases where the founder passes away and a capable and committed successor must promptly assume the leadership role in the family firm. Family businesses can survive because there are multiple capable and committed potential successors both inside and outside the family business. Even though a cooperative founder is not necessary for succession, it is better to have one. It is important for the founder to encourage the development of successor capabilities and commitment; if the founder recognizes that there is such a successor then an explicit succession plan will increase the probability of a successful succession process.

Past research has seldom focused on the role of successors in the succession process. Sharma, Chrisman, and Chua (1997) suggest that past research largely ignores the role of successors possibly because researchers believe the process is more important than the

outcome. However, the results from this paper indicate otherwise. Accordingly, this research has several important implications for future research and practice.

Implications for Future Research

This is one of the few studies that take a more successor-oriented view to the succession process; it is important for future research to take a more in-depth look at successor's contributions to succession since a family successor is necessary when family firms intend to keep the ownership and management within the family. The successor-centric theory of succession indicates that the successor's capabilities and commitment to the business are the most critical factors necessary for the continuity of the family firm. However, there were three examples from this study where leadership of the family business completely skipped a generation because of a resistant founder or the absence of a capable and committed enough successor; future research should explore why this happens and what implications it has on family businesses. Such research could help family business researchers understand succession processes that are not like the typical linear succession types that are found in most of the literature.

Furthermore, Sharma and Irving (2005) suggest that different forms of commitment can be found simultaneously. All the successors in the study joined the family firms with different types of commitment, ranging from imperative to affective commitment levels. However, by the time succession had occurred, successors largely possessed both affective and normative commitments to the family business despite entering the firm with another

type of commitment. Future research should examine the changes in commitment that occur during the successor's tenure at the family firm and how the changes affect outcomes like performance or succession.

During the process of conducting this research, family goals appeared to have a strong influence on decision-making. Past research by Tagiuri and Davis (1992) indicates that succession is not a high priority goal but examining the Biltmore's mission statement of keeping the Biltmore Estate a "privately owned, profitable working estate" suggests that succession is a high priority goal. Furthermore, the Morton family's goal of preserving Grandfather Mountain ultimately led the family to end the business in order to secure the opportunity to make the mountain into a state-owned park that could continue to be untouched for generations to come. Future research should explore the effects of family values and goals on the succession process.

Last but not least, research shows that a business will grow or shrink to match the leader's capabilities (Jaques & Cason, 1994). A large portion of the family business succession literature indicates that founders value stability and control over the business, which could imply that many founders are not willing to grow the business beyond what they can comfortably manage by themselves. However, evidence from this study's case studies indicates that if the founder wants his children to continue to benefit from the business, he needs to grow the business as the family grows so that the goal of fully supporting future generations is possible. Therefore, future research should explore the effects of corporate entrepreneurship on family businesses.

Implications for Practice

This research has several implications for both incumbents and successors going through the succession process. Many founders and successors in family businesses display self-defeating behaviors; founders can be ambivalent or resistant to succession and successors can be unwilling or unqualified to continue the business or demonstrate a sense of entitlement to the family business. These issues have a higher chance of being prevented if the succession process is objective and planned. Founders that want family members to continue the business need to involve trusted and unbiased stakeholders in setting objective criteria for selecting successors; this puts everyone involved in the succession process on the same page. The purpose of involving several people in making the succession process objective is two-fold; it holds successors to a certain standard by letting them know what is expected of them and it protects the family business from a reluctant or resistant founder. However, it is much easier to suggest this than to do it; if a founder is unwilling to establish clear objectives for succession it is up to other family business stakeholders to make him realize such faults.

Furthermore, since the burden and likelihood of continuing the family business ultimately falls on successors, it is up to the successor and every critical stakeholder in the family business to help develop the capabilities and commitment of potential successors. If successors want to continue the family business, they need to be aware of what it takes to continue the business and not take things lightly. Building successor capabilities and commitment may help the business continue if something unexpectedly happens to the founder or business.

Conclusion

This study suggests that successor commitment and capability play some of the most vital roles in the succession process. It is a departure from previous research that has focused more on the founder and process than the successor. Succession is hardly a linear process in many family firms; focusing on the role of the successor in the succession process might lead to a better understanding of how stakeholders other than the founder affect family business succession and inspire future research to explore the reality of why family businesses continue even when there are resistant and ambivalent founders.

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APPENDIX A: INTERVIEW DESIGN

When designing the interview questions, I wanted to capture as much information about the family business and succession process as possible. Therefore, I decided to use semi-structured interview questions to gather the same type of information from each business while also leaving room for impromptu questions that could further explain each family business' unique situation. Asking several stakeholders structured questions helped build an accurate portrayal of the family business. The structured questions for family and non-family executives sought to get as much detailed information about each aspect of the family business outlined below:

Background Information

Name
Age
Stakeholder group (family vs. non-family)
Current generation of the family business
Age of the business
Business structure (S Corp, C Corp, LLC, etc.)
Stock ownership
Number of employees

Family Business Details

The history of the family business in relation to each family member who has contributed
Experience in the family business (before succession and in total)
Experience outside the family business
Motivation and intention to enter the family business
Current and previous job titles and responsibilities
Relationships with family members and other critical stakeholders
Family business' culture
Corporate governance structures

The Succession Process

Management training (from experiences inside or outside the business)
Founder's leadership traits and abilities
Successor's leadership traits and abilities
The succession process
Founder's ability to relinquish control
Succession planning (explicit plan, informal plan, or no plan)
Successor commitment
Successor capabilities
Differences between founders and successors
Who pushed more for succession (founder or successors)
Strategic vision of different generations (How is it the same and how does it differ?)
Successor's relationships with other critical stakeholders at succession time
Trust in the successor (family, and non-family stakeholders)
Readiness of successor (Was the person qualified enough, did he/she feel ready?)
Conflicts in succession (family or non-family)
Satisfaction with the process

Business After Succession

The family business after succession
Succession plans for future generations
Obstacles for future generations
Advice for other family businesses facing succession

APPENDIX B: SELECTED INTERVIEW RESPONSES FROM MAST GENERAL

With over 15 hours of recorded interview responses, it would be impossible to include all the relative responses. Therefore, seeking to include the most relevant responses from the case that contributed most to the theory, I have transcribed selected responses from the Mast General Store interview. Many of the cases did not need an accepting founder for leadership to pass from one generation to the next but these responses show a unique snapshot of an ideal situation where a founder can be willing to give up control to capable and committed successors.

Interview with John Cooper of Mast General Store

Q: So have you worked on sharing leadership during that transition?

A: Yeah. We developed a leadership team. The leadership team meets regularly once a month and sometimes more frequently as needed and they meet for retreats to kind of set the direction of the company. The leadership team consists of our director of marketing, director of operations, our CFO, our merchandise manager, our store design person, and director of stores. So we have essentially nine people I think that are part of that leadership team. They help make policy; I'm consulted. I sometimes attend the leadership meetings but I don't always. My role is diminishing and I'm glad to have that happen because I'm 65. And I think you're coming at the perspective of family business succession but Fred and Lisa have worked long and hard in the business so they understand what it needs to be to continue to be successful. I'm assured that I am making the right decisions with their leadership.

Q: That's interesting, because that is sort of what I am trying to figure out... the perception of what the founder has of the next-generation and how family businesses choose the successor.

A: Well, it's not just because they are family. They have a deep love and interest in the Mast store and they have a lot of intelligence. Fred is very smart, our daughter is very smart. They both, in my opinion, they have more expertise than Faye and I have at this point. They are

better suited to run the business than we are. So we are stepping aside and letting that happen.

Q: How do you think raising your daughter helps her in her role in the business?

A: Well, she learned store operations from the very foundation of it; from stocking shelves to helping with merchandise, to pricing it and ordering it. When she was in college, she worked in a dress store in Charlotte and she learned even more about fashion. She was good with numbers and she enjoyed buying and she enjoys that, that's her side of the business. My son-in-law also had good buying experience but he had good knowledge of the outdoor industry and he brought that to the table, plus his education in the college of business. He has learned a lot of things about being a leader in his role at the Mast store; he has had a lot of different experiences. He's been a department manager, he's been a buyer, he's been a store manager, he's been a director of stores, and he's done a lot to learn the business pretty thoroughly.

Q: Do you think having your successors have outside experience has been helpful for the business?

A: Well, probably, you know, sometimes... It is helpful to have outside experience and it would have been if that situation existed. Our daughter got a little bit of outside experience and our son-in-law had a little bit of the outside experience and sometimes that is a real helpful addition to their understanding and appreciation of where they are. We have had a lot of people who have worked for us and left to go work somewhere else and found out that they really like the way they were treated at the Mast store better and come back to work for us. Part of our success is not just how much we know about the numbers or how well we teach our staff to relate to customers or product knowledge, part of it is understanding that it is critical that you give good customer service. It is critical that you treat your employees well. If your employees are happy where they work, and they understand and have good personalities and like to please the customers then you'll have a lot better chance of success. Those are intangibles; you can't teach personality. You have to have somebody with the ability to go out on the floor and speak to somebody and... I said this many times, you can't teach personality but you can teach product knowledge. So you need to hire the right people that can have the right influence on your customer.

Q: With your daughter and son-in-law taking over, do you have any idea about how they will run things? Do you think they will run things differently?

A: No, I think they will run it the same way. One of the things that we talked about that is so critical is the culture in the business. The culture is how employees are treated, both from the standpoint of benefits, from the standpoint of wages, from the standpoint... even more

importantly is how they are treated, how they are respected by their leaders. If a staff member is berated constantly and inappropriately, they're not going to be happy. You want people who are happy in their work and you have to treat them well to do that. You can't shuffle something under the carpet. If it's there, if they've made mistakes then you have to tell them how they can improve and correct and do a better job next time. But you don't do that by berating someone or by belittling them. That's part of our culture, the treatment of employees. We share our profits with our employees. We have an employee stock ownership plan that is commonly known as an ESOP. You hear the acronym more than you hear employee stock ownership.

Q: Where did you come up with the idea for the leadership team? That is a sort of best practice for succession planning that is outlined some in the research literature... you had to get the leadership team from somewhere.

A: Just in reading and learning and understanding what I did about employees. You know, at one time we were a pyramid and I was at the top of the pyramid. Then it became such that I had so many people directly under me and they had people under them that it became very stressful for me to have that many people answering to me. It just became important that we have people engaged in what the decisions are for the company.

Q: So you made the organization flatter?

A: Yes, more flat. Now, in reality they have to answer to somebody... my daughter and son-in-law have to write reviews on the leadership team. They also sit down and decide what we are going to do, but it is not like it's my daughter saying we are going to go to Columbia, it's more like "what do you guys think?" So sometimes it is very embarrassing to send 8 or 10 people to look at the potential location but it is important that you get buy in and people are engaged in what you do and are part of that decision. I found out early on when we went to places like Asheville that I was leading the team and now it's the team that is pushing to go places. I just step out of the way.

Interview with Mark Gould of Mast General Store

Q: When I was talking with John, he said that he will soon be stepping down and Fred will probably assume the role of president... So with your interactions that you had with Fred and Lisa, what do you think makes them qualified?

A: Often in succession, that leadership can be handed over rather than earned. There's no question in my mind, where I sit, that both Fred and Lisa have earned their position in this

organization. Not just through longevity, Lisa has been here since the company's inception... All 30 years, and Fred has been here for 26 of those years. So they have that large frame of reference from the standpoint of tenure and longevity within the organization, but it goes beyond that because the company has grown, and because of the growth model... or at least how it's turned out, it is been slow growth and each of them has taken on lots and lots of roles and wore different hats within the organization.

Q: What do you think Lisa and Fred's leadership strengths are?

A: Lisa is extremely visionary and analytical at the same time, like both her mom and dad are. She possesses a lot of that same skill set. She is very analytical and really gets the numbers and how things work. Lisa would probably tell you that while she is great with people, she is not the same type of manager of people that Fred is. One of Fred's strengths is that he manages people very well, by putting out directions clearly. Lisa is sometimes very analytical and will make a comment and assume that you understood exactly where she wants you to go with that, maybe you do or maybe you don't. Fred communicates those directions very clearly, as a manager he possesses those strengths and you know he is very skilled... but those are some of the differences that I've noticed.

Q: If I could create a Venn diagram of the skills you just listed, how much would Fred and Lisa's skills overlap with John and Faye's.

A: That is a difficult question for me to answer, having not been around when John and Faye were as active in the management, honestly. But personality wise, obviously the blood descendent of John and Faye will share a lot of the same personality traits a little more than Fred does.

Q: What type of personality traits?

A: Hmmm... I don't know... Throw a few out there and I will tell you yes or no.

Q: Well do they share the same vision and direction for the company?

A: Yes.

Q: Lisa and Fred both?

A: Yes. They certainly both share all of the foundation of what the whole company was built on, which is being very fair and providing great customer service and prices while treating your employees very very well; enhancing the lives of the employees and the folks of the communities in which we do business. So I guess you have seen our vision and mission statement... There is total buy in across-the-board, from both Fred and Lisa in an emotional standpoint and what it means to them to give back to communities and what it means to provide for employees and to provide a certain organizational culture.

Q: Do you know how John eventually came up with leadership team?

A: No, you know, John is very visionary and I know that he is also very well read. I'm sure he researched some of the business management tactics, but he is a true believer in surrounding himself with folks that know a lot about their respective area and disciplines. I think he worked hard to do that, whether that was a conscious thing or an unconscious... subconscious thing. Anyway, he achieved it and then realized that he had talented people around him to help the decision-making process. He was able to continue to lead but also empower those people. I think it was very much a process that kind of evolved. Again, I came in after this was already intact and replaced a member of the leadership team. Just going on things that I've heard, the leadership team today looks different than it did back when John ran the leadership. As I understand it, the person in my position had made a lot of bilateral decisions with John without ever really having the entire group weigh in. Now, at least with the more sensitive matters I am directly involved with the family and we make decisions.

Q: Like family versus business decisions?

A: Huh... No it is really, for instance, things like payroll. You have to place limits. Those are things that I obviously have visibility in my role to kind of what that looks like across the board. That is something that even other members of the leadership team do not necessarily need to be privy to, things like rates and what's going on. Generally speaking, across the board with things, sure. But there are just certain decisions that are made that by necessity of the level of sensitivity need to be limited to just a few folks that have that full exposure... But I think generally speaking, at least now, under Fred and Lisa's leadership, we really do take a team consensus approach on reaching decisions.

Q: Do you see any major differences in how leadership is managed under Fred and Lisa versus John and Faye?

A: No.

Q: Any minor differences?

A: The minor differences would be the extent to which they will put that flag in the sand. You know, if John Cooper said here is the direction that I want to head in, it was probably difficult for any member of the leadership team to say I'm not sure we should head in that direction. So Fred and Lisa avoid that kind of dialogue and keep it open as to where we want to go and then when it is time... don't get me wrong, each of them will make a decision but the approach is a little different. There is a subtle difference there, yes. And a lot of that I am gaining from communication with folks that have been around for both styles.

Q: When I talked to John, I asked him if anyone had issues with promoting family. I guess that is where your predecessor didn't want to work for Fred and Lisa, right?

A: Again, you know I just came in as of the replacement but I think that is probably a pretty accurate read and assessment from what John has told you what I have told you.

Q: Have you seen any other examples where employees have been against passing leadership to Fred and Lisa?

A: No, I mean it is still... there is a reality that if the leaders of an organization are not happy with what they are doing then you have issues. I have seen people that have been involved here at that leadership level that did not get along well enough with the family to stay around very long. I don't think the family was ever unfair in their assessment of performance of what was going on... There were issues, but I think perhaps the family is very willing to let folks work through issues and if someone is not willing to go there with them and wants to butt heads, then is not going to work out. I have seen that happen, but when I say they're willing to work through those issues, they are. They give you a very long leash and you can do with that what you choose to do.

Q: Could you describe which generation you really think pushed for succession?

A: Truly... I think it was top-down, I think John and Faye with being the visionaries that they are, saw a need to create a situation to bring Fred and Lisa up into those roles and to do it such that generally speaking there was buy-in across the board. They made sure that Fred and Lisa were qualified heirs, if you will.

Q: You mean they made sure they had all the necessary tools to run the business?

A: Exactly, and again, some of that just happened because they were both around and involved, they saw a lot of the different facets of the business as they did that then they grew into their roles before I ever got here. But, I would think that it would've had to been... Being driven more from the top down, as opposed to a mom and dad, it is time to ease you out of here situation.

Q: I understand that Fred and Lisa have a lot of different experiences in the different roles throughout the organization, but do you know of any time on top of that where they had explicit training for running the business?

A: Just the dining room table chat and drinking the Kool-Aid on the cultural stuff. By drinking the Kool-Aid I mean hearing John and Faye talk about what their goals and visions were for the employees and their management style. Fred and Lisa digested that by being closer to them than anyone else in the organization, so understanding the emotion behind it and understanding some of what their private goals and aspirations were... You know, that is translated into a real genuine concern about community outreach among both generations...

As I mentioned, it continues to be a real part of the culture of the Corporation.

Q: Do you think there is any perception of how leadership will be different under Fred and Lisa?

A: No, you know, since Fred and Lisa have come on board we have only increased our employee benefits in several different arenas and the stock value has grown so I do not think so. Some of our performance has mitigated some of that but John is a very likable guy and he built this business so there are going to be some of those folks that sort of hang on and say *well back when John Cooper was here* kind of thing, I'm sure. You know, we have a lot of tenure in the organization; people have worked right alongside John and Faye. My accounting manager is a perfect example. I am the new kid on the block, she has been here for almost 25 years and we do not have any problem. She has seen things since we were handwriting tickets and keeping a green ledger sheet, you know, she has seen the business grow.

Q: Could you break down all these leadership teams and committees that you have?

A: Well, the leadership team consists of Fred and Lisa, our human resource director, our director of stores, our store designer, our merchandise manager, our operations director, our marketing director and myself.

Q: Now does everybody have an equal weight?

A: Yes, we are all peers in that group. As I mentioned, some of our roles dictate different things. I might have more contact and visibility with the family on more sensitive issues than our marketing director but when we are at that table and making decisions we are all peers.

Q: What roles do Fred and Lisa have in these committees?

A: They're usually very very involved. Lisa handles merchandising and finance so she basically hovers above the accounting and finance functions and inventory, like what we bring in and how much do we have, how much are we going to sell and what do our margins look like. She is kind of a numbers person.

Q: What are Fred and Lisa's titles?

A: Lisa is the VP of finance and merchandising. Fred is a VP of operations and marketing.

Q: So they are each like a different side of the same coin?

A: Yes.

Q: From your understanding of John and Faye, did they each play roles that are like a different side of a coin?

A: I think they shared a little bit more of that. John is very much the visionary and to put it in Faye's words "John was the go, and I was the woe" so that tells me that Faye was more the accounting type... like here is how much we have in the checking account and this is what we can accomplish. While John was more of the rule the world, what's next kind of mentality. And I still see some of that as I watch them interact but I don't think they drew lines like we have now.

Interview with Lisa Martin of Mast General Store

Q: Now, what I understand from my previous discussions with Mark and John, your dad and mom are not as involved as they used to be. You and Fred basically run the business?

A: Yes, we have a leadership team that consists of I believe eight employees. We run it mostly as a team. We work with a strong leadership group to make decisions. John and Faye are notified when big decisions are in the loop, but on the day-to-day running they don't have to worry about that. There is a group that covers a lot of the day-to-day decisions.

Q: How did the leadership team come about? Do you remember?

A: It was because a lot of things in the business occurred organically as the business grew and needed changes. We always had the management group meeting, at the beginning, it was on a smaller level, and it would have been a buyer or a store manager in the meeting when we had fewer stores. As the business grew, we needed to hire managers of the buyers and managers of the stores, our regional managers. The group formed with the business. It wasn't that one day we just evolved and got a leadership team.

Q: Do remember as the leadership team gradually came about, what events led to a formal leadership team?

A: I think with the growth of stores it evolved, through the growth of stores and hiring more people in management. At the beginning, John and Faye, and Fred and certainly myself would have managed a lot of the groups that are now managed by the leadership team. That evolved as we grew in stores.

Q: Now, usually I ask each person that I interviewed to describe the history of the family business with relation to what each family member has contributed but I think I have gotten most of that from previous interviews with your father. What I'm interested in is how did you and Fred rise through the ranks at Mast General?

A: That's interesting, because I've seen a lot of family businesses and have been to a lot of those group meetings and a lot of them talk about having your child work outside of the business. I worked outside of the business in other jobs, not as meaningful as the ones I've evolved to in this business but it started basically from the top with my dad's philosophy that you have to earn your way and nothing is given to you so my work through the business started as a sales associate, area manager, assistant buyer, clerical, and so it evolved through promotions in earnings as a way into the business. I was a buyer for a long time, I bought... I actually created the graphics department because they would not give me a buying position. I became a men's buyer because we needed a new buyer and then I evolved into several other buying positions and at one point we needed a manager of buyers so I sort of became an area merchandise manager. I learned from a wonderful outside hire that we had that came up in department stores. He helped me understand the process of buying and management. It happened with me rising through positions that came available. To get to where I am was a long process; to get to vice president was a long process.

Q: How many years did that take?

A: Oh okay, well I basically started at the age of 22 as an assistant buyer.

Q: How many stores were there at that time?

A: At that time, there was the two in Valle Crucis, the one in Boone and Waynesville. I am going to say that I officially became the vice president after 12 to 14 years working through everything; before landing a vice president leadership role in the leadership team.

Q: So around age 36?

A: Yeah, around 35 or 36.

Q: So what about Fred?

A: pretty much the same... But on a different scale, he was a buyer and store manager and director of stores...

Q: How did he enter the business? I know he graduated from ASU.

A: Yeah, he graduated from ASU's college of business. He knew the business before he graduated and started working in the stores of the sales associate. He started at the original

store and then went to the Annex as a buyer manager and just worked his way through and took a couple years off and then came back to a lead buying role.

Q: What did he do during those years he took off?

A: He worked with his brother in a restaurant business in Morehead and then came back working as an outdoor footwear manager buyer.

Q: Now was there a particular reason he came back?

A: He loved the mountains. He enjoyed working in the Mast store and working for John and Faye. He was already in the business as a management role when we started seeing each other. It had nothing to do with me when he came back. Yeah, he was part of the business before he was part of the family.

Q: So when he came back did he just ask for a job at Mast?

A: Yeah, he came back and asked if there was a position for him available and John and Faye talked it over and talked to several people who knew that he was a good rehire. When somebody leaves your family you have to consider letting them back in as a family business and they went through the thought process and knew he was a good person to have back in the business. It was a good call probably. So he did about the same path as me working his way up but a little bit opposite.

Q: So you guys didn't have the same path through roles, you kind of met somewhere in the middle and worked up together?

A: It worked out with the passions and qualities and qualifications that each of us brought in ... that it really worked on a parallel level in the areas that he works with and oversees and the areas that I did.

Q: Does that split of job roles kind of mirror how your parents managed the business?

A: I think they ended up complementing each other very well in the many years that they worked together. My mom has a very strong accounting and mathematical contribution to the business, working with the finances and overseeing the product mix coming in. Dad did a lot of the operations and hiring and people managing. It worked well over the years with their foundation and philosophy of hiring well and treating people with respect.

Q: Was there ever a plan or outline for how family members enter and work in the family business?

A: No, because I was here. The only thing ever there communicated on that level was that you had to earn your way. That was kind of the plan.

Q: So how did you know you were earning your way?

A: I'm a numbers person. It was very easy in the beginning to look at a way in the buying position to measure success. You know, are you keeping your inventory in line? Are you getting your sales? Are you growing your department? And through other people, the same management of success is if they are successful you are successful. I think it was easy to weigh the success.

VITA

David Scott Jiang was born in Charlotte, North Carolina on May 31, 1989. In 1991, his parents, Steven and Lynne, started the company Charlotte International Trade, Inc. David and his younger brother grew up in the family business environment, spending much of their time at the family business' warehouse in Waxhaw, North Carolina. In 2007, David graduated with magna cum laude honors from Weddington High School. Nearly one month later, he married Meredith, his high school sweetheart. David and Meredith enrolled at Appalachian State and started taking classes in Fall of 2007. David majored in Management with a concentration in Entrepreneurship. In December of 2009, he graduated from Appalachian State University with magna cum laude honors and a Bachelor of Science in Business Administration. In the Summer of 2010, David started the Master of Business Administration program and a research assistantship for Dr. Scott Hayward at Appalachian State University. The MBA was awarded in August of 2011. Mr. Jiang plans to enroll in a Business Phd program a year after finishing the MBA.