

COMMITMENT, TRUST, KINSHIP – BUILDING A LEGACY THROUGH
SUCCESSION PLANNING

by

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A dissertation submitted to the faculty of
The University of North Carolina at Charlotte
in partial fulfillment of the requirements
for the degree of Doctor of Business Administration

Charlotte

2020

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ABSTRACT

LISA L. ROLAN. Commitment, Trust, Kinship – Building a Legacy Through Succession Planning (Under the direction of DR. FRANZ KELLERMANN)

This dissertation deals with the incumbent's commitment to the family firm and the degree of formalization of a succession plan and how trust and kinship strengthen or weaken the relationship. This dissertation argues that the incumbent's commitment (affective, normative, continuance) plays a critical role in the degree of formalization of succession planning. Scholars are still searching for what elements are essential drivers for the succession planning process. Furthermore, I examine how affective trust, cognitive trust, and kinship moderate the relationship between incumbent's commitment to the family firm and the degree of formalization of succession planning. The data partially supported the conceptual model in that affective commitment was positively and continuance commitment was negatively associated with the degree of formalization of succession planning. Additionally, moderator effects were observed in the main and post-hoc analysis. Findings and implications for future research are discussed.

DEDICATION

I dedicate this to my daddy, Mammaw, my son, Josh, and my husband, Mike. My dad because he had the patience like no other and was always my champion. Mammaw because she gave and instilled in me my fight to go after what I want. My son, Josh, the one who has been my champion in everything that I do, pushing me to be better than I am today, always willing to be by my side through everything and for giving me words of encouragement when my hard drive crashed and I lost proposal, data, articles, everything. He gave me my motto: “minor setback for a major come back.” So true, thank you, son! Finally, my husband, Mike, who has had the patience and allowed me to spend time writing and rewriting and working to fulfill one of my dreams. Two of you are not here to see me complete this goal, but I know you are smiling and here with me! I dedicate this to you – my heart and soul and who gives me the strength to be who I am!

ACKNOWLEDGMENTS

This work would have been impossible without the encouragement and support from some people, who helped me in different ways, from words of encouragement, advice, both personal and professional, insight, sharing of experiences, and the reading of many drafts. I say thank you to each one of you who supported and helped make this work a reality. Your comments, support, and contributions will forever be cherished. Nonetheless, there are a few people who deserve mentioning.

First, I feel deeply indebted to Dr. Franz Kellermanns, my dissertation chair. You have had the patience and provided me real guidance. You never lost patience no matter how many times I thought I had it!! Thank you for being my most prominent advocate, for calming me down when I felt like my world was falling apart, keeping me on the right path, and for providing constant support, encouragement, and stability throughout this entire journey.

Second to thank you to Dr. Laura Stanley, Dr. Torsten Pieper, and Dr. Chandra Subramaniam for agreeing to serve on my dissertation committee. Your time, feedback, support is much appreciated. There will never be enough words that can convey my sincere appreciation and thank you.

I would also like to thank my son-in-law, Riley Peters, for telling me that I “suck” when I asked him to review my personal statement. Without your words of encouragement and being real with me, I would not be here today! Thank you to my daughter, Kayla Peters, for encouraging me and cheering me on. Thank you, mom, Janie Grubbs, and sister, Laurie Mitchell, for being my sounding board when I hit that wall and

needed someone to help me get refocused. Thank you, Betty Jo Maness, for being there at just the right time and Ricky Maness, for keeping my husband company when I needed my quiet time to write!

I am also grateful to many other individuals who helped me in different stages of this work. These include: Dr. Reginald Silver, Dr. Laura Madden, and Dr. Justin Webb, to mention a few. Without their contribution, this work would have been incredibly challenging to accomplish.

I want to thank all the DBA professor who had the patience and time to help us through the growing pains of the first year of this program. Your sense of humor, willingness to answer our many questions over and over, and for the dialogue and desire to let the conversation flow freely was a breath of fresh hour and alleviated many of our stresses of the unknown. It indeed has been a pleasure to get to know you all.

I would also like to offer my wholehearted thank you to all my cohort members, friends, and family members, who encouraged and supported me with their patience, words, time, and assistance, who kept me in their prayers and thoughts, and who provided ideas and criticism.

Last but not least, I thank God almighty for giving me the strength and hope to accomplish this and provide me guidance through all the trials and tribulations that were presented to me throughout this journey.

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LIST OF ABBREVIATIONS

- CEO – Chief Executive Officer
- CFA – Confirmatory Factor Analysis
- CFI – Comparative Fit Index
- CMB – Common Method Bias
- EFA – Exploratory Factor Analysis
- FOB – Family-owned business
- GDP – Gross Domestic Product
- NACIS – North American Industry Classification System
- NFI – Normed Comparative Fit Index
- NS – Non-Significant
- OLS – Ordinary Least Squares
- RMSEA – Root Means Square Error of Approximation
- SBA – Small Business Administration
- SME – Small to medium size enterprises
- TCM – Three-component model of commitment
- VIF – Variance Inflation Factor

CHAPTER 1: INTRODUCTION

From the mom-and-pop neighborhood store to the large diversified multinational, family businesses represent an essential and vital part of the economic landscape in the United States. According to the U.S. Bureau of Census (2016), about 90 percent of American businesses, and about 97 percent of North Carolina businesses are family-owned or controlled. Ranging in size from two-person partnerships to Fortune 500 firms, family businesses generate approximately 64 percent of the Gross Domestic Product (GDP), employ approximately 60 percent of the U.S. workforce, and create approximately 78 percent of all new jobs (United States Census Bureau, 2016). Hence, family businesses are essential to the economy and social texture of the nation.

For this dissertation, I focused on family firms¹ with less than 500 employees and their leadership succession process. Approaches to define family firms vary to some extent. Some researchers defined a family firm by the degree of family involvement in management, ownership, or succession (Chrisman, Chua, & Sharma, 2003; Kraus, Harms, & Fink, 2011). Other researchers have focused on factors such as vision, transgenerational intention, and influence in the business (Chrisman, Chua, & Sharma, 2005; Klein, Astrachan, & Smyrniotis, 2005; Litz, 1995; Westhead & Cowling, 1998). Other researchers have focused on management by family members and/or the degree of ownership (Alcorn, 1982; Anderson & Reeb, 2003; Andersson, Johansson, Karlsson, Lodefalk, & Poldahl, 2018; Barnes & Hershon, 1976; Dyer, 1986; Goel, Mazzola, Phan, Pieper, & Zachary, 2012; Lansberg, Perrow, & Rogolsky, 1988; Miller, Le Breton-Miller, & Lester, 2011). This dissertation followed Rosenblatt et al.'s (1985) approach

¹ The terms family firm and family business are used interchangeably throughout this dissertation.

and defined a family business as “any business in which majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business” (p. 4-5).

The literature on family firms has long stressed the significance of succession planning in ensuring the success and legacy of a business (Brockhaus, 2004; Morris, Williams, Allen, & Avila, 1997; Ward, 2000, 2011). Prior studies state that about one-third of family businesses continue with the second generation after the incumbent retires, and only half of those make it to the third generation and beyond (Beckhard & Dyer, 1983; Le Breton–Miller, Miller, & Steier, 2004; Ward, 2011). The literature on succession generally agreed that the succession process extends over time and needs to be strategically planned (Davis & Harveston, 1998; Harveston, Davis, & Lyden, 1997; Sharma, Chrisman, & Chua, 2003). Several studies maintain the need to plan for succession (Barach & Gantisky, 1995; Ip & Jacobs, 2006). Motwani (2006) identified succession planning as the single most crucial topic requiring the attention of a family firm’s leadership, and criticized that there has been little effort to apply existing theory to develop a comprehensive succession planning model in family firms, and that more work on succession planning is necessary (Lambrecht, 2005; Le Breton–Miller et al., 2004; Mussolino & Calabrò, 2013; Pardo-del-Val, 2009; Tower, Gudmundson, & Schierstedt, 2007).

Prior studies revealed that the succession process is a multi-staged phenomenon with trigger events distinguishing one succession process from the other (Cadieux, Lorrain, & Hugron, 2002; Gersick, Davis, Hampton, & Lansberg, 1997; Keating & Little, 1997; Lansberg, 1999; Murray, 2003; Pardo-del-Val, 2009). Succession is already an

emotionally charged event that, for the process to turn out favorably for the incumbent and the business, it should start months, possibly years in advance (Korine, 2017).

Founders of businesses often find it hard to commit a successor because she/he cannot see beyond his/her time as the leader of the business (LeCouvie & Pendergast, 2014; Whatley, 2011).

Although the statistics reveal the importance and impact that family businesses have on the U.S. economy, the lifespan of family firms is often short. According to Scott (2000), “the average life expectancy of such a business is roughly 25 years” (p. 80). Compared to a non-family firm’s life expectancy of approximately 11 years (Andersson et al., 2018), the longevity of family businesses is far better. However, the better the understanding of the factors leading to successful or unsuccessful successions, the more family business survival might be enhanced, to the benefit of both the economy and society. Monk (2000) stated that many factors influence the lifespan of a business, including operational inefficiencies, lack of financial planning and understanding, lack of strategic planning, and a decline in the market. Besides the factors mentioned above that affect both family and non-family businesses, Venter et al.’s (2005) and Prior’s (2012) research also found that factors such as the willingness of the successor to take over the business; the preparation level of the successor; and the relationship between the incumbent and successor are factors that also directly influence the succession and lifespan of a family business. De Massis, Chua, and Chrisman (2008) revealed other factors such as the successor declining appointing and lack of motivation of a potential successor.

This dissertation looked at trust (affective and cognitive) and kinship and the relationship they have on the incumbent's commitment to the family firm and the degree of formalization of succession planning. The family firm embodies a unique social association where each member can have social relationships based on trust with other family members. Ortho and Green (2009) found that family loyalty to the family business and the drive of the trusted successor affect succession planning. Sharma et al. (2001) found that successor planning directly contributed to the family commitment to the family firm and the inclination that the successor is trusted in the family firm. Besides the erosion of trust, the literature suggests that generations beyond the second generation lose their entrepreneurial behavior over time because of the incumbent's resistance to change and established traditions (Hall, Melin, & Nordqvist, 2001; Ward, 1987). Therefore, it is important to understand what role kinship plays in the family business. Understanding the influences of kinship behavior, including family culture, social norms, and patterns can help explain the relationship between the incumbent's level of commitment to the family firm and the degree of formalization of succession planning.

Astrachan and Kolenko (1994) found that there was no empirical linkage between the number of generations a business survives and a written succession plan; however, Galiano and Vinturella (1995) pointed out that the lack of an adequate succession plan outlining the succession from one generation to another is likely a cause for family business failure. Poutziouris et al.'s (2006), stated that "Past research suggests that there are many reasons such successions fail. They include unclear succession plans, incompetent or unprepared successors, and family rivalries" (p. 372). Succession at the

management level and even lower-level employment are common within most organizations (Khumalo & Harris, 2009); however, family businesses face more challenges than nonfamily owned business. For example, the incumbent and successor personal relationship, and the number of candidates vying for the position, may complicate the transfer of leadership to a family member (Long & Chrisman, 2014).

Barach and Ganitsky (1995) stated: “Successful succession of CEOs is a critical goal for family firms: without the next generation’s leadership and direct management, the firm cannot survive as a family firm, let alone maintain its character” (p.131). Most research points to the lack of an adequate formalization of a succession plan as the demise of the American small business (Galiano & Vinturella, 1995; Ip & Jacobs, 2006; Sharma et al., 2003). Thus, it is an important element to the success of a family business to develop and implement a succession plan from one generation to the next. For the purpose of the dissertation, I focused on the formal aspects of succession planning.

Research on barriers to succession planning remains scarce (Lansberg, 1983; Lee, Lim, & Lim, 2003; Mandelbaum, 1994, 2016; Mehrabani & Mohamad, 2011). Scholarly interest in family business has grown over the years, yet it has given limited attention to the development, implementation, factors of the succession planning process, and the degree of formalization of succession planning (Bigliardi & Ivo Dormio, 2009). Past research has also focused on factors such as characteristics of the incumbent, motivation for succession, attributes of the successor, and other elements of the succession planning process such as choosing a successor (Barnes & Hershon, 1994; Nordqvist, Wennberg, Bau, & Hellerstedt, 2013); however, the relationship between incumbent’s commitment to the family firm and the degree of formalization of succession planning has not been

widely studied. In a formalized organizational structure, the degree of formalization looks at the positions and roles rather than the individuals in the positions (Beck & Walgenbach, 2003; Donick, Schonfeldt, Thomanek, & Tavangarian, 2011).

Formalization is often initiated to rationalize the decision-making process, and identifying known issues and help implement change slowly and purposefully (Beck & Walgenbach, 2003; Donick et al., 2011).

The study of succession planning in family firms helps determine why succession planning is important, understanding the leadership void, and possible discord between the incumbent and the successor that could significantly undermine family firm performance. Incumbent typically want their positive actions and the legacy of their business remembered (Cruz, Justo, & De Castro, 2010; LeCouvie & Pendergast, 2014). They might be unwilling to talk about relinquishing the helm of their family firm because their identification is personally related to the family business (Ibrahim, Soufani, & Lam, 2001; Ward, 2011). Consequently, a charismatic incumbent that has a strong personality and an impeccable record for managing all aspects of the family firm can and will often cast a shadow on the next successor and even other generational successors (Ward, 2011). Therefore, it is beneficial to understand the theoretical underpinnings of commitment to explain the actions of the incumbent better.

1.1 Research Objective

The purpose of my dissertation was to investigate the direct relationship between the incumbent's multi-dimensional levels of commitment, using the Meyer and Allen (1991) three-component model of commitment (TCM), to the family firm and the degree of formalization of succession planning. Le Breton-Miller et al. (2004) developed a

preliminary model for family-owned business succession planning, which provides steps that lead to the degree of formalization of succession planning. Based on the initial integrative model for successful family-owned business succession (Le Breton–Miller et al., 2004), their model shows that the first steps of succession planning are setting the ground rules and first steps, which is to include the shared vision for the future of the family business. The next step is the nurturing/development of the successors, then the transition process, all the while dealing with the family dynamics (Le Breton–Miller et al., 2004).

Succession planning is a strategic approach that can help develop a pipeline of potential successors, sharing knowledge and abilities, lessen the incumbent's willingness to relinquish power, and energizes and reassures the employees and stakeholders of the business if the incumbent leaves (Wolfe, 1996). The theoretical framework proposed in this dissertation tested the relationship between incumbents' commitment (affective, normative, and continuance) to the family firm and the degree of formalization of succession planning, and the extent to which this relationship is strengthened or weakened by trust (affective and cognitive) and direct kinship ties. Affective commitment refers to the desire to stay with a business; normative commitment references to a feeling that one should stay with a business, and continuance commitment refers to the belief that one has to remain with a company (Jackson, Meyer, & Wang, 2013). This dissertation examined the three types of commitment (affective, continuance, and normative) as independent variables for linkage to the degree of formalization of succession planning. Also, it examined the three moderators (affective trust, cognitive trust, and kinship) to determine if they strengthened or

weakened the relationship of the incumbent's commitment to the family firm and the degree of formalization of succession planning (Davis, Greg Bell, Tyge Payne, & Kreiser, 2010). Affective trust refers to the belief that the incumbent's care and concerns or has an emotional bond toward the successor (Allen & Meyer, 1996; Bloemer, Pluymaekers, & Odekerken, 2013); cognitive trust refers to the belief that the incumbent is reliable and competent (Morrow Jr., Hansen, & Pearson, 2004). Direct kinship refers to a lineage by "child" relationships (Read, 2001). Neihoff, Moorman, Blakely, and Fuller (2001) stated that individuals who lack the feeling of trust, even during transition, are more likely to become pessimistic, worry about his/her job, and become less interested (Niehoff, Moorman, Blakely, & Fuller, 2001; Oreyzi & Barati, 2013).

The first aim of my dissertation research was to review, synthesize, and expose limitations in the family firm literature on the succession planning process, the degree of formalization of succession planning, and the incumbent's level of commitment to the family firm. Through this process, the objective was to gain insights into the incumbent's level of commitment to the family firm and the degree of succession planning and how trust and kinship strengthen or weakens that relationship. The second aim of my dissertation research was to examine the predictions and hypotheses developed from a review and synthesis of the relevant theory and literature.

1.2 Organization of Dissertation

This dissertation contains five chapters. Chapter 1 introduces the theoretical focus (organizational commitment) and the dependent variable (degree of formalization of succession planning) in family firms. It contains a statement of purpose, a research objective, which helps identify the use of this research, and research questions to guide

this research. Chapter 2 provides an in-depth review of research relevant of the three-component model of commitment (TCM) and examines the family firm literature on succession planning. The last section presents a research model and develops the hypotheses for understanding the role kinship and trust play in strengthening or weakening the relationship between the incumbent's commitment to the family firm and the degree of formalization of succession planning. Chapter 3 outlines the method, including the survey instrument and approach, sample, measures, and data analytics. Chapter 4 reports the results of the analysis and post hoc analysis. Chapter 5 concludes the dissertation with a discussion, research findings, limitations of the research, and future research opportunities and conclusion.

CHAPTER 2: LITERATURE REVIEW

This literature review includes research on succession planning of family businesses, the three-component model of commitment, affective and cognitive trust, and kinship relationships within the family organization. Gibbert and Ruigrok (2010) stated that surveying existing literature is a crucial element in developing a clear foundation for theory development, data collection, and analysis for scholarly research. To this aim, the following sections provide a synthesis of the extant literature and present a multidimensional view to contextualize and ground the research questions regarding the incumbent's level of commitment to the family firm and the degree of formalization of succession planning, and how affective and cognitive trust and kinship strengthen or weaken that relationship.

2.1 Family Business

Prior researchers (Chua, Chrisman, & Sharma, 1999, 2003; Handler, 1994) have attempted to arrive at a definition of what makes up a family business. Handler (1990) defined family firms as a business run by at least one family member. Ward (1987) defined family firms in terms of family firm business management and control being passed from one generation to the next. Churchill and Hatten (1987) explained a family business as any business operated by an incumbent or founder whose intentions are that they will pass the business to the next generation. Chua et al. (1999) stated that “defining a family business by its components does not capture its essence, which consists of the vision held for the firm by a family or a small group of families and the intention of the dominant condition to shape and pursue this vision, potentially across generations of the same family or small group of families” (p. 35). Therefore, I focused on family firms

with less than 500 employees, where the formalization of the succession process may have significant performance implications. While general ownership of the family is essential for the definition of family firms for this study, my theoretical development will not focus specifically on the percentage of ownership by each generation.

The study of family businesses is critical because they are significant contributors to the national economy; however, documentation of this contribution is limited. Table 1 shows a list of the different industries classifications for family firms.

Table 1: List of NACIS Industry Classification Adopted by SBA Identifying Small Business (U.S. Small Business Administration, 2018)

Agriculture	The maximum of \$750,000 in average receipts.
Mining	The maximum of 250 to 1,500 employees depending on subsector within the mining
Utilities	The maximum number of employees ranges from 250 (for renewable electric power generation subsectors) to 1,000 (for electric power and natural gas distribution businesses).
Construction	The maximum of \$36.5 million in average receipts.
Manufacturing	The maximum number of employees ranges from 500 to 1,500 (with approximately 27% of all manufacturing businesses having a maximum employee cap at 500 employees).
Wholesale Trade	The maximum number of employees ranges from 100 to 250.
Retail Trade	For one-third of all retail trade sub-industries, size standards are set at \$7.5 million in average annual receipts. Other industries are defined by 100 to 500 employee maximums.
Transportation and Warehousing	The maximum number of employees ranges from 500 to 1,500. Some sub-industries in transportation and warehousing are defined by a range of \$7.5 million to \$37.5 million in average annual receipts.
Information	The maximum number of employees ranges from 500 to 1,500, depending on the sub-industry. The maximum average annual receipts for this industry range from \$7.5 million to \$38.5 million.
Finance and Insurance	A maximum of 1,500 employees (for direct property and casualty insurance carriers), and a maximum in average annual receipts ranging from \$32.5 million to \$38.5 million.
Real Estate, Rental, and Leasing	A maximum of \$7.5 million to \$32.5 million in average annual receipts.
Professional, Scientific, and Technical Services	A maximum of \$7.5 million to \$20.5 million in average annual receipts, or a maximum of 1,000 to 1,500 employees.
Health Care and Social Assistance	A maximum of \$7.5 million to \$38.5 million in average annual receipts.

Approximately 23 million companies in the United States have zero employees, which means that only one person, either the founder or an offspring or someone else operates the business by themselves (United States Census Bureau, 2016).

There has been significant research done over the past decades as to the ownership of a small business, management of small businesses, and innovativeness (Baran & Velickaite, 2008). The SBA August 2018 reports data for the 2015 year. This report shows that for the year 2015, 86.4 percent of small businesses are sole proprietors, and 60.1 percent are home-based businesses. Also, the Family Business Institute (2016) reported that there are approximately 24 million family businesses in the United States and employ about 82 million people (Family Business Institute, 2016). Therefore, Table 2 summarizes the distinct types and percentages of the legal formation of family businesses throughout the United States.

Table 2: Legal Form of Small (U.S. Small Business Administration, 2018)

Type of Business	Non-Employer	Small Employer	Larger Employer
Sole Proprietorship	86.4%	14.4%	1.0%
Partnership	7.4%	11.6%	8.8%
S-Corporation	4.6%	48.1%	7.9%
C-Corporation and Corporation	1.6%	26.0%	82.1%
Government		17.9%	75.4%
Nonprofit		0.0%	0.1%
Other		7.9%	6.0%
		0.2%	0.6%

Family businesses face significant challenges as they grow, particularly in ensuring continued financial performance and planning the succession to the next generation. According to the 2018 MassMutual Business Owner Survey, approximately half of the business owners surveyed had developed a written succession plan, even if

they may have already chosen a successor (MassMutual, 2018). MassMutual (2018) survey shows in Figure 1 the incumbent's ideal exit strategy.

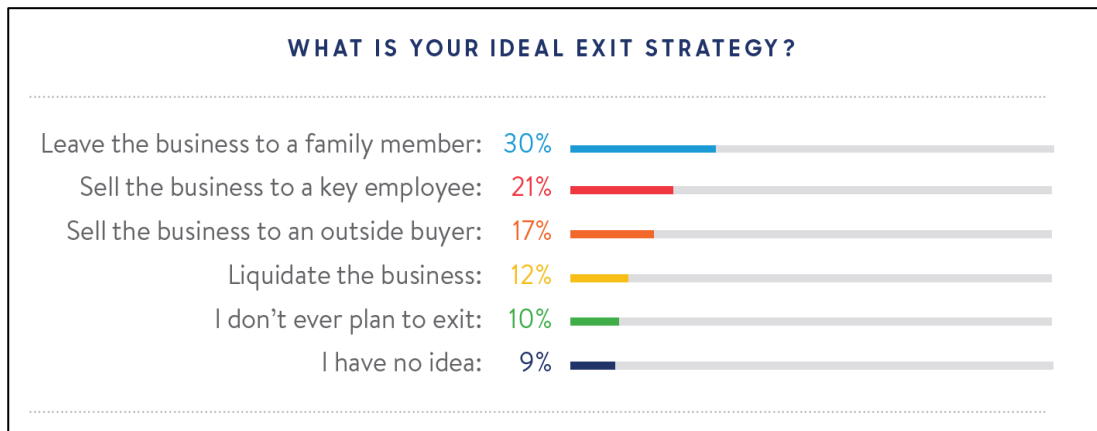


Figure 1: What are the Incumbent's Ideal Exit Strategy? (MassMutual, 2018)

Family businesses have many competitive advantages; however, they also have several weaknesses, such as disputes between generations, problems of loyalty and trust between family members, rivalries between siblings, and issues surrounding the transition and succession to the next generation (Aronoff, McClure, & Ward, 2011; Dyer, 2003; Family Business Institute, 2016; LeCouvie & Pendergast, 2014). HawkPartners for Massachusetts Mutual Life Insurance Company (MassMutual) surveyed family business with fewer than 500 employees and in business longer than one year. (MassMutual, 2018). Also, the MassMutual (2018) survey revealed that the lack of planning for retirement from the business and lack of financial independence of the family firm could affect the incumbent's exit from the family firm and how involved she/he is involved in the succession plan when it is time for the incumbent to exit the family firm. In 2007, the survey revealed that 40% of incumbents planned to exit with no ties, and 30.5% planned to stay active indefinitely (MassMutual, 2007). When

compared to 2007, the numbers are different. Figure 2 shows that in 2018 the survey revealed the categories and percentages that incumbents would fall into one if they



Figure 2: Business Owner Hierarchy of Involvement (MassMutual, 2018)

transitioned from the leadership role (MassMutual, 2018). The 2018 survey revealed that 24% of incumbents planned to exit with no ties, and 25% planned to stay indefinitely (MassMutual, 2018). Family businesses have the added complexity of dealing with the family dynamics as well as the business dynamics. Therefore, it is vital to understand the degree of formalization of succession planning.

2.2 Theoretical Framework

The research model (Figure 3) describes three levels of commitment of the incumbent of a family firm that can have a direct effect on the degree of formalization of succession planning. The proposed research model also looks at how affective trust, cognitive trust, and kinship and how they strengthen or weaken the relationship of the incumbent’s commitment to the family firm and the degree of formalization of succession planning. The present research is based on the Meyer Allen TCM model (1991). The questions related to the TCM model were changed and directed toward the incumbent to clarify the relationship between the incumbent’s commitment to the family firm and the degree of formalization of succession planning instead of an employee relationship toward the

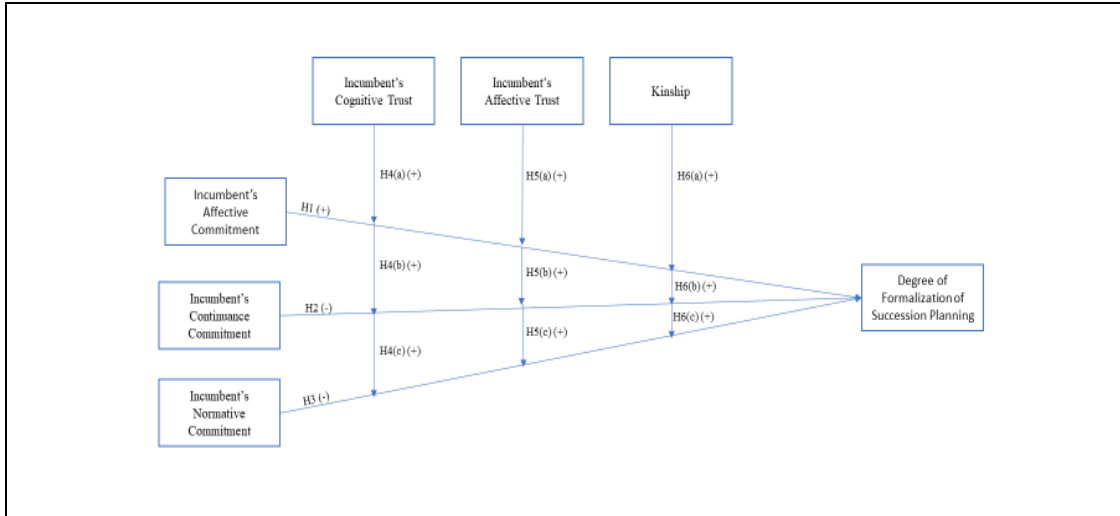


Figure 3: Conceptual Model of Incumbent's Commitment to the Family Firm and the Degree of Succession Planning

organization. When looking at the factors affecting an incumbent's commitment to the family firm and the degree of formalization of succession planning, it is vital to understand how kinship and trust moderate the relationship. The following sections provide an overview and a foundation for the research model.

2.3 Characteristics of the Literature Review

The basis for this literature review comprises of 96 scholarly articles, encompassing family business, succession, succession planning, trust (affective and continuance), organizational commitment (affective, normative, and continuance), and kinship topics. I identified articles using Google Scholar, ResearchGate, UNC Charlotte Library, and the Business Source Complete database. I searched the keywords family firm/family business, in combination with succession, succession planning, organizational commitment, kinship, and trust, for the literature review. The following tables summarize the scholarly peer-reviewed journal articles, and influential works (books, non-peer reviewed articles, events, and experiences) as they apply to the degree

of formalization of succession planning, trust, kinship, and commitment. Besides the above-referenced keyword combinations, non-family firms and employee organizational commitment literature was selectively consulted to better understand the incumbent's commitment to the family firm. Finally, within each section, a few important articles are summarized selectively.

2.4 Family Firm

Table 3 provides a summary of relevant academic literature related to family firms.

These articles were selected because they show how family employment plays a role in family firm performance, defined family firms; frequent answers regarding family firms; and to review the dominating theories of family firms. As outlined above, I define family firms as a family business managed or control by one or more generations (Ward, 1987) with less than 500 employees and whose intentions are to transfer ownership to the next generation (Churchill & Hatten, 1987).

Table 3: Summary of Literature on Family Firms

Authors	Type of Study	Key Findings
Andersson, Johansson, Karlsson, Lodefalk & Poldahl (2018)	Quantitative	The authors looked at Swedish data concerning firm ownership, governance, and kinship from 2004 to 2010. They found that the family firm is a significant organizational form, contributing over one third of all employment and gross domestic product (GDP). The study also found that family firms had fewer total assets, sales, and employment than private non-family firms.
Ayranci (2014)	Quantitative	The authors provide a family firm definition based on specific criteria using the family – power, experience, and culture (F-PEC) scale. The study revealed that family-business relationships can easily ignored. Also, the study revealed that family members or family specific topics influenced the business in some way. Finally, the study found a weak inverse relationship between family influence and satisfaction with financial performance.
Carrigan, Buckley (2008)	Quantitative	The authors looked at family businesses in urban and rural communities in UK and Irish. Their exploratory study provided insight into what consumers think when they discuss and shop “family business.” It also explores the relations and experiences that family firms have with the respondents. Their study found that the family business plays an important role in consumers purchasing behavior. They also found that “A good family name is a powerful brand and can communicate strong values such as trust, integrity, honesty and reliability to the consumer” (p. 664).

Chua, Chrisman, Sharma (1999)	Quantitative	The authors argue between the theoretical and the operational definition of family firms. They propose a theoretical definition based on behavior. The conceptual analysis revealed that most of the operational definitions are based on components of the family involvement. The empirical tests revealed that components of family involvement were weak predictors in family firm succession.
Chua, Chrisman, Chang (2004)	Quantitative	The authors studied whether family firms are born or made. The study used data extracted from the Small Business Development Center survey. The results suggested that most family firms are born but a significant number of family firms do evolve over time. The data also suggested that the relationship between the age and family involvement appeared to be concave and that family involvement decreased the older the firm.
Chua, Chrisman, & Steier (2003)	Literature Review	The authors reviewed the two different aspects in ongoing development of a theory of the family firm. Their review found that researchers need to continue to examine the implicit and explicit assumptions with those theories. The research demonstrated that scholars can learn from and contribute to the ongoing study of family firms.
Cruz, Justo, & De Castro (2010)	Quantitative	The author studied the relationship between family involvement and firm performance. Their paper adopted an integrated framework using the SEW approach to family business and family embeddedness perspective on entrepreneurship. Focusing on MSE's they reinforced the positive aspects of family employment. The study also revealed that when the primary source of income and primary employment for the head of the house is the family business that when the family firm fails it is catastrophic.
Davis (1983)	Literature Review	The authors examined the family business as a joint system and attempted to outline the elements of change technology.
DeNoble, Ehrlich, Singh (2007)	Qualitative	The authors research focused on identifying the key dimensions that could comprise a family business self-efficacy scale. They used an exploratory qualitative research method by asking presidents of family firms to describe the skills critical for success. The authors developed a framework for the FBSE scale.
Dyer (2003)	Literature Review	The authors studied mainstream management literature to find out why the family unit was not included as a variable in organizational research. Their study found that family dynamics is present in the vast majority of organizations. They noted several key areas, such as governance, social capital, career development and many others, that scholars should focus on.
Eddleston & Kellermanns (2007)	Quantitative	Using the stewardship theory, the study looked at why some family firms flourished while others did not. The authors findings suggested family firm performance and relationship conflict is negatively related and family firm performance and the participative strategy process is positively related.
Eddleston, Kellermanns, & Sarathy (2008)	Quantitative	The authors applied the resourced based view to study family firms by investigating how family specific resources and firm specific resources contribute to the family firm performance. They examined how strategic planning and technological opportunities influence the resources. They found that firm specific resources do contribute to family firm performance, as well as, family relationships can be a source of competitive advantage.
Erickson, Martinengo, Hill (2010)	Quantitative	The authors studied individuals across six family life stages from a survey from a global IBM work and life issues. The study addressed differences in the work and family role demands associated with the experience of work and family life. The findings provided empirical support the family life stage is an important consideration in relationship between family and work variables.
Habbershon, Williams, Macmillan (2003)	Quantitative	The authors expanded on their paper from 1999 and examine the systemic relationship of resources and capabilities as a source of advantage or constraint to family firm financial performances. They developed a unified systems model of performance that links resources and capabilities. The model overcomes the constraints of debating the definition of a family firm.
Hollander, Elman (1988)	Literature Review	The authors reviewed the development thinking of family firms. The authors found that the four categories are not mutually exclusive. The common thread appears to interactivity, interdependency, and family processes and business processes.

Jorge, Juan, Héctor (2012)	Literature Review	The authors propose a model for conducting research of family businesses using Dubin's methodology for theory building. First, the authors describe the concepts of family firms and explains the importance of each definition in the research.
Kellermanns, Eddleston, Barnett, Pearson (2008)	Quantitative	The authors study provided the first empirical test in family firms and expands on literature from Zahra (2005). The results found that the CEO's entrepreneurial behavior was strongly related to the family firms performance variable, employment growth. The study showed that organizational tenure and generations were important predictors of employment growth and entrepreneurial behavior in family firms.
Kim, Molloy, Sauer (2008)	Quantitative	The authors focused on the difference between family and non-family firms. They only found differences for businesses operating in the retail industry.
Liebowitz (2011)		The authors of this book look at the interface between family dynamics and the family's business; explore succession planning, selection of the successor; defining the role of family members; conflict resolution; succession transition; and management involvement in the succession transition.
Lumpkin, Martin, Vaughn (2008)	Quantitative	The authors studied how family affects the family business and how individuals relate within the family. They identified five dimensions of family orientation (tradition, stability, loyalty, trust, and interdependency) to review. The authors concluded that family orientation provides a promising framework for assessing how individual perceptions of family affect family business outcomes and processes.
Marshall, Sorenson, Brigham, Wieling, Reifman, Wampler (2006)	Quantitative	The author proposes adding demographic and behavioral variables to existing models when examining succession processes. Using a structural equation model, the authors found that older owner age positively associated with formal succession plans. Older owners also negatively associated with cooperative conflict management. Their study also provided some insights into why succession planning may not occur for both scholars and practitioners.
Memili, Chang, Kellermanns, Welsh (2013)	Qualitative	Little is known about the challenge family firms encounter due role conflict within the family firm. Using the stewardship theory, the authors developed a model where reciprocal altruism represents an antecedent to role conflict between family members. They also argued that collective efficacy had a moderating effect on the relationship between role conflict and reciprocal altruism. The authors expanded on a study by Peterson et al. (1995) which was conducted in 21 countries.
Miller, Le Breton-Miller, Lester (2011)	Quantitative	The study used a sample of Fortune 1000 companies. The authors argued that explanations of performance must take into account ownership, "who" the owners are, and their social contexts and influence on strategic priorities. They found that single owners pursued strategy of growth and earned larger returns than their counterparts who reported to shareholders. They also found that single owners do not outperform firms that report to shareholders as previously report. The findings also suggest that family involvement may at times be limiting.
Orszag (2013)	Literature Review	The author summarizes the definitions of small businesses used by governmental entities.
Poutziouris, Smyrnios, Goel (2014)	Literature Review	Provides in-depth insights into the dynamics of family business, its context and the significant role of stakeholders.
Shanker, Astrachan (1996)	Literature Review	The authors provided a framework for assessing commonly accepted business statistics. A review of existing research the authors found it difficult to in identifying and defining the family business. The authors provided a summary of this work. The paper provides a framework to assess available statistics based on criteria chose to include in a family business definition.
Tower, Gudmundson, Schierstedt (2007)	Quantitative	The authors examined 241 small family businesses in the midwestern state. They found significant differences in the succession planning process than those that held family meetings and those that did not.
Ward (1997)	Literature Review	This paper explores the reasons for and theories behind business stagnation and proposes a set of "best practices" that can revitalize a firm and enhance its performance.

Ward (2011)	Review and Summary	The book provides readers with a guide to strategic thinking, including how to maintain growth, how to shape business direction, preparing for new leadership, and working with a large and diverse family base.
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The next section provides a more detailed look at the literature on succession planning.

2.5 Succession Planning

Table 4 summarizes relevant academic research on succession planning. These articles were selected because they discuss the succession planning process, offer a checklist for a good succession plan, develop models for future research, provide a framework for integrating factors that could affect critical players involved in the succession planning process, and the importance of generational involvement and willingness to change.

Table 4: Summary of Literature on Succession Planning

Authors	Type of Study	Key Findings
Aronoff, McClure, and Ward (2011)	Review and Summary	The authors provide us with a wealth of answers to the succession challenge from specific family case histories addressing the dominant issue of how the family business and its legacies can be continued.
Barach & Gantisky (1995)	Case Study	The authors did a case study on why successful succession is crucial for family firms. They stated that successful succession begins many years before an offspring takes over the family firm. The authors presented a framework integrating factors affecting succession and how key members in the family can control certain aspects of the succession. Their framework can be used as a checklist to help in assessing family firm succession process and identifying major conflicts.
Barnes & Hershon (1994)	Literature Review	The author reviews the transition and the different roles and possible conflicts of power from the incumbent to the successor. They discuss strategies and processes to avoid and do to make the transition smooth.
Barnett and Davis (2008)	Qualitative	The authors proposed a practical, five-step approach to succession planning that incorporates best practices and innovative application of role theory. This approach should help family firms prepare for the future more effectively.
Bigliardi & Ivo Dormio (2009)	Case Study	The authors analyzed ten case studies of Italian family businesses. The authors developed a research framework and identified factors that impact generational success. Also, the authors recommended some best practices.
Bills, Lisic, Seide (2017)	Quantitative	The authors examined whether uncertainty arising from CEO succession influences perceived financial reporting risk among stakeholders who are responsible for and oversee firms' financial reporting (e.g., auditors, management, and audit committees), and whether succession planning attenuates this perceived risk. The results suggest succession plan attenuates the perceptions of risk arising from CEO succession.

Birley (1986)	Exploratory Study	<p>The authors surveyed 61 family firms to explore the emotions and motivations of children in their last years of at a university, when they make their decision to start a new career or return to the family business. In reviewing the literature two issues arise, the choice of the successor and the transition after the retirement or death of the founder. Approximately 20 percent of the respondents wanted to return to the family firm; 38 percent would return at an unspecified time; and 42 percent had no intent on returning. The study debunked some myths such as the eldest child had to make the decisions, children would never return to the family firm, and more. The results of this study should not be generalized due to the nature of those that were surveyed; however, the results clearly suggested that a sense of responsibility to the family is as much self-imposed as imposed by parents.</p>
Blumentritt, Mathews, Marchisio (2012)	Quantitative	<p>The article outlines how game theory provides a solid foundation to observe, explain, and make predictions about succession in family businesses. The article introduces a game theory as a model for examining succession as a set of rational and interdependent choices by individuals in family firms. The model provides a starting point to introduce family business scholars to game theory with hopes to apply game theory to succession on a more granular level.</p>
Boyd, Royer, Pei, & Zhang (2015)	Exploratory Research	<p>The author reviews three types of succession transitions: intra-family, non-family, and no succession. Building on the theory of planned behavior and SEW framework, the authors present a conceptual framework to understand factors that influence succession transitions and the decision-making process by the owner. The authors present a model of the factors used in the process of determining succession intent. They argue that family business incumbents evaluate contextual factors and use the information based on strength and weakness they perceive the family firm exhibits.</p>
Bozer, Levin, Santora (2017)	Explanatory Research	<p>The authors provide a multi-perspective examination of leadership succession. The authors investigated key personal and professional factors associated with effective family-business succession across four stakeholders: family, nonfamily members, successor and incumbent. Interviews with the incumbent and the successor found support for maintaining a cohesive family business. The size of the family firm had an impact on the succession process based on responses from the incumbent, successor, and nonfamily members.</p>
Bracci & Vagnoni (2011)	Exploratory Research	<p>The authors argue that the bulk of literature seems to neglect the role of knowledge, and that small family firms face a higher risk of failure due to succession. The authors develop a theoretical model drawing from intellectual capital (IC) literature and knowledge management (KM) literature. The model proposed provides a better understanding of how family firm succession can be interpreted as a process of IC. The authors adopted the Ward (1987) definition of family firm and succession and Churchill and Hatten (1987) definition of business succession. The following dimensions were include in the theoretical model: characteristics of successor, characteristics of incumbent, and characteristics of organization.</p>
Brockhaus (2004)	Research Methodology and Literature Review	<p>The authors reviewed and critiqued both literature and research methodology on family businesses and provided some specific recommendations to enhance the quality and value of family business research. The recommendations are listed throughout the article within each literature or methodology review.</p>

Byrne, Fattoum, Thebaud (2019)	Case Study	The authors adopt a social constructionist approach and studied four cases of family business succession specifically studying gender selection. Gender theorizing remains underdeveloped in family business literature. The authors show how gender dynamics are more complicated than a binary view. They identified how family members through interactions and discourses socially construct the successor role. The hierarchy is based on a combination of gender category. Their research suggested how gender structures the career outcomes of the next generation. Family firm succession is not just about the business being passed on but the family in the business.
Cabrera-Suárez, & Martín-Santana (2012)	Quantitative	The authors study focused on the successor's commitment to the family firm and his/her perception of the succession process. The authors found that affective commitment had a significant relationship with success, as well as his/her personal satisfaction and professional needs about joining the family firm.
Cabrera-Suárez, Saá-Pérez, & García-Almeida (2001)	Theoretical Review	The authors argue that family firms have some distinctive assets (trust, commitment, know-how, reputation, and more) that can bring the family firm competitive success based on the implied knowledge embedded in those resources. The authors use the resource and knowledge-based views of the family firm to identify the possibility of special features in the family firm. The authors used two theoretical approaches to analyze how the family firm can be managed effectively. They developed a conceptual framework which provided a tool for family firms to gain a competitive advantage over nonfamily business.
Cadieux, Lorrain, & Hugron (2002)	Case Study	The authors look at succession in family firms, specifically in female owned family firms. They explored the process of succession in family firms run by females. They studied four women owned family firms in the manufacturing sector and shared the management of the firms with their successors for at least three years. The authors found that that lack of planning during the early phases doesn't mean that the succession will fail. The authors also found that the family dynamics played a role in the succession as well as the quality of the communication.
Cadmus (2006)	Case Study	The author studied succession planning for nurses in a multi-level organization. The authors identified that organizations must go beyond a succession planning approach that just focuses on replacing individuals. Instead the authors stated they must engage in broad, integrated succession planning and management efforts. The authors found that succession planning requires visioning, planning, and utilizing strategies of mentoring and coaching at all levels of an organization
Calabrò, Minichilli, Amore, & Brogi (2018)	Quantitative	The authors looked at succession planning for the nuclear structure of the family firm using the SEW logic to test the antecedents and consequences of choosing the successor from the first born or subsequent born children or even nonfamily member successor. Their findings suggest that appointing the first born is more likely to when there is a high degree of SEW endowment and family firm pre succession performance. They also found that second and subsequent born successor had a positive and significant effect on post succession firm profitability.
Carsrud (2012)	Case Study	The authors reviewed four case studies to show the complexity of the issues facing family firms. Each study showed the number of players involved in coming to some agreement to a solution such as succession planning. The authors show four different cases with four different scenarios with the goal of hoping that family firms can understand they are not alone and hopefully they can learn from prior experiences of family firms.
Chaturvedi (2016)	Literature Review	The authors attempt to understand the role of succession, how succession planning should be effectively planned, communicated, and how to develop and choose a successor. They authors reviewed existing literature and current practices. They drew observations and inferences that family firms could use in understanding how to remain competitive and utilize resources when choosing the next successor.

Chua, Chrisman, & Sharma (2003)	Quantitative	The authors surveyed 272 Canadian family firms on issues facing the family firm. The results showed that succession is their number one concern as well as relationships with nonfamily managers. The authors also reviewed the Agency Theory to explain why relationship with nonfamily managers are so important. The empirical results showed that the family firm's dependence on nonfamily members are statistically significant important. It also implied that nonfamily manager relationship is a topic that is a neglected research topic and warrants further research
Colot & Bauweraerts (2014)	Quantitative	The authors surveyed 2000 family and nonfamily SMEs in Belgium with less than 100 employees. Each business had already experienced at least succession and were formed before December 31, 1990. They had 391 usable surveys. The authors compared family vs nonfamily succession and addressed the gaps each went through for succession.
Daspit, Long, Holt, & Chrisman (2016)	Empirical Literature Review	The authors reviewed 34 prominent journals from management, finance, economics and the examined the references of those searches. They also reviewed articles as quantitative, conceptual, or case study. The authors reviewed the management succession process (ground rules, successor development, and transition) to better understand the multiphase, multi-stakeholder succession process. The authors identified how a social exchange perspective can help guide future research.
Davis & Harveston (1998)	Quantitative	The authors developed a process model for succession after surveying nationwide family business owners. The model includes steps family firms should take to prepare the family business for succession. The model examined the influence of family, individuals, organizational, and other resources. The authors found that there are various factors, such as family influence that positively affects the extent of the succession planning.
Davis & Tagiuri (1989)	Quantitative	The authors examined the relationship between the life cycles of fathers and sons who work together in the family firm. They concluded that the quality of the work relationship varies as a function of their respective life stages. The study had limitations as it was focused on father-son relationship and possibly generational differences which they didn't account for.
De Massis, Chua, & Chrisman (2008)	Model Development and Literature Review	The authors develop a model of the factors that prevent intra-family management succession. The authors reviewed and analyzed research and case study literature to determine the antecedents and direct causes that prevent an intended intrafamily succession from happening. Their model suggested a chain of causation for the lack of successful intra-family succession. The authors also suggested that their model could be used to test both qualitative and quantitative methods.
De Massis, Sieger, Chua, & Vismara (2016)	Quantitative	The authors surveyed 274 Italian family firm incumbents study their attitude toward intrafamily succession (IFS) not the behaviors between family and nonfamily firms. They found that both situation and individual antecedents affected the incumbent's attitude toward IFS as well as their interactions.
Del Giudice, Peruta, & Maggioni (2013)	Empirical Validation	The authors examined how organizational change management aids in the transition of a family business. The authors found an empirical validation between stewardship behavior to capacity. The authors provided a first step in linking theory building with theory testing and found that the stewardship scale plays an important role establishing a linkage between dimensions in family firm succession and relationships.
Devins & Jones (2016)	Literature Review	The authors presented a framework to explore the idea of wicked problems, its relevance to succession planning in family businesses and its implications for practice and policy. A wicked problem has many and varied elements, and is complex as well as challenging. The authors concluded that academics and practitioners need to re-think the traditional business strategic planning process for family firms for the to be more sustainable in the future.

Durst & Wilhelm (2012)	Quantitative	The authors did semi-structured interviews with 14 members in different departments and positions of a medium sized business in the printing sector from German. The purpose of the study was to gain a better understanding of how medium sized firms handle the danger of knowledge loss because of employee exit or long-term absence. The authors found that certain financial situations related to knowledge management and succession planning. They also found that even though everyone was aware of the need to develop and execute the succession planning, their actions was only on the current needs.
Estedadi, Shahhoseini, & Hamidi (2015)	Literature Review	The authors discuss the importance of succession planning and preparing them to undertake the process. They discuss the five reasons for increased interest in succession planning and management, including being innovative and adaptive, lack of labors, layoffs, terrorist attacks, and corporate boards becoming more involved.
Fendri & Nguyen (2019)	Case Study	The authors review a French small business in the building and construction industry that was currently undergoing succession from the eighth generation to the ninth. The authors used an in-depth semi structured interview with two generations. The analysis revealed the strong connection of the family with its external environment and the trust it developed with employees and stakeholders. The case showed that a well-prepared transition is essential to allow the successor to take over in the best possible conditions and to ensure that the business continues to thrive. Also, the revealed the succession transition has to be gradual so that the success has the opportunity to develop trust relationships with everyone. Finally they also said that it is important for the incumbent to be present incase the successor was rejected he could help put the employees and external stakeholders at east.
Gabriel & Bitsch (2019)	Qualitative	The present study analyzes the effects of either the lack of a successor or an ongoing succession process on other business areas in family-run horticultural retail companies in Germany. Many family business research focused on mon-causal relationship; however, the authors focused on a systemic approach to analyze the dynamic effects of intra-family succession. The authors used the Vester Sensitivity Model, supplemented with principles from system thinking to identify key variables related to intra-family succession. The authors found that conflicts between family and work were highly sensitive to the changes during the succession process.
Gilding, Gregory, & Cosson (2015)	Literature Review	The authors reviewed family business succession planning literature to review the motives of the incumbent. They found that the typology consisted of four distinct combinations of motives for succession planning. These combinations included institutionalization, implosion, imposition, and individualization. The authors found that the proposed typology highlights the repertoire of motives that inform succession planning.
Gothard & Austin (2013)	Literature Review	The authors reviewed existing literature on the incumbent's exit in the for-profit, public, and nonprofit sectors. Their analysis identified key elements of succession planning with implications for nonprofit human service. The authors summarized the pros and cons of the different types of succession: relay succession, non-relay inside succession, outside succession and boomerang succession. They also focused on moving from succession planning to succession management. The authors developed two conceptual models. The first model promoted succession management and the second model illustrates key concepts.
Groves (2006)	Quantitative	The author used a semi-structured interview process to ask a group of 30 CEOs and human resource executives questions about content and delivery of their respective organization's leadership development and succession planning practices. The data indicated that best practice organizations effectively integrated leadership development and succession planning into their organizational mentorship program. The study offers empirical support for the value of integrating leadership development and succession planning into the managerial personnel process.

Kellermanns & Eddleston (2006)	Quantitative	The authors reviewed the essential factors contributing to family firm success. They collected data from 232 family businesses in the Northeastern United States. Their findings revealed that the willingness to change and technological opportunity recognition are positively related to corporate entrepreneurship in family firms. They also found that the opportunity to pursue organizational change was important for family firms. They did not find that generational involvement directly influences or the strategic planning.
Kidwell, Kellermanns, & Eddleston (2012)	Quantitative	The authors investigated the relationship between family influence and family firm performance. They mailed 232 surveys to family firms in the Northeastern United States. The authors investigated how firm performance was affected by generational ownership dispersion, family management involvement, and family member reciprocity. Their findings suggested that family firm influence can have both positive and negative consequences on family firm performance.
Korine (2017)	Review and Summary	The author shows that when change becomes the focus of succession, then succession planning can ensure that firms not only survive the transition, but the legacy can live on. He also offers some guidance for implementing a successful transition.
Le Breton–Miller, Miller, & Steier (2004)	Literature Review	The authors reviewed more than 40 articles and seven books on FOB succession over the last 30 years. The authors goal as to take a more comprehensive integrative approach. They first examined the systematic empirical and theoretical literature on positive successions. The authors developed a preliminary model for successful FOB successions by encompassing what it takes for succession to succeed.
LeCouvie & Pendergast (2014)	Review and Summary	The book covers all aspects of the family business, including succession planning, business structure, and leadership transition.
Lee, Lim, & Lim (2003)	Literature Review	Using the game theoretic approach and integrating research on managerial succession, family businesses, and transaction cost economics, the authors examined we examine how the degree of idiosyncrasy of a family business and the ability of the family’s offspring affect succession. Their analysis showed that family business highly idiosyncratic, then the family preferred to appoint its offspring to head its business.
Long & Chrisman (2014)	Review and Summary	This book reflects the development and current status of family enterprise research in terms of applied theories, methods, topics investigated, and perspectives on the field’s future. Specifically looked at Chapter 13 on Management succession.
MassMutual(2007)	Practitioner Survey	The survey provides statistical data from family firms on exit strategies and succession planning.
MassMutual (2018)	Practitioner Survey	The survey provides statistical data from family firms on exit strategies and succession planning.
Mokhber et al. (2017)		The authors developed a survey to investigate the influences of succession planning factors on performance.
Motwani, Levenburg, Schwarz, & Blankson (2006)		The authors surveyed 368 family-owned firms to understand the importance, extent, development of a succession plan.
Mussolino, Cicellin, Pezzillo Iacono, Consigliob, & Martinez (2019)	Qualitative	The authors analyzed how four daughters positioned themselves in masculine organizations in the family business succession process. The four daughters each self-positioned themselves in a male-dominated family business. Each daughter had a different pathway by constructing their route to self-positioning. Each of the daughters considered themselves either the troublemaker, daddy’s girl, obvious choice, or the backgrounder. The authors document their journey.
Nelson & Constantinidis (2017)	Literature Review	The authors focus on family business succession research through the gender lens. They analyzed the succession literature from 1995 to 2015 with gender as a theoretical concept. Second, they presented the use of the gender term as a counts approach and then analyzed the five gender themes.

Nordqvist, Wennberg, Bau, & Hellerstedt (2013)	Quantitative	The authors reviewed and analyzed previous literature on succession in family firms. They reviewed 117 published articles on succession in family firms between 1974 and 2010. The authors found several themes and identified several gaps within each cluster. They developed a set of research questions that could guide future research on succession. The authors review also found the need to focus on ownership transition rather than just management succession.
Rothwell (2005)	Review and Summary	This book provides strategies for creating a complete and systematic succession plan.
Sharma, Chrisman, & Chua(2003)	Quantitative	The authors surveyed 118 presidents of family firms to determine the incumbent's desire to stay at the business. The results showed that succession might be a push from the successor versus a pull from the incumbent.
Shen (2018)	Theoretical Review	The author's study is a theoretical research on the SEW theory. The authors propose a SEW model using insights from prospect theory. The authors proposed a dynamic SEW model in which the SEW is not static and can increase or decrease. The results found that family firms are less likely to diversify than non-family firms. However, when risk is involved family firms are more likely to diversify. The authors build a new SEW model that reveals the relationship between family business, transgenerational succession, business risks and diversification strategies.
Xiaoping & Anna (2011)	Literature Review	The authors reviewed the succession of family businesses to better understand the succession of family business in China. The authors presented a model on the factors that influence the family business succession in China.

Succession has been one of the primary areas of interest for family business scholars and practitioners because only a small percentage of family firms can survive the transition to the next generation (Ward, 2011). Miller and le Breton-Miller (2003) attributed the poor survival rate to poor succession planning and management. The succession planning concept has been defined as a wide variety of activities used in the preparation of leadership change within a small business. Rothwell (2005) states that “the concept of succession planning has been defined as a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement” (p. 29).

Gray (2014) stated that the primary purpose of a succession plan is to “create increased engagement and retention by providing a career ladder” (p.1). The succession plan is designed to communicate the values and the beliefs of the owner to the successor.

Estedadi et al. (2015) stated that a succession plan is also a tool used to transfer knowledge between the incumbent and the successor. Also, the incumbent spent years building the family business, and she/he wants to preserve their legacy; therefore, a succession plan can prepare the successor in some of the challenges that lie ahead (Estedadi, Shahhoseini, & Hamidi, 2015).

A well-defined succession plan is strategically defined and developed, is written, and incorporates leadership development and a departure plan, as well as, including the small businesses' statement of purpose and policy (Estedadi et al., 2015). Considering the emphasis on the importance of succession planning in general literature, it is not surprising that research on family business (Ip, 2009; Ng, Dayan, & Di Benedetto, 2019; Sharma & Irving, 2005) continue to recommend the need to address the family firm dynamics in the succession planning process, reviewed this literature in more detail below.

2.6. Formalization

While there is no established body of literature that addresses the formalization of succession planning explicitly, we can still infer the importance of the topic from the established body of research. The succession plan is the most extended strategic plan for a small business owner because it allows the small business owner to coach and mentor the successor over some time so that he or she can gain an overall understanding of the business (Barach & Gantisky, 1995). Leibman, Bruer, and Maki (1996) stated that succession planning is a systematic process that includes recruiting, developing, and retaining individuals who possess leadership abilities and has shown the capabilities of being able to implement current and future family goals. Rothwell (2010) stated that

“organizational leaders must take proactive steps to plan for future talent needs at all levels and implement programs designed to ensure that the right people are available for the right jobs in the right places and at the right times to get the right results” (p. xxii – xxiii).

A review of the literature of both family and non-family firm’s succession processes was done to understand the degree of formalization of succession planning effectively and to see if succession planning of non-family firms can be replicated in succession for family firms. Rothwell (2001) stated there are four basic tenants of the succession planning process: “communicating career paths to each individual; establishing development and training plans; establishing career paths and individual job moves, and creating a more comprehensive human resources planning system” (p. 9). Quinn and Cameron (1983) proposed a four-stage life cycle model that suggested that the level of formalization of practices and procedures increases as the organization matures. Abate, Ongodo and St-Pierre (2018) defined the degree of formalization as “the process of activities legalization and the process of compliance with the rules of legal functioning” (p. 195). Their exploratory results indicated that the entrepreneur adopts and formalizes his activities to deal with the institutional pressures (Abate, Ongodo, & St-Pierre, 2018). Abate et al. (2018) also found out that owner also measures the advantages and disadvantages of the event before choosing the formalization degree of his/her activities. Hillen and Lavarda (2019) stated that family management was based on formalization and structuring of controls and processes. Hillen and Lavarda (2019) state that management is based on “four pillars (accounting/controlling, financial, human resources, and information technology)” (p. 221) and these pillars were established and

formalized to support the decision-making process of firm owners. Therefore, the degree of formalization of succession planning should support the vision of the incumbent and the legacy he/she wants for the future of their business. The degree of formalization of succession planning should support the vision of the incumbent and the legacy he/she wants for the future of their business. Below I reviewed the commitment literature in more detail.

2.7 Organizational Commitment

Table 5 provides a summary of relevant academic literature on organizational commitment, including affective commitment, continuance commitment, and normative commitment. A review of previous literature reveals that there is little research in the area of the relational field in family firms (partner or family) (Eddleston & Morgan, 2014); instead, research is focused on the nonrelational field (job commitment by an individual) (Carmon, Miller, Raile, & Roers, 2010; Eddleston & Morgan, 2014; Sieger, Bernhard, & Frey, 2011). This focus of the literature is problematic in the context of family firm research because of the relevance of close relationships within family firms (Astrachan, 2010; Eddleston & Morgan, 2014) and thus warrants the investigation this dissertation undertakes.

Table 5: Summary of Literature on Commitment

Authors	Type of Study	Key Findings
Allen & Meyer (1990)	Quantitative	The authors conducted two studies to test aspects of a three-component model of commitment that integrates these various conceptualizations. They sent 500 questionnaires to full-time non-unionized employees in three organizations: two manufacturing firms and a university (clerical, supervisory, and managerial positions). Results of a canonical correlation analysis suggested that, as predicted by the model, the affective and continuance components of organizational commitment are empirically distinguishable constructs with different correlates.
Bacq, Janssen & Noel (2019)	Qualitative	The authors reviewed literature of social enterprises and tests the viability of the primary social mission when the incumbent leaves the family firm. The authors address the gap by reviewing case studies in India through multiple interviews, field observations, and archival data.
Carmon, Miller, Raile, & Roers (2010)	Literature Review	The authors proposed a model of identification for FOB employees based on the relationship between commitment and organizational justice.

Cohen (2007)	Literature Review	This paper suggests a conceptualization that builds upon the strengths of the current approaches and minimizes their limitations of organizational commitment.
English, Morrison, & Chalon (2010)	Quantitative	The authors surveyed 1117 employees in Western Australia. The authors findings suggested that affective commitment was found to be stronger for employees with longer tenure.
Flint, Woodruff, & Gardial (1997)	Literature Review	The authors defined relationship value as including some or all the following goal attainment, competitive advantage, belief, cash benefit, and financial and social benefits.
García-Cabrera & García-Soto (2012)	Quantitative	The authors study and analyze surveys from top managers of a multinational company and the factors that influence their affective and continuance commitment and intent to leave.
Ghosh & Dr. Swamy (2014)	Literature Review	The authors review the literature and summarize the theories that relate to organizational commitment.
Gould & Werbel (1983)	Quantitative	The authors surveyed 286 municipal employees. The authors examined if pay played a role in job involvement and organizational identification.
Jackson, Meyer, & Wang (2013)	Literature Review	A meta-analysis of well-studied forms of leadership and employee commitment due to societal cultures.
Meyer & Allen (1991)	Literature Review	The authors reviewed prior research to reconceptualize organizational commitment.
Meyer, Allen, & Smith (1993)	Literature Review	The authors tested the generalizability of the 3-component organizational commitment model.
Meyer & Herscovitch (2001)	Literature Review	The authors propose a model based on propositions that commitment 1) is a force that binds an individual to a course of action of relevance to a target, and 2) can be accompanied by different mindsets that play a role in shaping behavior.
Meyer & Parfyonova (2010)	Literature Review	Authors seek to re-establish the theoretical and practical significance of normative commitment.
Meyer, Stanley, Herscovitch, & Topolnytsky (2002)	Literature Review	The authors performed a meta-analysis to assess (a) relations among affective, continuance, and normative commitment to the organization.
Morrow (2011)	Quantitative	The authors reviewed 58 longitudinal research design and concluded with six broad categories of antecedents on affective organizational commitment.
Mowday Steers & Porter (1979)	Literature Review	The authors summarize research at developing and validating the measure of commitment to organizations.
Sieger, Bernhard, & Frey (2011)	Quantitative	Survey of 310 nonfamily employees to determine how psychological ownership mediates the relationship between distributive justice and affective commitment.
Umans, Lybaert, Steijvers, & Voordeckers (2019)	Quantitative	The authors used SEW as an important point of reference for family firm decision making. Their study showed that dimensions of SEW renews the family bond through dynastic succession. Their study also found that the link between the intent for transgenerational succession and the existence of a planned process does not appear to be straightforward as predicted. Their study does expand on leadership succession literature by focusing on quality of relationships role in family firms.
Whatley (2011)	Literature Review	The authors review past literature, as well as their experience in assisting family firms through a successful succession, developed a new model on family business succession.

Wolowska (2014)	Literature Review	The authors review past literature to identify determinants of organizational commitment.
Yahaya, Chek, Samsudin, & Jizat (2014)	Quantitative	The authors interviewed 78 full-time faculty at the Faculty of Management and Economics in Malaysia. This study was designed to investigate the level of organizational commitment at a public higher education institution in Malaysia.
Yahaya & Ebrahim (2016)	Literature Review	The paper reviews and describes the various definitions of organizational commitment and the impact on transformational leadership.

The management literature has documented and acknowledged the positive effects of organizational commitment (Yahaya & Ebrahim, 2016) and negative effects on organizational commitment (Kim & Beehr, 2018). In the organizational literature, organizational commitment has been repeatedly identified as an essential variable in understanding behaviors in an organization (Meyer & Herscovitch, 2001; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Mowday, Steers, & Porter, 1979; Yahaya & Ebrahim, 2016). In all relationships, commitment is the highest level of a relationship bond and suggests that it can weather unforeseen problems (Mohr & Spekman, 1994).

Organizational commitment is the strength of attachment that an individual feels toward an organization (Allen & Meyer, 1990). Allen and Meyer's (1990) three-component model (TCM) is one of the most widely used theories in organizational commitment and, for over 20 years, the forefront of research for organizational commitment. (Cohen, 2007; García-Cabrera & García-Soto, 2012; Markovits, Boer, & van Dick, 2014). Allen and Meyer (1990) state continuance commitment are when an individual understands and is aware of the cost associated with leaving an organization, therefore, remain a member; normative commitment as one's desire to stay because of a feeling of responsibility toward an organization; and affective commitment is an emotional attachment to an organization which creates a desire to remain a member of an organization. Meyer and Herscovitch (2001) described the mindset of continuance

commitment as “the perception that it would be costly to discontinue a course of action;” normative commitment as “the mindset that one has an obligation to pursue a course of action of relevance to a target;” and affective commitment is “desire – individuals with strong affective (value, moral) commitment want to pursue a course of action of relevance to a target” (p. 316). Each element of organizational commitment may affect outcomes differently; accordingly, I discuss the three types of organizational commitment in more detail below.

2.7.1 Affective Commitment

Employee affective commitment refers to the feeling of being part of an organization. The employee’s feeling of being has an important effect on his/her performance, as well as the firm performance. According to Yuan, Feng, Lai, and Collins (2018), an organization’s affective commitment is the “predisposition to maintain a relationship, emotional bonds, and goodwill towards the partner” (p. 39). Employees who show a level of affective commitment directly relate it to positive work experience (de Ruyter, Moorman, & Lemmink, 2001). Therefore, when an organization is developing policies and procedures, the organization needs to understand that this may strengthen or weaken the employee’s assessment and positive feelings toward the organization. The gap between an individual value and the organization’s values is small when the affective commitment is high (Bouraoui, Bensemmane, Ohana, & Russo, 2019; Liu, Zhou, & Che, 2019).

2.7.2 Continuance Commitment

Continuance commitment is the result of the costs that an individual associates with leaving the organization. The organization’s culture can develop a higher level of

continuance commitment because the employee will see the organization as a positive workplace and show support for the employee. However, it could also force an organization to keep an employee, creating a volatile working relationship. To strengthen an organization's continuance commitment, he/she looks at the loyalty and retention of the employees.

2.7.3 Normative Commitment

Normative commitment is built upon the duties and values of the employee. An example of normative commitment is when an organization has terrible times, they cannot make payroll, but the employee chooses to stay because they do not want to leave the organization in bad times and create more hardship for the organization. The employees' sense of moral duty, as well as the value system, is what drives their normative commitment. Another example of the normative commitment is the employees regularly and visibly seeing their employer is committed to their well-being.

High levels of organizational commitment by the employee result in his/her contributions to the success of the organization, as well as attaining high levels of job satisfaction. While past research has focused on commitment in non-family firms, the literature is applicable and essential for family firms as well. I discuss commitment to the family firm below.

2.7.4 Family Firm Commitment

Cohen (2007) and the Allen and Meyer (1990) articles both focus on workplace commitment; however, their conceptual framework is modified to examine the commitment level of the incumbent to the family firm and the degree of formalization of succession planning. Meyer and Herscovitch (2001) developed and showed a general

workplace model to understand workplace commitments. Although this is geared toward workplace commitment, their model considers performance outcomes from those in leadership positions. The incumbent's commitment that can lead to the formalization of the succession planning can take different forms, which I discuss below and focus on the incumbent.

2.7.5 Family Firm Affective Commitment

Allen and Meyer (1990) state that affective commitment is an emotional attachment to an organization that creates a person's desire to remain with the organization (Allen & Meyer, 1990). The incumbent's affective commitment relates to their want or wishes to stay with the family firm. An incumbent high in affective commitment likely wants to remain with the organization and usually identify with the family firm's goals and vision. For example, the incumbent who has a strong affective commitment tends to often see themselves as the face of the business as the backbone of the family firm. Prior research shows that strong affective commitment by individuals who identify with the organization and remain with an organization because she/he wants to (Allen & Meyer, 1990; Darolia, Kumari, & Darolia, 2010; Sharma, Irving, & Krivokapic, 2004; Yahaya & Ebrahim, 2016). Also, the incumbent usually attends all work-related events and social functions, states their relationship with the family firm before anything else, and take it personally when the family firm does not meet its obligations or objectives (Sonnenfeld & Spence, 1989).

2.7.6 Family Firm Continuance Commitment.

The incumbent's continuance commitment is related to their recognition of the cost associated with leaving the family firm (Meyer & Allen, 1991). Meyer and Allen

(1991) stated that continuance commitment is need-based; therefore, the incumbent engages in activities that guarantee his/her employment at the helm of the family firm. Also, an employee's past behavior affects his/her commitment to an organization, especially when she/he feels she/he will incur a cost for leaving but receive a benefit if she/he stays (Yahaya & Ebrahim, 2016). For example, the employee may have been sick, and the organization continued to pay their health insurance and kept their job open for them. As a result, an incumbent's continuance commitment to the family firm develops from their emotional attachment to the firm (Meyer & Allen, 1991). An example of continuance commitment is when the incumbent feels the need to stay with the family firm because his/her financial situation will not improve if they leave the family firm.

2.7.7 Family Firm Normative Commitment

The incumbent's normative commitment relates to their obligation to stay with the family firm (Meyer & Allen, 1991). Having a normative commitment to the family firm does not necessarily mean that the incumbent is happy in his/her role. Meyer and Herscovitch (2001) defined normative commitment as "the mindset that one has an obligation to pursue a course of action of relevance to a target" (p.316). Therefore, the incumbent stays out of a sense of obligation to continue the family legacy or because they have spent their lifetime and possibly life savings into the family business.

An incumbent who commits to the family firm brings value, determination, support, and awareness of the importance of the family firm; however, you must also review how the level of trust can strengthen or weaken the level of commitment the incumbent has to the family firm and the degree of formalization of succession planning.

Eddleston, Chrisman, Steier, Chua's (2004) article stated that commitment could be linked to trust.

2.8 Trust

Table 6 summarizes relevant academic literature on trust, specifically affective and cognitive trust. The articles chosen summarize key work from the literature on trust relevant to this dissertation, albeit they were not systematically identified.

Table 6: Summary of Literature on Trust

Authors	Type of Study	Key Findings
Eddleston, Chrisman, Steier, & Chua (2010)	Literature Review	The authors show that trust can be used as a bridging concept to reconcile and enhance the understanding of organizational form in family firms.
Eddleston & Morgan (2014)	Literature Review	The authors review past literature to address and close the gap by providing a more in-depth and granular understanding of the complexities of trust, commitment, and relationships in a family business.
Fernández-Monroy, Martín-Santana, & Galván-Sánchez (2018)	Literature Review	The author develops a model to examine the influence of trust and communication on satisfaction and performance.
Johnson & Grayson (2005)	Quantitative	The authors surveyed 349 customers of a financial advisory firm in the UK. The results showed that cognitive and affective dimensions of trust can be empirically distinguished and have both common and unique antecedents.
Kim (2005)	Literature Review	The authors looked at how affective and cognitive-based trust were impacted by culture.
Lewis & Weigert (1985)	Literature Review	The authors reviewed prior literature to propose a sociological conceptualization of trust and to illustrate the centrality of trust as it relates to family exchange, lying, and monetary attitudes.
McAllister (1995)	Quantitative	The authors surveyed 194 managers and professionals to determine the factors influencing trust's development and the implications of trust for behavior and performance.
Mohr & Spekman (1994)	Literature Review	The authors' findings show ways in which to handle relationships to ensure success.
Morrow Jr., Hansen, & Pearson (2004)	Literature Review	The authors reviewed prior literature on the trust construct, specifically looking at the cognitive and affective antecedents.
Northfield (2013)	Literature Review	The authors look at the multidimensional trust with principals in new schools to understand the influences and expectations of leadership.
Oreyzi & Barati (2013)	Quantitative	The authors surveyed 225 employees to look at the direct and indirect relationship between organizational commitment and the mediating role of trust.
Steier (2001)	Literature Review	The authors reviewed research-based trust cases to understand the dynamics of trust and the competitive advantage within family firms.
Yang, Mossholder, & Peng (2009)	Quantitative	Authors looked at both cognitive and affective trust and how they each mediated the relationship between supervisory procedural justice and helping behavior.

Trust influences the governance of most organizations. Muller et al. (2013) describes governance as encompassing all work done in an organization. They also state system trust and personal trust is the mechanisms that steers the ethical decisions in an

organization (Muller et al., 2013). As trust is the willingness of one to credit his/her good intentions and have confidence in the other person's actions and words (Cook & Wall, 1980), it can impact the way governance processes organized and unfold. Thereby, each element of trust may affect outcomes differently. Accordingly, I discuss the two types of trust (cognitive and affective) in more detail below.

2.8.1 Cognitive Trust

Cognitive trust builds through self-interest and self-perception based on performance, accomplishments, confidence, and activities based on dealings with the other person through cognitive reasoning (McAllister, 1995; Moorman, Zaltman, & Deshpande, 1992; Oreyzi & Barati, 2013). McAllister (1995) stated that cognitive trust results from a person consciously deciding to trust another person because of his or her knowledge about that individual. Therefore, cognitive trust is based upon evidence of the person's trustworthiness and his/her proven reliability (McAllister, 1995). Prior research suggests that cognitive trust closely relates to the task-oriented side of work (Yang, Mossholder, & Peng, 2009). Johnson and Grayson (2005) stated that an individual's knowledge forms through the reputations of others and observation of the behavior of others (Johnson & Grayson, 2005). Lewis and Weigert (1985) stated that cognitive trust provides a base for affective trust and should exist before the development of affective trust (Lewis & Weigert, 1985).

2.8.2 Affective Trust

Affective-trust builds upon a social connection and goes beyond the professional relationship (Kim, 2005; Oreyzi & Barati, 2013). Prior research suggests affective trust is more emotional than rational and developed by feelings of care and concern

demonstrated between people (Johnson-George & Swap, 1982; Johnson & Grayson, 2005). Johnson and Grayson (2005) suggested that positive emotions establishes affective trust and often characterized as being secure, the reputation of the person, and the strength within a relationship. Past research suggests that affective trust develops because of emotions, personal experiences and intimate personal relationships (Johnson & Grayson, 2005). Over time, favorable successor and incumbent experiences can develop into an affective trust relationship. Closely working with each other can create a closer bond, thus making it easier to choose the individual as the successor; however, this development can make the incumbent less objective in his/her assessment of the successor and the overall performance and goals she/he has. While past research has focused on trust it is equally important to look at the different trust elements of the incumbent to the family firm.

2.9 Trust in Family Firms

For the family business, the firm's strategic advantage, long-term stability, and well-being of the organization are often predicative of trust (Cook & Wall, 1980; Steier, 2001). Past research and literature have identified that the success and longevity of the family business are key to trust, commitment, and the relationship of the family members (Eddleston & Morgan, 2014). Trust can be beneficial and detrimental. Beneficial when it limits costs and improves predictability (Steier, 2001) and detrimental when trust is placed into family member who fails to perform (Kidwell, Kellermanns, & Eddleston, 2012).

Within the family business context, it is crucial to understand what trust means, the negative and positive consequences of trust, and how to best measure trust in a

family business (Eddleston & Morgan, 2014). Reliable relationships organize and develop through the weaving of trust across multiple levels, including co-evolving across interpersonal and intraorganizational levels within a family business (Currall & Inkpen, 2006; Eddleston & Morgan, 2014), which results in interpersonal and intraorganizational levels co-evolving within an organization to maintain trust (Currall & Inkpen, 2006). Each element of trust may affect the incumbent's level of commitment to the family firm and degree of succession planning differently; accordingly, I discuss the two types of incumbent trust in more detail below.

2.9.1 Incumbent Cognitive Trust

McAllister (1995) stated that the basis of cognitive trust is cognitive reasoning. Also, cognitive trust is the incumbent's willingness or confidence to rely on the successor's reliability and competence (Moorman et al., 1992; Rempel, Holmes, & Zanna, 1985). In a family firm, cognitive trust develops through the interpersonal relationship between the incumbent and the successor. The incumbent's belief that the successor is reliable, competent and dependable can strengthen their interpersonal relationship. Hite (2005) stated that cognitive-based trust tends to be high when "repeated interactions allow parties to come to know, understand, and predict the routines and processes of the interaction" (p. 140). Also, Yang, Mossholder, and Peng (2009) stated that cognitive trust closely connects with task-oriented aspects of work. Therefore, if the incumbents work closely with the successor, this can strengthen his/her cognitive trust.

2.9.2 Incumbent Affective Trust

In comparison, affective trust is based upon an emotional connection or bond and is based on a prior performance relationship (Kim, 2005; Oreyzi & Barati, 2013). Sharma et al. (2001) also stated that “harmonious relationships among family members provide a conducive atmosphere for their acceptance and appreciation of the roles each member plays in the context of the business” (p. 29). An example of affective trust in an incumbent and successor relationship in family firms is when the incumbent believes that the successor, whom she/he personally knows and likes, who consistently demonstrates care and concern for the incumbent, and has proven his/her trustworthiness and proven capable of handling the family firm and maintaining the family legacy. Whether affective or cognitive trust, it depends on the relationship of the family members. Next, this study also looked at kinship relationship to the incumbent's commitment to the family firm and the degree of formalization of succession planning.

2.9 Kinship

With only one in three family businesses surviving the transfer from generation to the next (Molly, Laveren, & Deloof, 2010), the incumbent's kinship relationship needs to be examined to understand how it strengthens or weakens the relationship between the incumbents commitment to the family firm and the formalization of succession planning. Blegen, Mueller, and Price (1988) see kinship as having one or more facets such as “as marital status (Bersoff & Crosby, 1984), number of dependents (Fitzgibbons & Moch, 1980; Marsh & Mannari, 1977), number of children (Garrison & Muchinsky, 1977; Gould & Werbel, 1983), or ages of the children (Federico, Federico, & Lundquist, 1976; Stone & Athelstan, 1969)” (p. 402). Stewart (2003) and Peredo

(2003) stated that kinship relationships could have both a biological link and a cultural dimension, such as “blood and marriage kin, spiritual kin, and community” (Chua, Chrisman, & Steier, 2003, p. 335; Peredo, 2003).

Lewis Morgan (1870) termed and classified the kinship system, and Kroeber (1929) simplified kinship classification. According to Kroeber, there are two types of kinship, affinal kinship (relations result of marital relations) and consanguineous relationship (biological or adopted relations of parent and child) (Shapiro, 2009). Kroeber was concerned with these concepts and, according to the English pattern, distinguished between lineal relatives (father, mother, child, sibling) and collateral relatives (aunt, uncle, cousin, nephew) (Shapiro, 2009). The incumbent’s lineal relationship with the successor provides for a more open dialog about the financial future and stability of incumbents, successor, and family firm’s future (Ram & Holliday, 1993; Shapiro, 2009).

Table 7 provides a summary of relevant academic literature on kinship. These articles were selected because they provide the foundation for establishing family relationships; providing guidance and show the importance of understanding trust and affability between the incumbent and his/her successor; provided definition of direct and indirect kinship, and the role that kinship plays in the social field and the normative order of succession.

Table 7: Summary of Literature on Kinship

Authors	Type of Study	Key Findings
Alsos, Carter, & Ljunggren (2014)	Literature Review	This article builds on previous studies and the importance and role of business growth and development. The authors examine how household characteristics and dynamics influence business growth.
Avloniti, Iatridou, Kaloupsis, & Vozikis, 2014	Literature Review	This paper looks at sibling rivalry and its impact on succession planning.

Blegen, Mueller, & Price (1988)	Quantitative	Over an 18-month period, the author studied five hospitals in the Rocky Mountain area. They had approximately 2070 respondents to their questions. The author's measures and evaluated the kinship responsibility constructs reliability and validity.
Casimir, Lee & Loon (2012)	Quantitative	The authors examined the influence of perceived cost of sharing knowledge and affective trust. They surveyed 496 employees from 15 businesses in ten industries. They found that affective trust moderates the relationship between affective commitment and knowledge sharing. For practical implications, the authors suggest that employees who value social relationships tend to view knowledge as collectively owned.
Kim, Lee, Yuen Shan Wong (2016)	Quantitative	The authors surveyed 322 supervisor-subordinate dyads in 14 South Korean organizations to examine how social distancing and affective trust in the supervisor affected the relationship. They found a positive association when the supervisor had self-enhancing humor and the psychological well-being of their subordinates.
Morris, Williams, & Nel (1996)	Quantitative	The authors surveyed second and third generational owners to determine the impact of the transition from one generation to the next and concluded that trust, commitment, and communication have an implication on the success and smoothness of the transition.
Peredo (2003)	Literature Review	Three types of kin-based enterprises are discussed: blood and marriage, spiritual, and community-based enterprises. Learning about kinship relations can allow a more in-depth, and in a sense, "thicker," understanding of the meaning of social expectations, norms, and behavioral patterns.
Ram & Holliday (1993)	Literature Review	This paper explored the significance and difficulties of working in a family firm and understanding how paternalism develops a pattern within social relations.
Shapiro (2009)	Literature Review	The author examines Kroeber's concerns with the concepts that underlie the kinship terms. The author exams three cases on kinship.
Stewart (2003)	Literature Review	Family firms have been successful through time that kinship must offer benefits that outbalance the costs. The family business demonstrates that kinship can still be a match for the forces of markets and "rational" decision making.
Turrina, Ferrian, Caratti, Cosentino, & Leo (2016)	Literature Review	The authors reviewed STR in DNA to determine kinship to more efficiently determine relatives up to the 3 rd degrees of relatedness.
Wallace & Atkins (1960)	Literature Review	Componential analysis for the practical study of cognitive processes in one aspect of cultural behavior: kinship terminology

2.10 Research Model and Hypotheses Development

My research model seeks to address the gaps revealed in the literature review.

First, my research model diagrams the incumbent's level of commitment to the family firm and the degree of the succession planning process. Then three moderating variables, cognitive trust, affective trust, and kinship, are included demonstrating the strengthening or weakening of the incumbent's relationship. For a summary of the theoretical framework of this research, a conceptual model is shown at the beginning of this chapter in Figure 3.

2.11 Commitment and Formalization of Succession Planning

Succession planning is an essential and vital process within the family firm (Rothwell, 2010; Shen, 2018). Below I argue that the different types of the incumbent's commitment are differentially related to the degree of formalization of succession planning.

2.11.1 Affective Commitment

Handler (1994) stated that “The greater the commitment to family business perpetuation as a family value, the more likely it is that the individual will have a positive succession experience (except when the commitment is to business means rather than business ends)” (p. 142). Accordingly, affective commitment refers to emotional attachment to, identification with, and involvement with the organization (Allen & Meyer, 1990). Affective commitment is portrayed by the presence of emotional attachment and the strong desire to continue contributing to the success of the family firm (Sharma & Irving, 2005). Affective commitment is the most autonomous form of commitment (McMullen & Warnick, 2015) because it reduces the need for the incumbent to control the successor's behavior. Therefore, the incumbent who has a higher level of affective commitment will have nurtured the successor by satisfying his/her needs and competency by encouraging deep-rooted family values and motivation (Cabrera-Suárez & Martín-Santana, 2012). Also, an incumbent with a high level of affective commitment views the family firm as part of themselves; therefore, the incumbent will not only want to feel part of a business, as he/ or she has established an emotional link (Zhang et al, 2006). As the business is important to the incumbent, they will furthermore want to ensure that the transition and succession of the business is

going to be smooth. In order to facilitate this, they are likely to invest time and effort into formalizing a succession plan. With a more formalized succession plan, they will likely feel more confident that the family business will continue as if they are still in charge; and will know that he/she has left the business in good hands. Therefore, the perceived emotional attachment of the incumbent through affective commitment is likely to lead to more formalization of succession planning. Formally stated:

H1: The incumbent's affective commitment to the family firm is positively related to the degree of formalization of succession planning.

2.11.2 Continuance Commitment

Continuance commitment occurs when the incumbent feels they should stay with the family firm because they associate that there will be some cost associated with leaving (Meyer, Allen, & Smith, 1993). The perception of continuance commitment loss can be either financial or non-financial (Dawson, Sharma, Irving, Marcus, & Chirico, 2015). An example of a non-financial loss includes the incumbent's perception that the family firm will not perform as well without him/her at the helm if leaves or retires. Another example is the incumbent's feeling that he/she will lose his/her identity because their identity is closely associated with the family firm name. Therefore, if the incumbent perceives that she/he is indispensable, then leaving the family firm for which she/he has worked so hard to build and preserve would be a huge sacrifice for him/her (Meyer et al., 2002). Financially, the incumbent continuance commitment relates to the financial cost associated with leaving. If the incumbent perceives that they will lose financial security and freedom, they will be less likely to leave the family firm. Therefore, I argue that a succession plan is less likely to be formalized if an incumbent has a strong continuance commitment to the family firm. The incumbent is likely to

weigh the pros and cons of leaving the family firm in the development of continuance commitment. The perceived losses can be monetary (loss of income and benefits), professional (loss of seniority or role-related skills and contacts acquired over the years), or social (loss of friendships or allies). Thus, when higher levels of continuance commitment are present, the perceived losses for the individual will be high, and less effort formalizing the succession process that could facilitate the transfer of leadership from the incumbent to the successor.

Accordingly, the following hypothesis is proposed:

H2: The incumbent's continuance commitment to the family firm is negatively related to the degree of formalization of succession planning.

2.11.3 Normative Commitment

Normative commitment occurs when the incumbent feels an obligation to stay with the family because of all the things they think the family firm has done or provided for them. (Meyer et al., 1993). Also, prior research has suggested that an incumbent with a strong normative commitment to the family firm feels an obligation to remain with the family firm for a range of reasons including moral obligation, a value system instilled in them from a young age, family firm indebtedness, and the need for mutual exchange (Allen & Meyer, 1990; Prabhakar & Ram, 2011). Therefore, the incumbent with a strong normative commitment to the family firm is continuously assessing each influential situation factors, such as developing a succession plan, to determine if they should involve the successor and/or other family members regarding a specific decision. The incumbent wants to ensure that there is a balance of continuity between the family firm leadership under his/her rein and the guidance under the successor. Also, the incumbent with strong normative commitment believes in integrity, accountability, self-awareness,

as well as, being supportive and challenging everyone to maximize his/her potential to ensure family firm efficiency (Prabhakar & Ram, 2011). Therefore, the incumbent with high levels of normative commitment is less likely to leave because he feels he has an obligation to the family. On the other hand, when the incumbent has low levels of a normative commitment, then he/she is more likely to leave and therefore is more likely to pursue the development of a succession plan. Accordingly, I argue that:

H3: The incumbent's normative commitment to the family firm is negatively related to the degree of formalization of succession planning.

2.12 Moderating Variables – Trust and Kinship

Prior research suggests that improving trust between two people increases their willingness to communicate and to develop a bond (Anderson & Narus, 1990; Gainey & Klass, 2003). Therefore, I consider trust, both affective and cognitive, as an important explanatory mechanism in the realm of family firm behavior and relevant moderator on the relationship between the incumbent's level of commitment to the family firm and the degree of formalization of succession planning. In addition to trust, the type of kinship is investigated as an additional moderating variable. Below, I will investigate how each moderator strengthens or weakens the relationship between the incumbent's different levels of commitment to the family firm and the degree of formalization of succession planning.

2.12.1 Cognitive Trust

Cognitive trust is based on the confidence one feels in someone else's skills, accomplishments, dependability, and reliability (McAllister, 1995; Webber, 2008). Therefore, the perception that a successor is trustworthy and having a proven track

record of being reliable, then the initial interactions with the incumbent allows the incumbent to leverage this trust by facilitating the relationship between the incumbent's commitment to family firm and the degree of formalization of succession planning (Ren, Shu, Bao, & Chen, 2016). The cognitive trust also arises from a vast amount of knowledge that the incumbent has that allows him/her to make predictions, with a relatively high level of confidence (Casimir, Lee, & Loon, 2012; Giovannoni, Maraghini, & Riccaboni, 2011; Johnson & Grayson, 2005), whether the successor will live up to his/her expectations and obligations as the leader of the family firm. An incumbent with low affective commitment does not believe or trust that the successor can feel the role of the leader of the family firm. An incumbent who has a high level of cognitive trust toward the successor has seen that the successor has a good track record of fulfilling his or her obligation as it relates to the family firm (Khodyakov, 2007). Therefore, an incumbent with a high level of cognitive trust will weaken the relationship between the incumbent's affective commitment to the family firm and the degree of succession planning. However, when higher levels of cognitive trust are present, even at lower levels of affective commitment, they strengthen the positive relationship of the incumbent's affective commitment to the family firm and the degree of formalization of succession planning, because based on evidence and knowledge that the incumbent has seen in the successor makes that person appears to be more trustworthy.

Cognitive trust builds upon perception and self-interest in family firm performance and accomplishments through the direct interactions between the incumbent and the successor (McAllister, 1995). Prior research has recognized that cognitive trust can influence business performance (Dowell, Morrison, & Heffernan,

2015). Newell and Sawm's (2000) study confirm that cognitive trust is essential in a relationship where there is a level of performance expectation and level of competency. Also, Peterson and Behfar (2003) research showed that groups are buffered from relationship conflict when there is a high level of intra-relationship trust. Therefore, there is a reason to believe that higher levels cognitive trust will strengthen the relationship between the incumbent's affective commitment, at both low and high levels of commitment, to the family firm and the degree of formalization of succession planning. Accordingly, I argue:

H4(a) – Higher levels of cognitive trust strengthen the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning.

Continuance commitment occurs when the incumbent associates a cost of leaving the family firm (Meyer et al., 1993). Prior research suggests that cognitive based trust is created through cognitive reasoning, self-perception, and interest in the financial performance and whether the incumbent feels that the successor is competent and has integrity (Oreyzi & Barati, 2013). The incumbent will display a high level of continuance commitment to the family firm when they personally perceive the cost of leaving the family firm. The incumbent will be more willing to invest their time and energy into the family business than what is expected (Dawson, Irving, Sharma, Chirico, & Marcus, 2013). Sharma and Irving (2005) stated that if the incumbent views the successor as having an attachment to the family firm because they are afraid they will lose their financial freedom or social investment, then the successor will have less of an impact on the needs, interests, and values of the family firm. Therefore, the incumbent who has a high level of continuance commitment is not interested furthering the goals of

the family firm instead they are interested in building and protecting their own “nest egg” (Dawson et al., 2013). Thus, at a higher level of continuance commitment, higher levels of cognitive trust will not necessarily relate into a weakening of the negative relationship but might even make it more negative.

When the incumbent displays lower levels continuance commitment toward the family firm combined with perceptions that the successor has the mindset that they have to pursue a career with the family firm (Sharma & Irving, 2005), the formalization of succession planning should be more pronounced. While the incumbent may still feel that she/he will lose a certain status, including financial stability, and known throughout the community if they leave the family firm to someone who is dependable and has the integrity to carry on the family legacy. Then there is a reason to believe that the resulting higher levels of cognitive trust will weaken the negative relationship between the incumbent’s continuance commitment to the family firm and the degree of formalization of succession planning; therefore, it is reasonable to expect the following hypothesis:

H4(b) – Higher levels of cognitive trust weakens the negative relationship between the incumbent’s continuance commitment to the family firm and the degree of formalization of succession planning.

Cognitive trust is the incumbent’s confidence or willingness to rely on the successor’s competency, dependability, and reliability (Johnson & Grayson, 2005; Moorman et al., 1992; Rempel et al., 1985) as it relates to leading the family firm. High levels of normative commitment build upon duties and values, and the degree to which the incumbent feels an obligation to remain with the family firm (Allen & Meyer, 1990). Also, the incumbent with a high level of normative commitment may fear that if they leave the family firm, they will disappoint their family and community and thus not

make any preparations for succession. An incumbent with a low normative commitment will feel more comfortable leaving the family firm and therefore engage in the formalization of succession planning. If the incumbent has vetted the successor he/she may think with the succession, the family legacy will likely continue. Cognitive trust may serve as a critical moderating variable that is likely to change the nature of the relationship mentioned above. Therefore, when higher levels of cognitive trust are present, even at higher levels of normative commitment, the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning should weaken, as less resistance toward succession can be expected by the incumbent. At lower levels of normative commitment, where there is a higher willingness to leave on the part of the incumbent, cognitive trust should further facilitate succession planning activities, because they may realize that the family legacy will be left in good hands because the incumbent may have seen the level of commitment demonstrated from the successor. Accordingly, I argue:

H4(c) – Higher levels of cognitive trust weakens the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning.

2.12.2 Affective Trust

Prior research defines affective trust as having a social connection and being more emotional and less rational (Morrow Jr. et al., 2004; Yang et al., 2009). Unlike cognitive trust, affective trust deals with the one on one interaction between two individuals, in this case, the incumbent and the successor. The incumbent's repeated social interaction with the successor will help the pair develop an affective trust level

(Northfield, 2013). An emotional connection between the successor and the incumbent strengthens the level of trust (Johnson & Grayson, 2005).

Affective commitment to the family firm occurs when the incumbent is emotionally attaches to, identifies with, and/or involved with the family firm (Meyer et al., 1993). McAllister (1995) states that affective trust binds the incumbents and successor's relationship because there is an emotional component between the two individuals. Thus, creating a reinforcing effect that positively affects succession planning as an affective commitment to the family firm and affective trust toward the successor increase. An incumbent with high levels of affective commitment will have likely mentored the successor to take over the role as leader of the family firm and thus invested him/herself in succession planning activities. Also, the incumbent will have empowered the successor to show to him/her that she/he can lead the family. The incumbent, with high levels of affective trust, embeds positive emotional qualities, (Swift & Hwang, 2013) to the family firm. High levels of affective trust should thus strengthen the incumbent's relationship between affective commitment and the formalization of succession planning activities Yet, one has to acknowledge that this very trust may render the need for planning less necessary in the incumbents mind and could also weaken the relationship. While I will formally state a strengthening effect below, it is an empirical question in the absence of strong theory in prior literature in this area.

Therefore, there is reason to believe that higher levels of cognitive trust will strengthen the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning because cognitive

trust provides a foundation for a beneficial relationship, in the case of working in the family firm a more formalized development of a succession plan. Accordingly, I argue:

H5(a) – Higher levels of affective trust strengthens the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning.

Continuance commitment occurs when the incumbent purposefully intends to continue at the helm of the family firm after carefully analyzing the cost of leaving, such as taxes, financial planning, and estate planning. Affective trust is the incumbent's determination to make sure that there is a successful transition of management in the family firm, paired with mutual interpersonal care and concern or emotional bond (McAllister, 1995). The incumbent who has continuance commitment toward the family firm faces two dilemmas when leaving the family firm. These dilemmas are a lack of alternatives and/or huge sacrifices associated with leaving the family firm (Allen & Meyer, 1990). An incumbent that displays a higher level of continuance commitment to the family firm associates a higher cost, financial or non-financial, of leaving the family firm. For example, the incumbent may feel like they should retire but cannot because they are afraid of losing the status as the family firm leader or because they have not adequately planned financially. Therefore, the incumbent with a higher level of continuance commitment is not interested in advancing the goals of the family firm. Thus, I argued a negative relationship between continuance commitment toward the family firm and the formalization of succession planning.

The loss of status or other financial or non-financial loss may be weakened by higher levels of affective trust. The higher the perceived affective trust of the incumbent toward the successor, the more likely the incumbent is to view the successor as sharing

the same emotional attachment to the family firm (Sharma and Irving, 2005). This feeling of shared concern for the family firm can mitigate the fear of the incumbent and thus facilitate planning processes for succession. Affective trust plays a role in weakening the desire to stay with the firm and resistance to engage in a more formalized succession planning is mitigated by affective trust, because affective trust is the leading influence (Johnson & Grayson, 2005) in the incumbent's desire to have a positive outcome for the family firm. Accordingly, I hypothesize:

H5(b) – Higher levels of affective trust weakens the negative relationship between the incumbent's continuance commitment to the family firm and the degree of formalization of succession planning.

Normative commitment occurs when the incumbent perceives a moral obligation to stay with the family firm (Allen & Meyer, 1990). Meyer and Allen (1997) stated that normative commitment is believed to be the psychological contract developed (Meyer & Allen, 1997) between the incumbent and the family firm, which makes the incumbent less likely to leave and less prone to engage in the formalization of a succession plan. An incumbent who displays low normative commitment looks for ways to increase situational assurance and reduce uncertainty (Harris & Kacmar, 2006) around the management transition and development of succession, therefore, more likely to engage in succession planning activities.

Based on emotional ties with each other, affective trust includes the security and confidence place in others (McAllister, 1995). A study conducted by Washington (2013) found that "affective-based trust is a more dominant force in the client's determination of a positive project outcome" (p. iii). Also, affective trust generates feelings of security and confidence placed in others (Johnson & Grayson, 2005) and the emotional bond to

that person. Therefore, affective trust can weaken the negative relationship between the incumbent's normative commitment to the family firm when the incumbent deems that the successor has the same characteristics that he/she has. Accordingly, I argue:

H5(c) – Higher levels of affective trust weakens the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning.

2.13 Kinship

Le Breton Miller, Miller, and Steier (2004) stated that the ownership structure of the family would also play a role in who is a suitable successor, “both in terms of talents and in terms of kinship and personality” (p. 317). Kinship relationships can provide a better understanding of what the incumbent expects from the successor, as well as setting norms and behavior patterns (Peredo, 2003). Alsos, Carter, and Ljunggren (2014) stated that each family member plays a role in the family business, including “recognizing, evaluating, and exploiting new opportunities” (p. 113). Alsos et al.'s (2014) case studies illustrated kinship relations through the family life cycle, kinship ties, opportunity identification collectively versus individually, and how emotional capital controlled and sanctioned unwanted behavior, as well as, provided essential support for business development. Accordingly, the moderation relationship of kinship on critical family firm processes seems critical (Yu, Stanley, Li, Eddleston, & Kellermanns, 2020).

For this dissertation, I used lineal kinship as it relates to ownership, influence, involvement, and succession (Astrachan, 2003). Prior research defined lineal kinship as an individual's direct ancestors, those coming before you, or descendants, those coming after you (Hirschfeld, 1986). Kinship represents an individual and the role they play

within the family firm. It also maintains family unity, harmony, and cooperation between the incumbent and the successor.

Affective commitment is the mind-set of the incumbent perceived alignment between the identity of self and the family firm (Meyer & Herscovitch, 2001). Also, prior research has indicated strong affective commitment as “a willingness to exert considerable effort on behalf of the organization” (Mowday et al., 1979) (p. 226). The incumbent with strong affective commitment views the family business as a definition of who she/he is and is vocal, both verbally and nonverbally, about their pride, attachment, and satisfaction of their legacy in the family business (Sharma et al., 2004). As a result, when the incumbent feels that the successor is as connected to or strongly identifies with the family firm because of the direct relationship between the incumbent and successor, then the incumbent may feel comfortable passing the torch to a direct descendent and developing a succession plan. Such a feeling is more likely to occur for closer (lineal) kinship ties (Mahto, Davis, & Khanin, 2014). Galasso and Profeta (2012) stated that historical family structures were consistently identified as the strength of family ties across generations. Also, prior research measure of family strengthens included the importance of family (Bertrand & Schoar, 2006); evaluation of the duties and responsibilities of parents towards children (Alesina & Giuliano, 2010, 2011, 2013); and evaluation of children’s duties and responsibilities toward their parents (Alesina & Giuliano, 2013). Accordingly, I argue:

H6(a) – Lineal kinship to the incumbent strengthens the positive relationship between incumbent’s affective commitment to the family firm and the degree of formalization of succession planning.

Continuance commitment is the mindset of “cost-avoidance” (Sharma & Irving, 2005). When an incumbent has a high level of continuance commitment, then he/she feels that they cannot leave the family firm because of the perceived cost associated with leaving, whether financial or non-financial. Coupled with the cost of leaving the family firm, the incumbent’s kinship relationship with a potential successor may affect the relationship between continuance commitment and the degree of formalization of succession planning. In the purest form, kinship relationships are the bases of group formation (Stone & King, 2018). Within family firms, there are different types of kinship relationships including spouses, parents, grandparents, in-laws, aunts, uncles, children, and cousins (Tapis, 2011; Yu et al., 2019). Madsen et al. (2007) stated: “Kinship represents a baseline against which humans make judgments that may subsequently be colored by issues of reciprocity, obligation, prosociality, and other ethical considerations” (p. 355). Closer, more lineal relationships are more likely the result of more social interactions, obligations, and loyalties (Spranger, Colarelli, Dimotakis, Jacob, & Arvey, 2012). It is human nature to trust those more that we are most familiar with than those we do not know or who are strangers to us (Baier, 1986). Therefore, if close kinship ties are present, they are likely to diminish the negative relationship between continuance commitment and formalized succession planning, as the altruistic nature of the connection (Daly, Salmon, & Wilson, 1997; Neyer, Wrzus, Wagner, & Lang, 2011; Taylor, Budescu, Gebre, & Hodzic, 2014; Tsai, 2006) will mitigate more selfish behavior of the incumbent and less entrenchment behavior, which will result in more formalize succession processes. However, for more distal relationships, altruism is likely significantly less pronounced (Jones & Rachlin, 2006)

and thus, the negative relationship between continuance commitment and formalized succession planning is likely to remain strong. Accordingly, I argue:

H6(b) – Lineal kinship to the incumbent weakens the negative relationship between the incumbent’s continuance commitment to the family firm and the degree of formalization of succession planning.

Normative commitment is the feeling of “ought to” (Meyer & Allen, 1991). This mindset may develop because of family norms, expected roles of family members, birth order, and gender (Meyer & Herscovitch, 2001; Sharma et al., 2004). Meyer and Allen (1997) stated that the incumbent's normative commitment develops because of the psychological contract the incumbent has with the family firm. When an incumbent has a high level of normative commitment, then he/she feels an obligation to stay with the family firm (Meyer et al., 1993). Joined with the duty to remain at the family firm, the incumbent’s kinship relationship with the next successor may affect the relationship between the normative commitment and the degree of formalization of succession planning. Kinship is the most basic of all human relationships and can be blood, marriage, or adoption. There are two types of kinship: lineal, those that are direct descendent and distal, those that are of indirect descendent either by marriage or other connections (Astrachan, 2003; Mahto et al., 2014; Ram & Holliday, 1993; Shapiro, 2009). As a result, stronger lineal relationships are more likely to include common goals as it relates to obligations and loyalties (Spranger et al., 2012). Also, a lineal kinship relationship between the incumbent and the successor means there is more of a desire to pursue a career in the family business because the successor will be able to carry on the family namesake. Therefore, if close kinship ties are present, they are more likely to weaken the negative relationship between the incumbent’s normative commitment to the

family firm the degree of formalization of succession planning. An incumbent with low normative commitment may feel more comfortable leaving and more inclined to develop a succession plan, especially when he/she is comfortable that the future successor is directly related to him/her. Therefore, the lineal kinship can weaken the negative relationship between the incumbent's normative commitment to the family firm and degree of formalization of succession planning; accordingly, I argue:

H6(c) – Lineal kinship to the incumbent weakens the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning.

2.14 Conclusion

In conclusion, this dissertation adds to the wider family business succession literature by providing a fine-grained look of the three types of commitment on the formalization of succession planning. I investigate moderators, such as kinship, affective trust, and cognitive trust to see if they strengthen or weaken the relationship between the incumbent's commitment to the family firm and the degree of formalization of succession planning. I have provided a broad overview of organizational commitment (affective commitment, normative commitment, and continuance commitment) and moderators, such as trust (affective trust and cognitive trust) and lineal kinship, and succession planning. The next chapter presents the method used to test the research model and predicated relationships.

CHAPTER 3: METHODOLOGY

This chapter provides a detailed explanation of the methodology used to test the research model and hypotheses outlined in this dissertation. The first section presents a general overview, followed by specific descriptions of the survey instrument and approach, sample, and measures. The last section concludes the chapter with a description of the data analysis process, including the diagnostic and bias assessments conducted before testing the hypotheses in the research model.

3.1 Overview

This study collected data from a sample of 178 family firms throughout North Carolina using a quantitative method (Creswell, 2011) by emailing surveys to top-decision makers of the identified organizations (Chrisman, Chua, & Litz, 2004; Chrisman, Gatewood, & Donlevy, 2002; Kellermanns & Eddleston, 2006). The survey was directed at the CEO, incumbent, owner, or founder of the organization, which is consistent with the extant family firm literature (Karra, Tracey, & Phillips, 2006; Newby, Watson, & Woodliff, 2003b; Wolff & Pett, 2006). I obtained an email list of 2362 family firms from a combination of sources, but primarily the North Carolina Small Business Center database and from undergraduate business students at a major US university. Business students were identified as potential subjects who had family members or knew of someone who had a family firm, and then those individuals recruited family firm business owners to participate in the survey. Those people would recruit other family firms to participate in the survey. I gave business students the opportunity to participate in exchange for extra credit in their business class. To receive the incentive, the incumbents of the family firm had to complete the survey in full.

Participants were made aware that they do not have to provide any other names or participate in the survey. The survey instrument contained previously validated and accepted scales or adapted scales to accommodate the family firm commitment context: firm performance, perceptions of commitment to the family firm, perceptions of the level of trust, kinship, and family harmony were captured from the leader. I used OLS regression to analyze the data, with tests for moderation via a subgroup analysis. The next section provides a more detailed explanation of the survey instrument, survey approach, sample, measures, and data analysis.

3.2 Survey Instrument

In empirical studies, postal mailed surveys are frequently used to collect data (Dillman, 1991; Eddleston, Kellermanns, & Sarathy, 2008). However, more recent research suggests that web surveys have gained significant approval as a method of conducting surveys because of the shorter transmitting time, lower delivery costs, more design options, and less data entry (Fan & Yan, 2010). Unfortunately, there is approximately 10% or less response rate over other survey modes (Fan & Yan, 2010). For the present research, I used web-based surveys because past research has shown that, on average, the rate of return is 5.97 days versus mailing surveys return rate of 16.46 days (Cobanoglu, Warde, & Moreo, 2001). Also, prior research has shown that the average response rate for web-based surveys is 44.21% versus 26.27% for postal mail (Cobanoglu et al., 2001).

Research shows that two of the critical reasons for the low response to web surveys are due to survey software and the quality of the survey (Fan & Yan, 2010; Newby, Watson, & Woodliff, 2003a; Simsek & Veiga, 2001). Therefore, I used the

Qualtrics survey platform, a repudiated online survey software that houses web-based surveys and supports different browsers, mobile-capable, and supports multiple data exportation formats for data analysis. Also, the web survey contained a statement of university affiliation to promote survey completion and for assuring the confidentiality of the respondent (Newby et al., 2003a). The survey is attached as Appendix A and contains: 1) a statement of university affiliation and sponsorship including contact information for the university's research compliance officer, and 2) a statement assuring the confidentiality of the respondent.

3.3 Survey Approach

In family business research, survey methodology is a common practice to gather data (Eddleston & Kellermanns, 2007). The survey for this dissertation contained questions about firm-level characteristics, size, and industry. It included previously validated scales to capture firm performance and perception of incumbent commitment and trust. In the measures section, there are additional details regarding the variables and scale items.

A power analysis, using G*Power 3.1 software, determined the appropriate sample size. According to Faul, Erdfelder, Buchner, and Lang (2009), the necessary sample size is determined based on significance, statistical power, and effective size. The sample size calculated used the following information: the effect size of 0.30, a significance level of 0.05, a power of 0.85, and eleven predictor variables (i.e., three independent variables, three moderators, and five controls). G*Power 3.1 generated a required sample size of 111, which represents the minimum target sample size needed for this study. The sample comprised family firms in North Carolina and contained

questions about family firm characteristics, such as tenure, size, financial performance, and industry. A member of the family firms received an email survey instrument through the Qualtrics online survey instrument (Simsek & Veiga, 2001). If the member of the family firm agreed to complete the survey, they were then asked if they were the incumbent/founder/owner. If they checked yes, they could proceed with the survey. If they checked no, then the survey automatically ended. The emails contained a link to the web-based survey, survey instructions, correspondence from the university, a confidentiality statement regarding the data from this research will be reported only in the aggregate and that the information will be coded and remain confidential (Simsek & Veiga, 2001).

3.4 Survey Measures

This section discusses each variable in the research model. The survey used for this study used a validated scale seven-point Likert-type scale for the dependent variable, independent variables, and moderator constructs. The first validated scale captured organizational commitment. A minor modification was made to the original Allen and Meyer (1991) TCM organizational commitment scale by replacing the terms "this organization" with the words "my family business." The second scale captured the incumbent's level of trust (McAllister, 1995). Several minor modifications were made to this scale by replacing the term "we" with the words "the successor and I"; and the terms "I" or "my" replaced with "family firm." The third scale captured the family firm's performance (Kellermanns, Eddleston, Sarathy, & Murphy, 2012a). Modifications to the performance scale included introducing equal spacing between the sales and the growth numbers. The dependent variable is described first, followed by a discussion of the

independent, mediator, and control variables. Table 8 provides a summary of the variables, measures, and data sources.

Table 8: Summary of Variables, Measures, and Data Sources

Variable	Measure	Data Source
Dependent Variable		
Degree of Formalization of Succession Planning	20-item subjective measure using a 7-point Likert scale (The final dependent variable will be determined after an exploratory factor analysis is completed.)	Principal (Incumbent or Owner)
Independent Variable		
Affective Commitment	6-item subjective measure adapted Meyer and Allen Organizational Commitment Question using a 7-point Likert scale (Allen & Meyer, 1990)	Principal (Incumbent or Owner)
Continuance Commitment	4-item subjective measure adapted Meyer and Allen Organizational Commitment Question using a 7-point Likert scale (Allen & Meyer, 1990)	Principal (Incumbent or Owner)
Normative Commitment	8-item subjective measure adapted Meyer and Allen Organizational Commitment Question using a 7-point Likert scale (Allen & Meyer, 1990)	Principal (Incumbent or Owner)
Moderators		
Affective Trust	5-item subjective measure adapted from the McAllister behavioral and response and interpersonal trust measures using a 7-point Likert scale (McAllister, 1995)	Principal (Incumbent or Owner)
Cognitive Trust	5-item subjective measure adapted from the McAllister behavioral and response and interpersonal trust measures using a 7-point Likert scale (McAllister, 1995)	Principal (Incumbent or Owner)
Kinship	Lineal or Collateral Birth Order Incumbent relationship	Principal (Incumbent or Owner)
Controls		
Family Business Level	Firm Age (number of years in business) Financial Performance (dollar value of the business) Education Level (highest attained degree) Industry (retail, services, other) Firm Ownership Characteristics (Family firm dimensions)	Principal (Incumbent or Owner)

3.4.1 Dependent Variable – Degree of Formalization of Succession Planning

In past research, the degree of formalization of succession planning—the dependent variable in this study – has been limited to conceptual or case-based

applications, but has not been applied specifically in the context of family business transitions (Bracci & Vagnoni, 2011; Mokhber et al., 2017; Morris, Williams, & Nel, 1996; Whatley, 2011). Family firms differ from non-family firms because family members play critical roles in every level of the family firm's organizational processes, including the development or non-development of a succession plan (Davis & Harveston, 1998; Mokhber et al., 2017). Past research points to that the importance of succession planning for family firm sustainability (Boyd, Royer, Pei, & Zhang, 2015; Mokhber et al., 2017; Motwani, Levenburg, Schwarz, & Blankson, 2006; Sharma et al., 2003). While there is no validated scale to assess family firms' degree of formalization of succession planning, academic researchers and practitioners have looked at several facets of succession planning. Therefore, this study combined questions from both academia and practitioner studies and reports into survey items for the questionnaire. The survey questions incorporated evaluating the incumbent's commitment, questions regarding succession planning, contingency planning, vision and goals, and legacy; communication, discussions, and expectations; and training, skills, and experiences of the successor.

Tables 10 to 12 provide a compiled list of questions from both academic and practitioner literature to operationalize the constructs used in the survey, starting with the dependent variable, formalization of succession planning. The items are described and grouped based on their face validity (Drost, 2011), name, legacy, communication, and skills. Albeit, the construct intended to be used as one overall latent construct capturing formalization of the succession planning process, and thus the overall means

were used and supplemented with an exploratory factor analysis and post hoc tests based on the underlying dimensionality found.

Table 9 presents questions related to the legacy of the family firm; succession planning, formal or informal; and contingency planning (Aronoff et al., 2011; Brown & Coverley, 1999; Deloitte Touche Tohmatsu Limited, 2013; Ernest & Young, 2014; Family Business Institute, 2016; Handler, 1994; Ip, 2009; Peay & Dyer, 1989; Pynes, 2004; Rodrigues, Borges, & Aleixo, 2014; Rothwell, 2005; Seymour, 1993; Tatoglu, Kula, & Glaister, 2008; Tirdasari & Dhewanto, 2012; Wilson, 2019). Questions 2 and 5 were taken from Deloitte & Touche's (2013) white paper "Business succession planning: Cultivating enduring value." Deloitte & Touche is a big four accounting firm in the United States and provides auditing, consulting, financial advisory, risk management, and tax services (Bloomberg, 2019a). The Deloitte & Touche (2013) white paper outlined the need for business succession planning and focused on creating and maintaining a family legacy, family dynamics, and the challenges of the transition of management succession. Question 1 was taken from Brown and Coverely's (1999) article, as well as the Deloitte Touche (2013) white paper. Brown and Coverely's (1999) article is a study from East Anglia (United Kingdom) on succession planning in family businesses and focused on owners and managers (Brown & Coverley, 1999). Questions 6 and 7 were adopted from Walsh's (2011) article. Mr. Walsh works for KPM, another big four accounting firm in the United States. Mr. Walsh has dedicated the past nineteen years assisting family businesses on management and ownership issues, specifically focusing on the transition and succession process (Walsh, 2011). Question 2 was taken from PricewaterhouseCoopers, PWC's Ninth Global Family Survey 2019.

PricewaterhouseCoopers is also another big four accounting in the United States and provides auditing, consulting, financial advisory, risk management, and tax services (Bloomberg, 2019a). This report was used because it asked many questions of the incumbent on the succession of the family firm (PricewaterhouseCoopers, 2019).

Finally, question 9 was taken from the Wilson (2019) article. Mr. Wilson is an attorney with Williams Parker and practices business law and handles matters on business transition and tax planning (Wilson, 2019).

Table 9: Survey Questions Related to the Legacy of the Family Firm; Succession Planning, Formal, Informal, and Contingency Planning

	Strongly Disagree						Strongly Agree	
1 Our family firm has included succession planning in the strategic or other planning processes.	1	2	3	4	5	6	7	
2 I have defined the family firm goals and a vision for the transfer of management of the family firm.	1	2	3	4	5	6	7	
3 I have a detailed contingency plan in case of an untimely death or am unable to continue working sooner than anticipated.	1	2	3	4	5	6	7	
4 As the firm leader I have outlined detailed expectations for the next successor of the family firm.	1	2	3	4	5	6	7	
5 Our family firm has a written succession plan.	1	2	3	4	5	6	7	
6 As the family firm leader, I initiate discussions about leadership legacy planning with family members.	1	2	3	4	5	6	7	
7 The family business is an important part of the family legacy.	1	2	3	4	5	6	7	

The following are survey questions related to communication, discussions, and expectations of the incumbent to the successor and family members regarding the transition of the family firm and the degree of formalization of succession planning.

Table 10 are questions that are related to communication, discussions, and expectations of the incumbent to the successor and family members regarding the transition of the family firm and the degree of formalization of succession planning (Aronoff et al., 2011; Deloitte Touche Tohmatsu Limited, 2013; Ernest & Young, 2014; Family Business Institute, 2016; Handler, 1994; Ip, 2009; Rothwell, 2010; Seymour, 1993; Tatoglu et al.,

2008; Tirdasari & Dhewanto, 2012; Wilson, 2019). Questions 9 and 10 were adopted from Sun Life Financial (2011) Business Succession Planning Checklist. Sun Life Financial, Inc. is a Canadian financial services company specializing in solutions for small, medium-sized, and large businesses (Bloomberg, 2019b). Question 11 was taken from Deloitte Touche's (2013) white paper "Business succession planning: Cultivating enduring value," as previously discussed. Finally, questions 12, 13, 14, 15, and 16 were taken from the Wilson (2019) article, as previously mentioned.

Table 10: Survey Questions Related to the Incumbent Regarding Communication, Discussions, and Expectations of Succession

	Strongly Disagree						Strongly Agree
8	As the firm leader I have outlined detailed expectations for the next successor of the family firm.	1	2	3	4	5	6 7
9	Family members know and understand the expectation of the incumbent toward the next successor.	1	2	3	4	5	6 7
10	Our firm's succession plan has been clearly communicated to family members.	1	2	3	4	5	6 7
11	I have communicated with family members about my plans are for the management transition of the business.	1	2	3	4	5	6 7
12	I have discussed with the successor the timing and plan for the management transition.	1	2	3	4	5	6 7
13	I have communicated the credibility of the successor with members of the family firm?	1	2	3	4	5	6 7
14	I have had an open discussion with the successor and other family members about the management transition of the business.	1	2	3	4	5	6 7
15	I have shared my vision for the future of the business with the successor and other family members.	1	2	3	4	5	6 7

Table 11 include questions related to training, skills, and experiences of successor as expected by the incumbent (Aronoff et al., 2011; Deloitte Touche Tohmatsu Limited, 2013; Ernest & Young, 2014; Family Business Institute, 2016; Handler, 1994; Ip, 2009; Rothwell, 2010; Seymour, 1993; Tatoglu et al., 2008; Tirdasari & Dhewanto, 2012; Wilson, 2019). Questions 17 and 20 were adopted from Sun Life Financial (2011) Business Succession Planning Checklist, as previously discussed.

Questions 16, 18, and 19 were adopted from the Wilson (2019) article, as previously stated.

Table 11: Survey Questions Related to the Training, Skills, and Experiences of the Successor

	Strongly Disagree						Strongly Agree
16 Explicit efforts are being made to train the successor in the family firm.	1	2	3	4	5	6	7
17 I have a detailed formalized list of skills the successor will need to manage the family business.	1	2	3	4	5	6	7
18 I have a detailed formalized list of experience the successor will need to manage the family business	1	2	3	4	5	6	7
19 I have a plan to fill whatever skills and experience gaps the successor may have	1	2	3	4	5	6	7
20 Have you started transferring the leadership to a designated successor?	1	2	3	4	5	6	7

The survey questions employed 7-point Likert scale, ranging from 7 as "strongly agree" and 1 as "strongly disagree," because it offers a greater range of responses and slightly larger confidence intervals and/or standard errors compared to a 5-point or a 4-point scale. The final items comprising the dependent variable were determined after an exploratory factor analysis was performed, which is detailed in chapter 4.

3.4.2 Independent Variable – Commitment (Affective, Normative, and Continuance)

As described in the following tables, this dissertation measured the incumbent's level of commitment to the family firm. Table 12 presents a list of six questions that measured the incumbent's affective commitment toward the family firm. Affective commitment is one's desire to remain within the business or organization or reflects an emotional attachment to the organization (Allen & Meyer, 1990; Jackson et al., 2013).

Table 12: Survey Questions of Incumbent's Affective Commitment to Family Firm and the Degree of Formalization of Succession Planning

	Strongly Disagree						Strongly Agree
Affective Commitment (mind-set of desire)							
I feel as if my family business' problems are my own problem.	1	2	3	4	5	6	7
I do not feel a sense of belonging to my family business.	1	2	3	4	5	6	7
I would be very happy to spend the rest of my career with my family business.	1	2	3	4	5	6	7
I feel I firmly belong to my family firm.	1	2	3	4	5	6	7
I do not feel "emotionally" attached to my family business.	1	2	3	4	5	6	7
My family business has significant personal meaning for me.	1	2	3	4	5	6	7

Table 13 presents a list of four questions that measured the incumbent's continuance commitment toward the family firm. Continuance commitment represents one's feeling that it is too costly to leave; therefore, the incumbent has to stay (Allen & Meyer, 1990; Jackson et al., 2013).

Table 13: Survey Questions of Incumbent's Continuance Commitment to Family Firm and the Degree of Formalization of Succession Planning

	Strongly Disagree						Strongly Agree
Continuance commitment (mind-set of cost avoidance)							
Right now, pursuing a career in my family business is a matter of necessity as much as desired.	1	2	3	4	5	6	7
Too much of my life would be disrupted if I decided I did not want to pursue a career with my family business right now.	1	2	3	4	5	6	7
It would be costly for me to leave my family business now.	1	2	3	4	5	6	7
If I had not already put so much of myself into my family business, I might consider working elsewhere.	1	2	3	4	5	6	7

Table 14 provides a list of eight questions that measured the incumbent's normative commitment toward the family firm. Normative commitment assesses an individual's feeling of moral duty or responsibility to stay (Allen & Meyer, 1990; Colquitt, LePine, & Wesson, 2010; Meyer & Parfyonova, 2010).

Table 14: Survey Questions of Incumbent's Normative Commitment to Family Firm and the Degree of Formalization of Succession Planning

	Strongly Disagree					Strongly Agree	
Normative commitment (mind-set of obligation)							
It would be tough for me to leave my family business right now, even if I wanted to.	1	2	3	4	5	6	7
I do not feel any obligation to pursue a career with my family business.	1	2	3	4	5	6	7
My family business deserves my loyalty.	1	2	3	4	5	6	7
It would be tough for me not to pursue a career with my family business right now, even if I wanted to.	1	2	3	4	5	6	7
Even if it were to my advantage, I do not feel it would be right to leave my family business right now.	1	2	3	4	5	6	7
I would feel guilty if I did not pursue a career with my family business right now.	1	2	3	4	5	6	7
I would pursue a career with my family business because I have a sense of obligation to my family.	1	2	3	4	5	6	7
I owe a great deal to my family business.	1	2	3	4	5	6	7

I analyzed and outlined the findings in the results section of this dissertation to evaluate if the separate dimensions of trust, discussed below, affect the relationship between the incumbent's level of commitment to the family firm and the degree of formalization of succession planning as outlined in the hypotheses. The moderator, kinship, followed a similar process.

3.4.3 Moderator – Trust (Affective and Cognitive)

Trust, whether identified or not, reflects one's willingness to be vulnerable to another party (Eddleston, Chrisman, Steier, & Chua, 2010; Mayer, Davis, & Schoorman, 1995). Cook and Wall (1980) stated that trust is the willingness of one to credit his/her good intentions and have confidence in the other person's actions and words. Within the family business context, the negative and positive consequences of trust, and how to best measure trust empirically were identified as important areas of future research (Eddleston & Morgan, 2014). The following tables use a 7-point Likert to assess the various forms of trust as they were measured in this study.

Table 15 provides a list of five questions measuring if higher levels of affective trust will strengthen the positive relationship or weaken the negative relationship of the incumbent's commitment toward the family firm. As previously stated, affective trust is more emotional than rational and developed by feelings of care and concern demonstrated between people (Johnson-George & Swap, 1982; Johnson & Grayson, 2005; McAllister, 1995)

Table 15: Survey Questions on Affective Trust

	Strongly Disagree					Strongly Agree	
Affective Trust (emotional, care and concern)							
The successor and I have a sharing relationship. We can both freely share our ideas, feelings, and hopes.	1	2	3	4	5	6	7
I can talk freely to the successor about difficulties the family firm is having and know that she/he will want to listen.	1	2	3	4	5	6	7
The successor and I would feel a sense of loss if I was to leave the family firm.	1	2	3	4	5	6	7
If I shared the family firm's problems with the successor, I know she/he would respond constructively and caringly.	1	2	3	4	5	6	7
The successor and I have made a considerable emotional investment in the family firm.	1	2	3	4	5	6	7

Table 16 presents a list of five questions measuring if higher levels of cognitive trust will strengthen the positive relationship or weaken the negative relationship of the incumbent's commitment toward the family firm. As previously stated, cognitive trust is built through self-interest and self-perception based on performance, accomplishments, confidence, and activities based on dealings with the other person through cognitive reasoning (McAllister, 1995; Moorman et al., 1992; Oreyzi & Barati, 2013).

Table 16: Survey Questions on Cognitive Trust

	Strongly Disagree						Strongly Agree
Cognitive Trust (competent, reliable dependable)							
I am viewed as being professional and dedicated to the family firm.	1	2	3	4	5	6	7
Given the successor's past track record, I see no doubt his/her competence and preparation for taking over the family business.	1	2	3	4	5	6	7
I can rely on the successor not to make my job more difficult by careless work.	1	2	3	4	5	6	7
Most people, employees, family members, customers, and constituents in the community trust and respect him/her as the next successor.	1	2	3	4	5	6	7
Other associates of mine who must interact with the next successor consider him/her to be trustworthy.	1	2	3	4	5	6	7

3.4.2 Moderator – Kinship Status

Within family firms, various types of kinship relationships exist, including relationships between spouses, parents, children, aunts/uncles, grandparents, in-laws, and cousins (Tapis, 2011). Kinship is measured as relationship, lineal or distal, to the incumbent. Table 17 asked respondents' questions related to their kinship relationship.

Table 17: Survey Questions on Kinship

<ul style="list-style-type: none"> The proposed next successor is: Son ____ Daughter ____ Spouse ____ Cousin ____ Mother ____ Father ____ Sister ____ Brother ____ Aunt ____ Uncle ____ Nonfamily member ____
--

Next, I discuss the method for measuring the controls.

3.4.3 Controls

This study used previously recognized control variables based on family business and entrepreneurship literature (Wiklund & Shepherd, 2003). Prior research has found that firm age, size, and industry may have potential effects on firm performance and when not incorporated into a study, may lead to a misinterpretation of results (Dess, Ireland, & Hitt, 1990; Love, Priem, & Lumpkin, 2002; Wiklund & Shepherd, 2003). The following sections explain the control variables included in this dissertation. These

control variables include the firm age, financial performance, respondents' education level, industry, and firm ownership characteristics.

Firm age. Eddleston, Kellermanns, and Zellweger (2012) suggested that a firm's age impacts growth predictions and innovation. Also, prior research has indicated that firm age might be related to certain facets of family firm performance (Chrisman et al., 2004; Chrisman et al., 2012; Zellweger & Astrachan, 2008). The number of years the firm has been operating measures the family firm's age or the number of years in business.

Therefore, the survey asked the year the family firm started its operations.

Financial performance. Miller and Le Breton-Miller's (2006) definition of financial performance is "financial returns generated by the firm—typically measured by the returns on the assets or equity of the business—that are available to *all* public shareholders of the firm, family and otherwise, either via dividends or stock market returns" (p. 74). Also, prior research has suggested that both subjective and objective measure should be included in the survey because some respondents may be cautious about responding to objective measures as it relates to financial performance (Kellermanns et al., 2012a).

As shown in Table 18, respondents were asked to respond to questions regarding their firms' performance. First, items included that the respondents choose between intervals of annual sales to more than \$5 million or more and ranges of net profit margins. Also, based on Eddleston et al. (2008) prior research found that an indication of guaranteed growth and sustainability is outperforming their competition. Therefore, respondents were asked to indicate their current performance and last three years' performance as much worse, about the same, or higher than their competitors.

Table 18: Survey Questions on Firm Financial Performance

Annual Sales			
Less than \$ 499,999		\$ 3,000,000 to \$ 3,499,999	
\$ 500,000 to \$ 999,999		\$ 3,500,000 to \$ 3,999,999	
\$ 1,000,000 to \$ 1,499,999		\$ 4,000,000 to \$4,499,999	
\$1,500,000 to \$1,999,999		\$4,500,000 to \$4,999,999	
\$2,000,000 to \$2,499,999		\$5,000,000 or more	
\$2,500,000 to \$2,999,999			

Net Profit Margins			
Zero or decreased		Less than 2%	
2 – 3.99%		4 – 5.99%	
6 – 7.99%		8 – 9.99%	
10% or more			

Performance														
Indicator	How would you rate your firm's current performance as compared to your competitors							How would you rate your firm's performance over the past three years, as compared to your competitors						
	Much Worse		About the Same			Much better		Much Worse		About the Same			Much better	
Growth in sales	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Growth in market share	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Growth in profitability	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Return on equity	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Return on total assets	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Profit margin on sales	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Ability to fund growth from profits	1	2	3	4	5	6	7	1	2	3	4	5	6	7

Education level. To address the inequity issue of the family's average human capital, I controlled the education level of the incumbent and successor. As shown in Table 19, the education level of the incumbent and successor had a drop-down menu, from which they chose one of the following: High School, Associate Degree, Bachelor's Degree, Master's Degree, or Doctorate or other Terminal Degree.

Table 19: Survey Questions on Incumbent Education Level

<ul style="list-style-type: none"> • What is the incumbent's education level: High School ____ Associate Degree ____ Bachelor's Degree ____ Master's Degree ____ Doctorate or other Terminal Degree ____ • What is the education level of the successor(s) of the family firm? High School ____ Associate Degree ____ Bachelor's Degree ____ Master's Degree ____ Doctorate or other terminal degree ____

Industry. As previously stated, in 1997, the North American Industry Classification System (NACIS) established a basis for establishing size standards for all businesses, small to large. The Small Business Act required that the SBA adopt this standard (U.S. Small Business Administration, 2016). Therefore, the survey controlled for each of the different types of industry. As shown in Table 20, the different types of industries were assessed through a drop-down menu, from which the respondents chose one of the sectors that best matched the respective family firm's industry.

Table 20: Survey Questions on Firm Industry

<p>What is your primary firm's industry?</p> <p>Automotive __ Biotech/Med Tech/Pharmaceutical __ Distribution and Manufacturing __ Financial Services __ Health Care Services __ Hospitality and Leisure __ Media, Arts and Entertainment __ Mining and Metals __ Oil/Gas/Power and Utilities __ Real Estate and Construction __ Retail and Consumer Products __ Services __ Technology __ Telecommunications __ Other __</p>

Firm Ownership. Tagiuri and Davis (1992) stated that family ownership had been a vital component of the characteristics of family firms. As shown in Table 21, the survey asked about ownership dispersion by asking if the family firm is owned by the first, second, third, fourth, or fifth or more generation (Kellermanns & Eddleston, 2006).

Table 21: Survey Questions on Firm Ownership

Please indicate the proportion (percent) of share ownership held by family members.											
	0	10	20	30	40	50	60	70	80	90	100
1st Generation											
2nd Generation											
3rd Generation											
4th Generation											
More Than 5 Generations											

Below I discuss the data analysis used in this dissertation.

3.5 Data Analysis

The data analysis tested the hypothesized relationships in my research model, describe a preliminary examination, diagnostics tests, and necessary tests of biases. The relationships were tested using ordinary least squares (OLS) regression with tests for moderation and performed using the latest version of the IBM SPSS Statistics software. Using the Creswell (2011) guidelines, several steps were performed to check for incomplete or missing data (Creswell, 2011; Forza, 2002). Next, bias tests were performed on the data to evaluate whether the variance was attributed to the method rather than the measure (Creswell, 2011; Podsakoff, MacKenzie, Jeong-Yeon, & Podsakoff, 2003; Podsakoff, MacKenzie, & Podsakoff, 2012). A descriptive analysis was performed next on the data of all the dependent and independent variables in the study. The descriptive analysis included standard deviations and means of all variables in the study. Then a regression diagnostic test was performed to ensure the data met the assumptions of random distribution, normality, linearity, and homoscedasticity. Finally, each hypothesis was tested for statistical significance and to determine whether the

results supported the hypotheses in this dissertation. Chapter 4 outlines and presents the results.

CHAPTER 4: RESULTS

This chapter shows the results of testing the hypothesized relationships in the research model and from additional post hoc tests. The chapter first provides a preliminary analysis describing the sample, outlining the missing data statistics, and checking for bias in the sample, and evaluating the scales measuring each construct. Then a descriptive statistics and bivariate correlation analysis followed by the regression results of the hypothesis tests were completed. Finally, post hoc results evaluating additional relationships are provided with an integrated discussion of the results in Chapter 5.

4.1 Preliminary Analysis

Family firms were randomly identified using the NC Small Business Center database, and from undergraduate business students at a major US university identifying family firms who were willing to complete the survey. The original list of 2,175 participants contained 412 emails that were either invalid or duplicates resulting in 1,763 actual surveys successfully emailed. Of the 1,763 surveys successfully emailed, 249 participants started the survey, and 178 completed the survey. Qualtrics recorded 178 participants as completing the survey resulting in a completion rate of 8.18% and a response rate of 11.45% as summarized in Table 22.

Table 22: Summary of Survey Respondents

Initial List of Emails	Invalid or Duplicate Emails	Successful Surveys Emailed	Surveys Started	Surveys Completed	Completion Rate	Response Rate
2,175	412	1,763	249	178	8.18%	11.45%

Table 23 reflects the number of responses to the relationship between the successor and the incumbent. Approximately 39.89% of the respondents did not indicate whether

they had a successor. Of those that indicated who the next successor was 16.85% were sons, 5.62% were spouses, and 27.98% had one or two respondents in each of the areas of aunt, uncle, grandson, friend, brother, and best friend.

Table 23: Response to Successor Identification

Response	Percentage
No Plan	39.89%
Brother	0.02%
Daughters	0.06%
Grandson	0.03%
Son	16.85%
Spouse	5.62%
No Response	9.55%
Other	27.98%
Total	100.00%

Before data analysis, a missing value analysis was performed in SPSS to determine the valid number of cases to be used in the statistical analysis. In the select few cases, the missing data were replaced by the mean. The replacement was done on an item by item basis with no more than three missing values per item. In cases where the majority of responses were missing, the entire survey was deleted. This was the case for 71 surveys.

After reviewing and evaluating the missing or incomplete data, the common method bias was evaluated. Common method bias (CMB) occurs when discrepancies in responses are caused by the survey rather than the actual tendencies of the respondents that the survey is trying to uncover (Podsakoff et al., 2003). Podsakoff and Organ (1986) suggested when self-reporting, both the experimenter and his/her colleagues, need reassurance that the “independent variables” registered with the survey taker. Another

potential problem with self-report is that one measure showing highly correlated with alternative indices where other measures may show what it would correlate with (Podsakoff & Organ, 1986). Therefore, the correlation could erroneously lead us to conclude a significant relationship. Also, it is vital to identify the likely causes of artifactual covariance between self-report measures of what is believed to be two distinctly unique variables (Podsakoff & Organ, 1986). Podsakoff and Organ (1986) identified the *consistency motif* as the most general problem with self-report because respondents have a compulsion to keep a consistent line in a series of answers. Also, Podsakoff and Organ (1986) found “that self-report measures of different variables are often found to contain items similar in content” (535).

Podsakoff and Organ (1986) suggested that the researcher perform a factor analysis when asking persons who are self-reporting to answer a survey on anything other than a specific fact or a finite event. Rummel (1970) and Yong and Pearce (2013) stated that the use factor analysis should be conducted to obtain an underlying concept and to facilitate interpretations by you, reducing a few or hundreds of variables, items from surveys to a smaller set. Also, Yong and Pearce (2013) stated that factor analysis reduces the number of variables that could be trivial by placing the variables into significant categories, thereby allowing the research to focus on key factors.

For this dissertation, Harman’s Single-Factor Test was performed to assess potential common method bias concerns. All the control variables, the commitment variables, the trust variables, and the kinship variables were entered into the factor analysis. Table 24 shows that 13 construct level variables explain 76.601% of the

Table 24: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	14.81	24.27	24.27	14.81	24.27	24.27	10.90
2	8.46	13.87	38.14	8.46	13.87	38.14	7.54
3	4.91	8.05	46.19	4.91	8.05	46.19	3.27
4	3.97	6.50	52.70	3.97	6.50	52.70	8.77
5	2.79	4.58	57.27	2.79	4.58	57.27	3.70
6	2.65	4.34	61.61	2.65	4.34	61.61	5.77
7	1.72	2.81	64.42	1.72	2.81	64.42	5.64
8	1.49	2.45	66.87	1.49	2.45	66.87	3.54
9	1.42	2.33	69.20	1.42	2.33	69.20	2.53
10	1.28	2.10	71.30	1.28	2.10	71.30	5.47
11	1.18	1.93	73.22	1.18	1.93	73.22	3.17
12	1.05	1.72	74.94	1.05	1.72	74.94	4.50
13	1.01	1.66	76.60	1.01	1.66	76.60	1.74

variance, while the first factor only explains 24.272%; therefore, common method bias did not appear to be a problem.

Finally, the study evaluated the multi-item scales (affective commitment, continuance commitment, normative commitment, affective trust, cognitive trust, kinship, and degree of formalization of succession planning) by assessing scale reliability as measured by the coefficient alpha (DeVellis, 1951; Tavakol & Dennick, 2011). A rule of thumb for interpreting alpha or Likert scale question is when $\alpha \geq 0.9$ internal consistency is excellent; $0.9 > \alpha \geq 0.8$ internal consistency is good; $0.8 > \alpha \geq 0.7$ internal consistency is acceptable; $0.7 > \alpha \geq 0.6$ internal consistency is questionable; $0.6 > \alpha \geq 0.5$ internal consistency is poor; $0.5 > \alpha$ internal consistency is unacceptable (Tavakol & Dennick, 2011). As shown in Table 25, all alphas are in acceptable ranges,

with affective commitment being the lowest at 0.639. A confirmatory factor analysis was performed for the established scales of the independent variables and moderators (i.e., commitment scales and trust scales). As no established scales were available for the dependent variable, an exploratory analysis was conducted. Both are described in more detail in the next sections.

Table 25: Scale Reliability Analysis

Construct	Item	α
Independent Variables		
Affective Commitment	7	0.639
Continuance Commitment	4	0.746
Normative Commitment	6	0.749
Dependent Variable		
Degree of Formalization of Succession Planning (formal)	10	0.952
Moderating Variables		
Cognitive Trust	5	0.888
Affective Trust	5	0.928
Post Hoc Test Dependent Variable		
Degree of Formalization of Succession Planning (informal)	9	0.931

4.2 Descriptive Statistics and Correlation Analysis

Table 26 provides descriptive statistics and bivariate correlations between the variables in this study. The demographics of the survey participants was 67.6 percent between the age of 30 to 80 years of age; 63 percent of the respondents were males, and 37 percent were females, and 47 percent of the respondents had a four-degree or higher. On average, the firms in the total sample of 179 family firms have been in business for approximately 19 years, and 83.91% of business ownerships were by the first generation. Firms in the service industry represent 23% of the sample, 16% are in the real estate and construction industry, 8% in the retail and consumer products industry, 6% in the distribution and manufacturing industry and health care services industry and

the remaining firms are in other industries (i.e., transportation, financial services, technology, telecommunications).

When analyzing the control variables (i.e., past performance, firm age, industries, and firm ownership), the service industry significantly correlated with the most variables: real estate and construction industry and retail and consumer product industry. When analyzing the independent and moderator variables, continuance commitment, cognitive trust, and affective trust showed a significant correlation with the health care services industry. The strongest correlation of the variables was between formal succession planning and informal succession planning, indicated by a significant and positive relationship.

As discussed, some of the variables in this study are correlated; however, the highest observed variance inflation factor (VIF) equaled 8.867, and the highest value of the condition index equaled 10.505. The variance inflation factor in a regression model

Table 26: Descriptive Statistics and Bivariate Correlations

	Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
1 Past Performance	4.63	1.10																		
2 Year in Business	2001.17	17.96	-.147*																	
3 Industry: Distribution and Manufacturing	0.06	0.23	0.11	-0.13																
4 Industry: Health Care Services	0.06	0.23	-0.05	0.13	-0.06															
5 Industry: Real Estate and Construction	0.16	0.36	0.02	-.181*	-0.10	-0.10														
6 Industry: Retail and Consumer Products	0.08	0.27	-0.03	0.05	-0.07	-0.07	-0.13													
7 Industry: Services	0.23	0.42	-0.01	0.04	-0.13	-0.13	-.238**	-.161*												
8 First Generation Ownership	83.91	27.54	0.02	0.13	-0.08	0.13	0.03	-0.04	-0.06											
9 Affective Commitment	5.46	1.02	-.148*	-0.03	0.06	0.00	-0.03	0.13	-0.06	-0.05										
10 Continuance Commitment	4.35	1.51	-0.07	-0.08	0.00	.154*	0.13	-0.08	-0.07	0.09										
11 Normative Commitment	4.98	1.19	0.08	-0.02	-0.03	0.09	0.06	0.13	-0.06	0.01	.414**									
12 Cognitive Trust	5.25	1.42	0.07	-0.06	0.07	.302**	-0.01	0.07	0.02	-0.11	0.15	.540**								
13 Affective Trust	4.95	1.64	0.07	-0.04	0.00	.249**	-0.02	0.00	0.04	-0.07	.163*	-0.02	.160*	.812**						
14 Lineal Kinship	0.69	0.46	-0.04	-0.05	-.154*	0.06	0.09	0.10	0.03	0.11	-0.12	-0.08	0.09	0.14	.169*					
15 Informal Succession Planning	3.91	1.66	.196**	-.220**	-0.09	-0.02	0.07	-0.12	0.07	-0.12	.175*	-0.05	0.13	.488**	.499**	0.13				
16 Formal Succession Planning	3.80	1.74	.234**	-.164*	-0.04	0.02	0.09	-0.09	0.01	-0.181*	0.12	-0.05	0.11	.414**	.388**	.212**	.805**			
17 Successor Planned and Trained	3.65	1.82	0.10	-0.02	-0.13	-0.12	0.01	-0.02	0.08	-0.08	-0.01	-0.07	0.03	.267**	.240**	0.11	.370**	.393**		

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

c. Listwise N=179

is a measure of collinearity among the variables. When values of VIF exceed 10, it is an indication that there is multicollinearity. All values in this study were below the VIF threshold of 10, therefore alleviating the multicollinearity concerns (Hair, Black, Babin, & Anderson, 2010). Hair et al. (2009) stated that an indication of a collinearity problem exists when the condition index above the threshold of 30 accounts is 0.90 or above for two or more variables. For this study, our condition index was through 24 reiterations in model four; therefore, this study does not have a collinearity problem.

Next, confirmatory factor analysis was performed, which simplifies interrelated measures to see if there are any patterns in any set of variables (Child, 2006).

Confirmatory factor analysis (CFA) attempts to validate hypotheses and uses path analysis diagrams to represent variables and factors (Yong & Pearce, 2013). To further evaluate model fit, the data was analyzed with a comparative fit index and the hypothesized model to examine for discrepancies, while at the same time adjusting for issues of sample size inherent in the chi-square test of model fit and the normed fit index.

Child (2006) stated that within the data, there has to be univariate and multivariate normality to perform factor analysis. Yong and Pearce (2013) stated that when computing a correlation, the “determining factor is based on the assumption that there is a linear relationship between the factors and the variables” (80). Figure 4 shows the trust and commitment path diagram, which is a representation of a covariance structure model. A single-headed arrow and covariation represent directional causal pathways are represented by a two-headed arrow (Yong & Pearce, 2013). Circles indicate the presence of latent variables, and boxes indicate observed variables

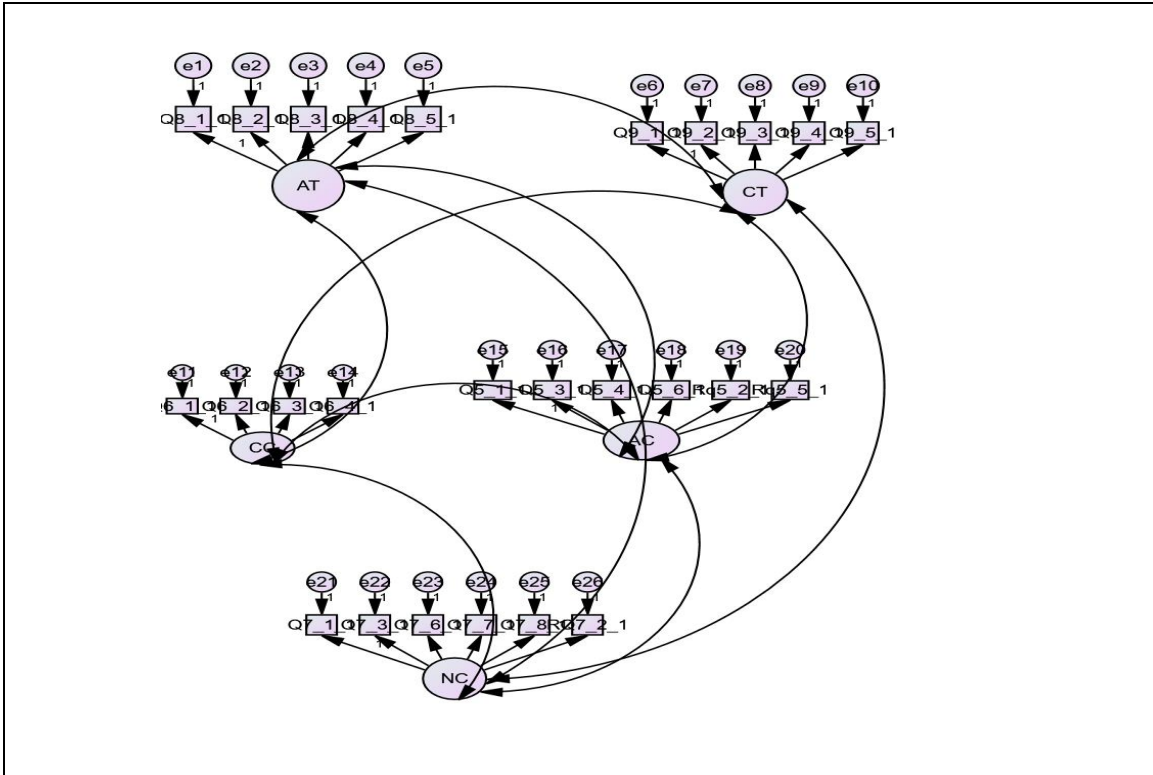


Figure 4: Trust and Commitment CFA

(Yong & Pearce, 2013). A confirmatory factor analysis of all scales used to evaluate collinearity further. Prior research state that values that exceed .90 for normed comparative fit index (NFI) and comparative fit index (CFI) is generally considered to indicate acceptable fit (Martins & Kellermanns, 2004; Schumacker & Lomax, 2016). The model had an initial $\chi^2=653$ and showed a semi-good fit with an NFI of .780 and CFI of .862. The root means square error of approximation (RMSEA) for the model was .084, which is slightly above the .08 cut-off for indicating not a good fit (Martins & Kellermanns, 2004; Mulaik et al., 1989). Also, the χ^2/df ratio was 2.260 ($p < 0.001$), which is well below the suggested 3.0 value, indicating a good fit (Kline, 1998). Overall, the measurement model showed a good fit with the data but with some issues, which are addressed in the limitation sections of the study.

Table 27: Scale Items

Construct	Items	Factor loading ^a	AVE ^b	CR ^c	
Independent variables					
Affective Commitment	I feel as my family business' problems are my own problem.	0.23	0.52	0.73	
	I do not feel a sense of belonging to my family business.	0.39			
	I would be very happy to spend the rest of my career with my family business.	0.69			
	I feel I strongly belong to my family firm.	0.80			
	I do not feel "emotionally" attached to my family business.	0.44			
Continuance Commitment	My family business has great personal meaning for me.	0.72	0.47	0.77	
	Right now, pursuing a career in my family business is a matter of necessity as much as a desire.	0.68			
	Too much of my life would be disrupted if I decided I did not want to pursue a career with my family business right now.	0.80			
	It would be costly for me to leave my family business now.	0.82			
	If I had not already put so much of myself into my family business, I might consider working elsewhere.	0.33			
Normative Commitment	It would be very hard for me to leave my family business right now, even if I wanted to.	0.75	35.25%	0.76	
	I do not feel any obligation to pursue my career with my family business.	0.39			
	My family deserves my loyalty.	0.55			
	I would feel guilty if I did not pursue a career with my family business right now.	0.60			
	I would pursue a career with my family business, because I have a sense of obligation.	0.55			
Affective Trust	Moderators				
	The successor and I have a sharing relationship. We can both freely share our ideas, feelings, and hopes.	0.90	79.52%	0.93	
	I can talk freely to the successor about difficulties the family is having and know that he/she will want to listen.	0.97			
	The successor and I would feel a sense of loss if I was to leave the family business.	0.74			
	If I shared the family firm problems with the successor, I know he/she would respond constructively and caringly.	0.89			
	The successor and I have made a considerable emotional investment in the family firm.	0.74			
	Cognitive Trust	I am viewed as being professional and dedicated to the family firm.			0.46
		Given the successors past track record, I see no doubt in his/her competence and preparation for taking over the family business.			0.79
		I can rely on the successor to not make my job more difficult by careless work.			0.76
		constituents in the community, trust and respect him/her as the next successor.			0.95
Other associates of mine who must interact with the next successor consider him/her to be trustworthy.		0.93			

Table 27 shows the factor loadings, Average Variance Extracted (AVE) scores, and the construct reliabilities of the associated constructs for the individual items, as

well as several criteria used to assess the validity and reliability of the constructs. The average variance extracted (AVE) for three of the constructs is below the recommended 50% level. Hair et al. (2010, stated that for exploratory research, construct reliability needs to meet or exceed the .7 threshold. In this study, all five constructs exhibit reliability levels exceed the .7, as shown in Table 27. To establish the dependent variable, an exploratory factor analysis (EFA), one of the most widely used statistical methods in research, was performed (de Winter, Dodou, & Wieringa, 2009; Fabrigar, Wegener, C., & Strahan, 1999). Following Tabachnick and Fidell (2007) principal axis factoring was because it is understood and mostly used. This method analyzes the shared or common variances among items and variances and those that were unique and had an error were eliminated (Byrne, 2005; Costello & Osborne, 2005; Hair, Tatham, Anderson, & Black, 2009; Johari, Yahya, & Omar, 2011; Kim & Mueller, 1978; Tabachnick & Fiddell, 2007; Worthington & Whittaker, 2006). This statistical technique was used to reduce the data to a “set of summary variables and to explore the underlying theoretical structure of the phenomena”(Hurley, Scandura, Schriesheim, & Brannick, 1997), degree of formalization of succession planning. After the survey data collection, a review of the items asking questions about the degree of formalization of succession planning was done to determine if questions had similar patterns of responses and if they grouped to create the construct. The underlying assumption of performing a factor analysis emerged after collecting the observed variables. Two factors emerged mapping on more formalized and informal degrees of succession planning. Consistent with the theory presented in the dissertation, the degree of formalization of succession planning

(formal) was chosen as the primary dependent variable used in this study. A post-hoc analysis was conducted on the degree of informal succession planning.

4.3 Regression Results

The hypotheses were tested via hierarchical regression analysis with four models and results for each of the constructs related to the dependent variable. Table 28 provides regression results were for formal succession as the dependent variable.

In all models, the study controlled for past performance, year in business, industry, and firm ownership. In Model 1, past performance was significant and positively related to the degree of formalization of succession planning ($\beta=0.231$, $p<.01$), and first-generation ownership were significant and negatively related to the degree of formalization of succession planning ($\beta=-0.191$, $p<.05$). The model was significant ($p<.01$) with an adjusted R^2 of $\beta=0.083$ and suggests that the past performance and first-generation ownership has an impact on the degree of formalization of succession planning.

Model 2, tested for Hypotheses 1, 2, and 3, and the three independent variables, affective commitment, continuance commitment, and normative commitment, were entered into the model with four significant relationships. In the model, the following controls were found to have significance: past performance was significant and positively related to the degree of formalization of succession planning ($\beta=0.197$, $p<.01$) and first-generation ownership were significantly and negatively associated with the degree of formalization of succession planning ($\beta=-0.196$, $p<.01$). The model was significant ($p<.01$) with an adjusted $R^2=0.1$ and had a delta $R^2 =0.032$ and suggests that continuance commitment has an impact on the degree of formalization of succession planning. Hypothesis 1

Table 28: Regression Results Degree of Formalization of Succession Planning (Formal)

Variables	Model 1	Model 2	Model 3	Model 4	
	β	β	β	β	
Controls					
Past Performance	0.231**	0.197**	0.191**	0.209**	
Year in Business	-0.110	-0.121	-0.101	-0.109	
Industry: Distribution and Manufacturing	-0.087	-0.083	-0.073	-0.093	
Industry: Health Care Services	0.068	0.078	0.185**	0.198**	
Industry: Real Estate and Construction	0.062	0.071	0.072	0.078	
Industry: Retail and Consumer Products	-0.077	-0.118	-0.135	-0.099	
Industry: Services	0.008	0.006	0.001	0.003	
First Generation Ownership	-0.191*	-0.196**	-0.187**	-0.190**	
Independent Variables					
Affective Commitment		0.038*	0.021	0.020	
Continuance Commitment		-0.180*	-0.138	-0.118	
Normative Commitment		0.176	0.110	0.071	
Moderating Variables					
Cognitive Trust			0.335**	0.399***	
Affective Trust			0.830	0.064	
Lineal Kinship			0.16*	0.107	
Interaction					
Affective Commitment*Cognitive Trust				-0.050	
Affective Commitment*Affective Trust				0.150	
Affective Commitment*Lineal Kinship				-0.080	
Continuance Commitment*Cognitive Trust				-0.413*	
Continuance Commitment*Affective Trust				0.316	
Continuance Commitment*Lineal Kinship				-0.108	
Normative Commitment*Cognitive Trust				0.021	
Normative Commitment*Affective Trust				0.004	
Normative Commitment*Lineal Kinship				0.111	
	R ²	0.124	0.156	0.347	0.403
	Adjusted R ²	0.083**	0.1**	0.291***	0.314***
	ΔR^2	0.124	0.032	0.191	0.056
	F	3.013**	2.084	15.966***	1.617
Standardized regression coefficients are shown					
*significant at the 0.05 level					
** significant at the 0.01 level					
*** significant at the 0.001 level					
Constant Formal Succession					

proposed that affective commitment was positively related to the degree of formalization of succession planning; however, in the model, the affective commitment was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.038$, ns.); therefore the hypothesis was not supported

Hypothesis 2 proposed that continuance commitment was negatively related to the degree of formalization of succession planning; in the model, continuance commitment was significant and negatively related to the degree of formalization of succession planning ($\beta=-0.180$, $p<.05$), therefore and this hypothesis was supported.

Hypothesis 3 proposed that normative commitment was negatively related to the degree of formalization of succession planning; in the model, the normative commitment was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.176$, ns.), therefore, however, this hypothesis was not supported.

Model 3 tested for the three moderation effects of cognitive trust, affective trust, and lineal kinship that were entered into the model with seven significant relationships. In the model, the following controls were found to have significance: past performance was significant and positively related to the degree of formalization of succession planning ($\beta=0.191$, $p<.01$), health care services industry was significant and positively related to the degree of formalization of succession planning ($\beta=0.185$, $p<.01$), and first-generation ownership was significant and negatively related to the degree of formalization of succession planning ($\beta=-0.187$, $p<.01$). The model was significant ($p<0.001$) with an adjusted $R^2=0.291$ and had a delta $R^2=0.191$ and suggests that cognitive trust and lineal kinship has an impact on the degree of formalization of succession planning. In the model, cognitive trust was significant and positively related

to the degree of formalization of succession planning ($\beta=0.335$, $p<.01$), and lineal kinship was significant and positively related to the degree of formalization of succession planning ($\beta=-0.16$, $p<.05$). Affective trust was found to be positive but not significantly related to the degree of formalization of succession planning ($\beta=0.830$, ns.). Model 4 tests for the three moderation effects of all three moderators, the nine interactions were entered and tested for H4(a), H4(b), H4(c), H5(a), H5(b), H5(c), H6(a), H6(b), and H6(c) and the three moderation effects of cognitive trust, affective trust, and lineal kinship were entered into the model with two significant relationships.

In the model, the following controls were found to have significance: past performance was significant and positively related to the degree of formalization of succession planning ($\beta=0.209$, $p<.01$), health care services industry was significant and positively related to the degree of formalization of succession planning ($\beta=0.198$, $p<.01$), and first-generation ownership was significant and negatively related to the degree of formalization of succession planning ($\beta=-0.190$, $p<.01$). The model was significant ($p<.001$) with an adjusted $R^2=0.314$ and had a delta $R^2=0.056$ and suggests that the interaction between continuance commitment and cognitive trust has an impact on the degree of formalization of succession planning.

Hypothesis 4(a) argued that cognitive trust would strengthen the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning; in the model, the affective commitment was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.020$, ns.); cognitive trust was significant and positively related to the degree of formalization of succession planning ($\beta=0.399$, $p<.001$); and the

interaction of affective commitment*cognitive trust was not significant and negatively related to the degree of formalization of succession planning ($\beta=-0.050$, ns.); therefore, this hypothesis was not supported.

Hypothesis 4(b) argued that cognitive trust would weaken the negative relationship between the incumbent's continuance commitment to the family firm and the degree of formalization of succession planning. In the model, continuance commitment was not significant and was negatively related to the degree of formalization of succession planning ($\beta=-0.118$, ns.); cognitive trust was significant and positively related to the degree of formalization of succession planning ($\beta=0.399$, $p<.001$); and the interaction of continuance commitment*cognitive trust was significant and negatively related to the degree of formalization of succession planning ($\beta=-0.413$, $p<0.05$), therefore, this hypothesis was supported. Figure 5 shows the relationship between continuance commitment and cognitive trust changes directions based on the level of trust. For high levels of cognitive trust, there is a negative relationship between continuance commitment and cognitive trust, while for the low cognitive trust, it is a

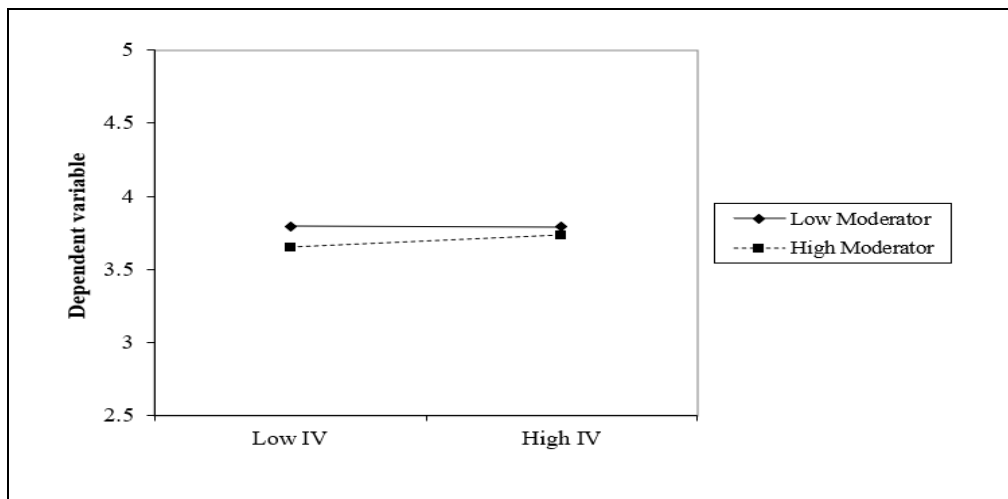


Figure 5: Affective Commitment and Cognitive Trust Interaction Effect

positive relationship. By including the interaction term in the model, the study was able to capture relationships that change based on the value of another variable.

Hypothesis 4(c) argued that cognitive trust would weaken the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning. In the model, the normative commitment was not significant and was positively related to the degree of formalization of succession planning ($\beta=0.071$, ns.); cognitive trust was significant and positively related to the degree of formalization of succession planning ($\beta=0.399$, $p<.001$); and the interaction of normative commitment*cognitive trust was significant but positively related to the degree of formalization of succession planning ($\beta=0.021$, ns.); therefore, this hypothesis was not supported.

Hypothesis 5(a) argued that affective trust would strengthen the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning. In the model, the affective commitment was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.020$, ns.); affective trust was not significant but positively related to the degree of formalization of succession planning ($\beta=0.064$, ns.), and the interaction of affective commitment*affective trust was not significant but negatively related to the degree of formalization of succession planning ($\beta=-0.050$, ns.), therefore, this hypothesis was not supported.

Hypothesis 5(b) argued that affective trust would weaken the negative relationship between the incumbent's continuance commitment to the family firm and the degree of formalization of succession planning. In the model, continuance

commitment was not significant but was negatively related to the degree of formalization of succession planning ($\beta=-0.118$, ns.); affective trust was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.064$, ns.), and the interaction of continuance commitment*affective trust was not significant but positively related to the degree of formalization of succession planning ($\beta=0.316$, ns.); therefore, this hypothesis was not supported.

Hypothesis 5(c) argued that affective trust would weaken the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning. In the model, the normative commitment was not significant but was positively related to the degree of formalization of succession planning ($\beta=-0.071$, ns.); affective trust was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.064$, ns.), and the interaction of normative commitment*affective trust was not significant but positively related to the degree of formalization of succession planning ($\beta=0.004$, ns.); therefore, this hypothesis was not supported.

Hypothesis 6(a) argued that lineal kinship would strengthen the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning. In the model, the affective commitment was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.020$, ns.); lineal kinship was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.107$, ns.), and the interaction of affective commitment*lineal kinship was not significant but was

negatively related to the degree of formalization of succession planning ($\beta=-0.080$, ns.); therefore, this hypothesis was not supported.

Hypothesis 6(b) argued that lineal kinship weakens the negative relationship between the incumbent's continuance commitment to the family firm and the degree of formalization of succession planning. In the model, continuance commitment was not significant but was negatively related to the degree of formalization of succession planning ($\beta=-0.118$, ns.); lineal kinship was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.107$, ns.), and the interaction of continuance commitment*lineal kinship was not significant but was negatively related to the degree of formalization of succession planning ($\beta=-0.108$, ns.); therefore, this hypothesis was not supported.

Hypothesis 6(c) argued that lineal kinship would weaken the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning. In the model, the normative commitment was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.071$, ns.); lineal kinship was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.107$, ns.), and the interaction of normative commitment*lineal kinship was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.111$, ns.); therefore, this hypothesis was not supported.

4.4 Conclusion

Table 29 summarizes the summarize the analyses of the hypothesized relationships and results. Of the twelve hypotheses in this dissertation, three were fully

supported, and nine were not supported. A more in-depth investigation was conducted into the relationships through multiple post hoc examinations. The remainder of this chapter describes the post hoc tests and results. Chapter 5 provides an integrated discussion of these research results.

Table 29: Hypothesized Relationships and Results

Degree of Formalization of Succession Planning (formal)		
H1:	The incumbent's affective commitment to the family firm is positively related to the degree of formalization of succession planning.	Not Supported
H2:	The incumbent's continuance commitment to the family firm is negatively related to the degree of formalization of succession planning.	Supported
H3:	The incumbent's normative commitment to the family firm is negatively related to the degree of formalization of succession planning.	Not Supported
The Moderating Role of Cognitive Trust		
H4(a)	Higher levels of cognitive trust strengthen the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning.	Not Supported
H4(b)	Higher levels of cognitive trust weaken the negative relationship between the incumbent's continuance commitment to the family firm and the degree of formalization of succession planning.	Supported
H4(c)	Higher levels of cognitive trust weaken the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning.	Not Supported
The Moderating Role of Affective Trust		
H5(a)	Higher levels of affective trust strengthen the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning	Not Supported
H5(b)	Higher levels of affective trust weaken the negative relationship between the incumbent's continuance commitment to the family firm and the degree of formalization of succession planning.	Not Supported
H5(c)	Higher levels of affective trust weaken the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning.	Not Supported
The Moderating Role of Lineal Kinship		

H6(a)	Lineal kinship to the incumbent strengthens the positive relationship between incumbent's affective commitment to the family firm and the degree of formalization of succession planning.	Not Supported
H6(b)	Lineal kinship to the incumbent weakens the negative relationship between the incumbent's continuance commitment to the family firm and the degree of formalization of succession planning.	Not Supported
H6(c)	Lineal kinship to the incumbent weakens the negative relationship between the incumbent's normative commitment to the family firm and the degree of formalization of succession planning.	Supported

4.5 Post Hoc Tests and Results

In addition to the degree of formal succession planning that was discussed above in the hypothesis test, data on one additional dependent variable was collected, which is reported below, and identified as the degree of formalization of succession planning (informal). The same relationships as for formalized succession planning above were applied and reported below.

The tests were conducted via OLS hierarchical regression. In all models, the study controlled for past performance, year in business, industry, and firm ownership. Results of the informal component of the degree of formalization of succession planning and the how the incumbent's level of commitment, moderated by affective trust, cognitive trust, and lineal kinship affect their level of commitment to the family firm, and the degree of formalization of succession planning are presented in Table 30.

Table 30: Regression Results Degree of Formalization of Succession Planning (Informal)

Variables	Model 5	Model 6	Model 7	Model 8
Controls	B	β	β	β
Past Performance	0.182*	0.136	0.125*	0.179**
Year in Business	-0.192*	-0.203**	-0.195**	-0.148*

Industry: Distribution and Manufacturing	-0.143	-0.142	-0.140*	-0.114*	
Industry: Health Care Services	0.014	0.023	0.174*	0.170*	
Industry: Real Estate and Construction	0.014	0.024	0.047	0.050	
Industry: Retail and Consumer Products	-0.109	-0.161*	-0.148*	-0.131*	
Industry: Services	0.042	0.042	0.050	0.069	
First Generation Ownership	-0.116	-0.117	-0.090	-0.087	
Independent Variables					
Affective Commitment		0.116	0.075	0.100	
Continuance Commitment		-0.184*	-0.137	-0.129	
Normative Commitment		0.181	0.082	0.093	
Moderating Variables					
Cognitive Trust			0.310**	0.344**	
Affective Trust			0.233*	0.203	
Lineal Kinship			0.034	0.027	
Interaction					
Affective Commitment*Cognitive Trust				0.092	
Affective Commitment*Affective Trust				0.105	
Affective Commitment*Lineal Kinship				-0.246***	
Continuance Commitment*Cognitive Trust				-0.194	
Continuance Commitment*Affective Trust				0.161	
Continuance Commitment*Lineal Kinship				-0.039	
Normative Commitment*Cognitive Trust				0.029	
Normative Commitment*Affective Trust				-0.031	
Normative Commitment*Lineal Kinship				0.178*	
	R ²	0.122	0.174	0.413	0.494
	Adjusted R ²	0.08**	0.12***	0.363***	0.418***
	ΔR ²	0.122	0.053	0.239	0.081
	F	2.943**	3.543*	22.242***	2.739**
Standardized regression coefficients are shown					
* significant at the 0.05 level					
** significant at the 0.01 level					
*** significant at the 0.001 level					
Constant Informal Succession					

As with the degree of formalization of succession planning (formal) models, this post hoc models controlled for past performance, year in business, industry, and firm

ownership. The first post hoc examination is with the degree of succession planning (informal), and we look at Models 5, 6, 7, and 8.

In Model 5, past performance was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.182$, $p<.05$), and the number of years in business was significant but negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.192$, $p<.05$). The model was significant ($p<.01$) with an adjusted $R^2=0.088$ and suggests that the past performance and the number of years in business have an impact on the degree of formalization of succession planning (informal).

Model 6 tested the three independent variables, affective commitment, continuance commitment, and normative commitment toward the degree of formalization of succession planning (informal), and there were three significant relationships. In the model, the following controls were found to have significance: the number of years in business was significant but negatively related to the degree of formalization of succession planning (informal) ($\beta=0.203$, $p<.01$) and the retail and consumer products industry were significant. However, it was negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.161$, $p<.05$). The model was significant ($p<.001$) with an adjusted $R^2=0.12$ and had a delta $R^2=0.053$ and suggests that continuance commitment has an impact on the degree of formalization of succession planning (informal). The affective commitment was not significant but positively related to the degree of formalization of succession planning (informal) ($\beta=0.116$, ns.). Continuance commitment was significant and negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.184$, $p<.05$). The

normative commitment was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.181$, ns.).

Model 7 tested for the three moderation effects of cognitive trust, affective trust, and lineal kinship that were entered into the model with seven significant relationships. In the model, the following controls were found to have significance: past performance was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.125$, $p<.05$), number of years in business was significant but negatively related to the degree of formalization of succession planning ($\beta=0.95$, $p<.01$), the distribution and manufacturing industry was significant but negatively related to the degree of formalization of succession planning (informal) ($\beta=0.140$, $p<.05$), the health care services industry was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.174$, $p<.05$), and the retail and consumer products industry were significant. However, it was negatively related to the degree of formalization of succession planning ($\beta=-0.148$, $p<.05$). The model was significant ($p<.001$) with an adjusted $R^2=0.363$ and had a delta $R^2=0.239$ and suggests that cognitive trusts and affective trust have an impact on the degree of formalization of succession planning (informal). In the model, cognitive trust was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.310$, $p<.01$), and affective trust was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.233$, $p<.05$). Lineal kinship was found to be positive but not significantly related to the degree of formalization of succession planning (informal) ($\beta=0.034$, ns.).

Model 8 tests for the three moderation effects of all three moderators, the nine interactions, and the three moderation effects of cognitive trust, affective trust, and lineal kinship were entered into the model with eight significant relationships. In the model, the following controls were found to have significance: past performance was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.179$, $p<.01$), number of years in business was significant but was negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.148$, $p<.05$), the distribution and manufacturing industry was significant but negatively related the degree of formalization of succession planning (informal) ($\beta=0.114$, $p<.05$), the health care services industry was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.170$, $p<.01$), and the retail and consumer products industry was significant but negatively related to the degree of formalization of succession planning ($\beta=-0.131$, $p<.05$). The model was significant ($p<.001$) with an adjusted $R^2=0.418$ and had a delta $R^2=0.081$, which suggests that the interaction between affective commitment and lineal kinship has an impact on the degree of formalization of succession planning (informal). In the model, the affective commitment was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.100$, ns.); cognitive trust was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.344$, $p<.01$); and the interaction of affective commitment*cognitive trust was not significant and negatively related to the degree of formalization of succession planning (informal) ($\beta=0.092$, ns.). Continuance commitment was not significant and was negatively related to the degree of formalization of succession planning (informal) ($\beta=-$

0.129, ns.); cognitive trust was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.344$, $p<.01$); and the interaction of continuance commitment*cognitive trust was not significant but negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.194$, ns.). The normative commitment was not significant and was positively related to the degree of formalization of succession planning (informal) ($\beta=0.093$, ns.); cognitive trust was significant and positively related to the degree of formalization of succession planning (informal) ($\beta=0.344$, $p<.001$); and the interaction of normative commitment*cognitive trust was significant but positively related to the degree of formalization of succession planning (informal) ($\beta=0.029$, ns.).

Next, the model looked at the affective trust. The affective commitment was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.100$, ns.); affective trust was not significant but positively related to the degree of formalization of succession planning (informal) ($\beta=0.203$, ns.), and the interaction of affective commitment*affective trust was not significant but positively related to the degree of formalization of succession planning (informal) ($\beta=0.105$, ns.). Therefore, this hypothesis was not supported. Continuance commitment was not significant but was negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.129$, ns.); affective trust was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.203$, ns.), and the interaction of continuance commitment*affective trust was not significant but positively related to the degree of formalization of succession planning (informal) ($\beta=0.161$, ns.). The normative commitment was not significant but was

positively related to the degree of formalization of succession planning (informal) ($\beta=0.093$, ns.); affective trust was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.203$, ns.), and the interaction of normative commitment*affective trust was not significant but negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.031$, ns.).

Finally, the model looked at the lineal kinship. The affective commitment was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.100$, ns.); lineal kinship was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.027$, ns.), and the interaction of affective commitment*lineal kinship was significant but was negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.246$, ns.). Figure 6 shows the relationship between affective commitment and lineal kinship changes directions based on the degree of kinship. For high levels of lineal kinship, there is a neutral relationship between affective commitment and lineal kinship, while for low lineal kinship, it is a positive relationship. By including the interaction term in the model, the study was able to capture relationships that change based on the value of another variable.

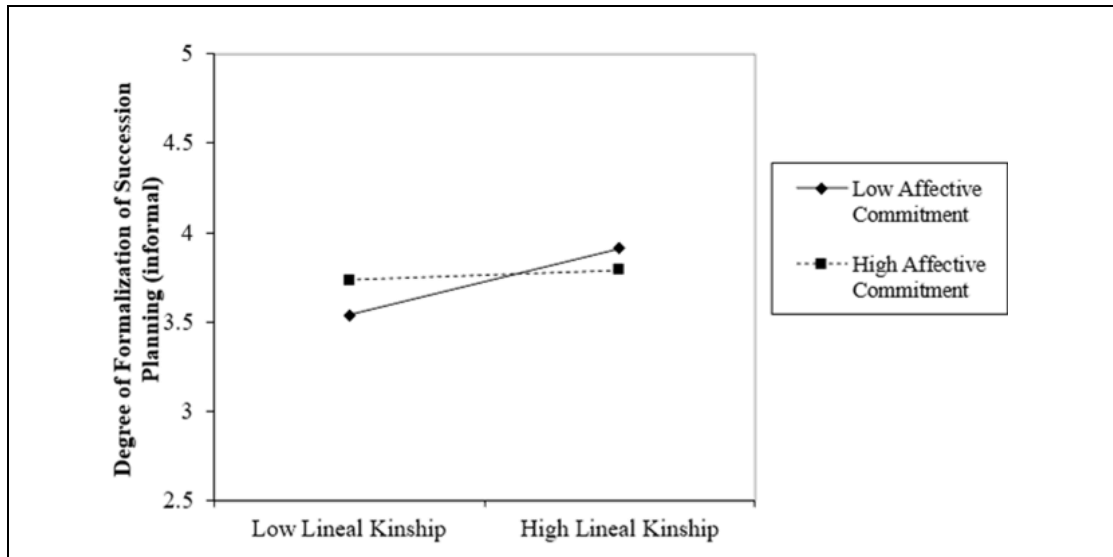


Figure 6: Affective Commitment and Lineal Kinship Interaction Effect

Continuance commitment was not significant but was negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.129$); lineal kinship was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.027$), and the interaction of continuance commitment*lineal kinship was not significant but was negatively related to the degree of formalization of succession planning (informal) ($\beta=-0.039$). The normative commitment was not significant but was positively related to the degree of formalization of succession planning (informal) ($\beta=0.093$); lineal kinship was not significant but was positively related to the degree of formalization of succession planning ($\beta=0.027$), and the interaction of normative commitment*lineal kinship was significant and positively related to the degree of formalization of succession planning ($\beta=0.178$). Figure 7 shows the relationship between normative commitment and lineal kinship changes directions based on the degree of kinship. For high levels of lineal kinship, there is a positive relationship between normative commitment and lineal kinship trust, while for low

lineal kinship, there is a negative relationship. By including the interaction term in the model, the study was able to capture relationships that change based on the value of another variable.

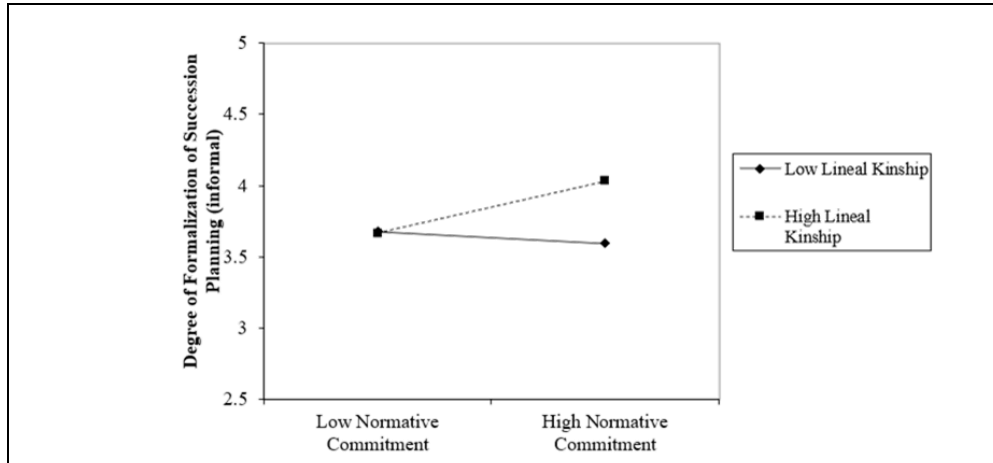


Figure 7: Normative Commitment and Lineal Kinship Interaction Effect

CHAPTER 5: DISCUSSIONS AND CONCLUSIONS

This chapter discusses the research findings in six major sections. The first section starts with an overview of the study, and research questions driving this dissertation. The second section offers a review and discussion of the findings from the tests of the hypothesized relationships in the research model. The third section describes the contributions. The fourth section addresses the limitations of the study, and the fifth section offers suggestions for future research. The last section of this chapter concludes the dissertation by providing answers to the research questions, as mentioned earlier.

5.1 Overview

The primary purpose of this study was to understand better how family firms address succession planning. Family firms are the most prevalent and enduring type of organization; however, family firm research pales compared to organizational research (Barnett & Kellermanns, 2006; Goel et al., 2012; Le Breton-Miller & Miller, 2009). Small businesses are the backbone of the United States economy, accounting for 90% of all firms (U.S. Small Business Administration, 2018), generating approximately 64 percent of the Gross Domestic Product (GDP), employing about 60 percent of the U.S. workforce, and creating approximately 78 percent of all new jobs (United States Census Bureau, 2016). This study evaluated the incumbent's level of commitment to the family firm and the degree of succession planning and whether trust and kinship have an impact by either strengthening or weakening that relationship. Below, I will discuss the findings in more detail.

5.2 Research Findings

In the present study, the data partially supported the conceptual model that the incumbent's commitment to the family firm affects the degree of formalization of succession planning. The first three hypotheses in the model evaluated the impact of affective commitment, continuance commitment, and normative commitment of the incumbent to the family firm and the degree of formalization of succession planning. The other nine hypotheses in the model evaluated the moderating roles of cognitive trust, affective trust, and lineal kinship on the relationship between the incumbent's level of commitment to the family firm and the degree of formal succession planning.

The degree of formalization of succession planning (formal) focused on the development of a succession plan, defined family firm goals, detailed contingency plan, and formalized expectations, just to name a few. Hypothesis 1 proposed that the incumbent's affective commitment to the family firm is positively related to the degree of formalization of succession planning but not significant. Allen and Meyer (1990) referred to affective commitment as an emotional attachment to, identification with, and involvement with an organization. Therefore, it might benefit a family firm to have an incumbent who is emotionally attached, identifies with, and involved with the family firm. While this study did not find significant results, one might speculate that affective commitment may be related to more proximal outcome variables that can reap immediate responses. For example, developing a positive relationship with the successor or engagement of the family members in the firm would be more appropriate outcomes.

Hypothesis 2 suggested that the incumbent's continuance commitment to the family firm is negatively related to the degree of formalization of succession planning.

This study supported this relationship. When an incumbent has continuance commitment, he/she might feel they should stay with the family firm because they assume that there will be some cost associated with leaving (Meyer et al., 1993).

Hypothesis 3 proposed that the incumbent's normative commitment to the family firm is negatively related to the degree of formalization of succession planning. Although prior research suggested that an incumbent with a strong normative commitment to the family firm might feel an obligation to remain with the family firm (Jackson et al., 2013; Meyer & Allen, 1991; Wolfe, 1996), this study did not support a relationship between normative commitment and the degree of formalization of succession planning. This finding is unusual as normative commitment is typically associated with negative outcomes for the organization (Bagraim & Sader, 2007; Meyer & Allen, 1997). Here again, one might speculate the succession planning and associated outcomes are too distal, and more proximal relationships might be more prominent.

This study also examined the moderating role of cognitive trust, affective trust, and lineal kinship on the relationship between the three levels of commitment (affective, continuance, and normative) of the incumbent to the family firm and the degree of formalization of succession planning. First, I looked at hypotheses 4(a), 4(b), and 4(c) and how cognitive trust strengthens or weakens the relationship of the incumbent's various forms of commitment to the family firm and the degree of formalization of succession planning. Prior research suggests that improving trust between two individuals increases their willingness to communicate and to develop a bond (Anderson & Narus, 1990; Gainey & Klass, 2003). McAllister (1995) and Webber (2008) stated that cognitive trust bases the confidence one feels in someone else's skills,

accomplishments, reliability, and dependability. Patel and Cooper (2014) and Garcia Sharma et al. (2019) stated that family trust fosters continued family ownership and supports the decision-making process. Prior research has also shown that trust leads an individual to act in the interest of others without expectation of reward (Karra et al., 2006). Hypothesis 4(a) argued that cognitive trust strengthens the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning and Hypothesis 4(b) and 4(c) argued that cognitive trust weakens the negative relationship between the incumbent's continuance and normative, respectively, commitment to the family firm and the degree of formalization of succession planning. Hypothesis 4(a) and 4(c) both were not supported, whereas hypothesis 4(b) was supported. Cognitive trust is based on someone's perception of another person (Castelfranchi & Falcone, 2010; Johnson & Grayson, 2005; Oreyzi & Barati, 2013). One may speculate that it is not only the cognitive trust of the incumbent that is needed to observe a moderation effect but that it is the reciprocity of trust between incumbent and successor that would facilitate moderation. Unfortunately, I did not have access to any successor data to account for this possibility.

Next, I tested hypotheses 5(a), 5(b), and 5(c) and how affective trust strengthens or weakens the relationship of the incumbent's commitment to the family firm and the degree of formalization of succession planning. Johnson and Grayson (2005) stated that emotions, personal experiences, and intimate personal relationships develop affective trust. Therefore, Hypothesis 5(a) argued that affective trust strengthens the positive relationship between the incumbent's affective commitment to the family firm and the degree of formalization of succession planning and hypotheses 5(b) and 5(c) argued that

affective trust weakens the negative relationship between the incumbent's continuance and normative, respectively, commitment to the family firm and the degree of formalization of succession planning. All three hypotheses (H5(a), 5(b), and 4(c)) were not supported because the moderating effect was non-significant. Here again, it may not be unilateral affective trust that serves as moderator, but the congruence/reciprocity between incumbent and success that facilitates processes in family firms.

Finally, I tested hypotheses 6(a), 6(b), and 6(c) and how lineal kinship trust strengthens or weakens the relationship of the incumbent's commitment to the family firm and the degree of formalization of succession planning. Prior research suggests that each member of the family plays a role in the family firm (Alsos, Carter, & Ljunggren, 2014). Also, Alsos et al.'s (2104) case study illustrated the importance of the kinship relation and how essential it was for family buy-in into the family firm. However, all three hypotheses (H6(a), 6(b), and 6(c)) were not supported. Like in the TMT demographics literature (e.g., Hambrick and Mason, 1984), lineal kinship serves as a proxy for unmeasured relationship quality. It is possible that this assessment of kinship without linking it to relationship quality measures provides too crude of a proxy to find relationships.

Because of the significant number of non-findings, several post hoc analyzes were conducted to assess if there were any other patterns or unobserved effects related to the degree of informal succession planning. Particularly, I investigated an additional dependent variable, ensuring that the non-findings were not related to sub-optimal choice in the outcomes construct.

First, the informal degree of formalization of succession was examined as a dependent variable. All three models had the same controls. I only found two additional significant moderations in the degree of formalization in succession planning (informal). The additional moderations in the degree of formalization of succession planning (informal) were affective commitment*lineal kinship and normative commitment*lineal kinship. The interaction between affective commitment and lineal kinship was negative and significant. The interaction between normative commitment and lineal kinship was positive and significant.

5.3 Contributions

Only recently has research focused on the incumbent's role in succession planning. Boyd, Botero, and Fediuk (2014) focus on decision making events and how the incumbent decides the next successor; De Massis, Sieger, Chua, and Vismara (2016) focused on the incumbent's attitude and intention; and Garcia, Sharma, De Massis, Wright and Scholes (2019) focus on the engagement of the next generation and how the incumbent's engagement process influences the next generation. From a theoretical perspective, this research added to and expanded on the limited research on the incumbent's commitment to the family firm and the degree of formalization of succession planning. First, think about the degree of formalization of succession planning as the dependent variable can be useful in understanding the development and implementation of the succession plan and when and why it occurs. Although previous research has provided insights into why succession occurs and when and how the engagement process is handled (Boyd, Botero, & Fediuk, 2014; De Massis, Sieger, Chua, & Vismara, 2016; Marshall et al., 2006; Matthews, Moore, & Fialko, 1999),

knowledge remains limited to the process itself. Therefore, studying the degree of formalization of succession planning as a dependent variable can shed light on how the incumbent thinks and is committed to the succession planning process. This study also contributes to family business literature by taking a more differentiated approach by examining all three types of commitment, an approach most prior literature has not taken.

This dissertation also contributes to family literature on trust and commitment. I distinguished between different facets of trust and commitment, thus being able to more carefully assess these constructs than prior research has done (e.g., Eddleston and Morgan 2014 and Khodyakov, 2007) and drawing more specific inferences. Specifically, on the interactions, I found that that higher levels of cognitive trust weaken the negative relationship between the incumbent's continuance commitment to the family firm and the degree of succession planning. Suggesting that only focusing on meta constructs of trust and commitment, one runs a danger of omitting nuances due to the underlying heterogeneity of family firms.

Lastly, this study also expands and contributes to the kinship literature in the family business by addressing how the direct lineal kinship relationship between the successor and incumbent strengthens the relationship between the incumbent's commitment to the family firm and the degree of formalization of succession planning. Kinship is important to family firm succession planning (Yu et al., 2020), because of the connection with the family culture, parenting, grooming, and the lineal order of the family, but neglected element of incumbent commitment to the family firm. Indeed, family firm research has most recently refocused its attention on family relationships (Morris &

Kellermanns, 2013; Yu et al., 2020), and at least the post-hoc test suggests that kinship ties can have a significant impact on processes in family firms.

5.4 Limitations and Future Research

Next is a review of the limitations of the study, as well as future research to help further the understanding of why family firms do not plan or tend to engage less in formalizing a succession plan.

5.4.1 Limitations

This study has several limitations. Nevertheless, these limitations provide interesting avenues for future research. The first limitation was that the degree of formalization of succession was studied using cross-sectional data. The use of cross-sectional data provides a snapshot of time and does not evaluate the phenomenon over time and cannot infer causal relationships (Rauch, Wiklund, Lumpkin, & Frese, 2009). Also, common method variance is possible since the variables were measured at the same time from a common source (Podsakoff et al., 2012). Doty and Glick (1998) suggested that even though common method bias may be present, it may not always impact the results or conclusions, meaningfully.

The second limitation of the study is the relatively small completed sample size. Although 368 family firms participated in the study, only data for 179 family firms were included in this study after a missing data analysis was performed. Hair et al. (2010) state that the sample size might pose concerns with the statistical power because of the limited number of supports for the main effective hypotheses and moderating hypotheses.

The third limitation of the study was the use of incentives to business students at a major University to recruit family firm business owners to complete the survey to address the low response rates from the NC Small Business Center Network database. The incentive was non-monetary but had a universal appeal to the students. The decision to use the help of students to recruit study participants in combination with an incentive was made because of the timing and short-term turnaround necessary to acquire completed surveys due to the lack of participation from the previous survey emailed to the NCSBCN database. Despite the potential bias, this approach might have been introduced in the sample. The advantage of using this technique, also known as the snowballing technique, allowed me to gather more data from family firms.

The fourth limitation of the study was that the data gathered were self-reported by the incumbent of the family firm and was used to assess the degree of the formalization of succession planning. Although self-reporting is the fastest and easiest way to collect data (Vazire, 2006), it can be subject to limitations such as social desirability bias (Adams et al., 2005), where the respondent wants to be viewed in a positive view and will not answer honestly.

The fifth limitation is the high correlations between the independent variables and the moderators. Indeed, there was only a moderate fit in the CFA, which suggests that the respondent could not perfectly differentiate between the constructs. Future research is encouraged to utilize the different conceptualization of trust, which may not correlate that highly with the commitment measure. Further, reverse causality may be another potential problem in this study, as it may be that once a formal succession plan has been put in place, individuals may become more or less committed to the family

business (depending on the three types of commitment). While theory supports the proposed directionality of the relationships, reversed causality cannot be ruled out, and therefore any implications from the study findings need to be interpreted with care.

Finally, another limitation is the focus on internal family succession, i.e., the transfer of the family business to another family member, only. This study did not investigate family firms that were transferred to a non-family member or that were sold outside of the family as part of the transition process, options that are not uncommon as alternative succession strategies.

5.4.2 Future Research

Aside from future research recommendations that would address the methodological concerns pertaining to this study (i.e., a larger sample size, longitudinal approach, family firms that have succeeded outside of the family that are still in business), there are additional research possibilities. Specifically, future research could investigate whether culture affects the degree of succession planning (e.g., Hofstede, 2001).

The National Bureau of Economic Research Family Business Alliance polled family businesses in 2016 and found that 43% did not have a succession plan (Research, 2016). The investigators found that it takes about ten years to develop a succession plan to its fullest, as well as to allow the incumbent the opportunity to mentor the successor (Research, 2016). Therefore, an in-depth qualitative case study of reasons that assesses the reluctance or slowness to develop a succession plan by the incumbent may be useful. Here, researchers may want to look at more than just the presence of the plan, but rather the planning process and its implementation. It might be insightful to look at the

challenges of implementing succession, how family firms treat retirements, resignations, and the potential unexpected catastrophic losses (e.g., death) of the incumbent, and exploring the qualifications essential to becoming the next successor and maintaining business continuity. Further, it might be interesting to investigate what other initiatives and processes family business put in place that does not have a succession plan but aspires to retain the business under family control in the long term.

While this dissertation focused only on the succession of family members, I encourage future research to investigate the role of non-family employees, specifically how they may differ from family employees, as potential successors. Differences in perceptions, behaviors, and individual-level performance all provide fruitful avenues for investigation. It would furthermore be interesting to assess the performance differences of family and non-family successors.

Finally, future research can be based on lessons learned from conducting this study. The length of the survey proved to be a significant hindrance to survey completion. If scale development is not possible, another scale should be used to measure the degree of formalization of succession planning. Once the survey was completed, I discovered there were two constructs to the degree of formalization of succession planning, formal and informal, which may be considered in future research efforts. Furthermore, a future study, with more data, might conduct additional statistical tests that require larger sample sizes.

5.5 Conclusion

This dissertation is one of the few studies to assess the incumbent's commitment to the family firm and the degree of formalization of succession planning as opposed to

the significant number of studies that broadly focused on family firm succession in general. While this more nuanced approach offered the potential to better understand the underlying heterogeneity amongst family firms, this dissertation did not find significant results across all levels of commitment and did not find many significant moderation relationships. Future research might thus examine additional processes and factors that may impact the degree of formalization of succession planning.

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APPENDIX A: Survey

Family Firm Succession Planning – Commitment, Trust, and Kinship

A research team from the University of North Carolina – Charlotte is studying the degree of succession planning in family firms. The questions below have no right or wrong answers – we are interested in your opinions. Your response will assist in the further development of family firm research and understanding. All responses are confidential. *The current firm leader should answer this survey.*

Management succession defined as a wide variety of activities used in the planning of leadership change within a family firm.

NOTE: Throughout this survey, we are only referring to family members working in the family firm. Also, some questions may appear repetitious. They are necessary because methodological guidelines require us to use several items to measure each concept. We appreciate your time and patience in answering these questions.

Introduction

You are invited to participate in a research study conducted by Lisa L. Rolan from UNC Charlotte. Participation in this research study is voluntary. The information provided is to give you key information to help you decide whether or not to participate.

- The purpose of this study is to explore the relationship between the incumbent's level of commitment (affective, continuance and normative) to the family firm and the degree of formalization of succession planning. In addition, the study will explore whether trust (affective and cognitive) and lineal kinship will either strengthen or weaken the relationship between the incumbent's level of commitment to the family firm and degree of formalization of succession planning.
- This study consists of an online survey that will be administered to individual participants through Qualtrics (an online survey tool). You will be asked to provide answers to a series of questions related to the relationship between the incumbent's level of commitment (affective, continuance and normative) to the family firm and the degree of formalization of succession planning.
- If you choose to participate it will require 15 – 20 minutes of your time.
- There are no potential risks or discomforts that will occur as a result of participating in this survey.
- Benefits may include increased awareness about the importance of succession planning and how to develop and process for developing a succession plan.
- Survey responses will be analyzed to obtain information about how you family firm business develop succession plans and the interaction between the incumbent and the success. Your survey responses will in no way be traceable back to you.

- The results of this research will be presented to my dissertation committee at UNC Charlotte. While individual responses are anonymously obtained and recorded online through Qualtrics XM™ platform (a secure online survey tool), data is kept in the strictest confidence. Your privacy will be protected, and confidentiality will be maintained to the extent possible. Responding participant's email addresses will be tracked using Qualtrics XM™ platform for follow-up notices, but names and email addresses are not associated with individual survey responses. The researcher will know if a participant has submitted a survey, but will not be able to identify individual responses, therefore maintaining anonymity for the survey. The results of this project will be coded in such a way that the respondent's identity will not be attached to the final form of this study. Aggregate data will be presented representing averages or generalizations about the responses as a whole. All data will be stored in a secure location accessible only to the researcher. We might use the survey data for future research studies, and we might share the non-identifiable survey data with other researchers for future research studies without additional consent from you. Upon completion of the study, all information will be destroyed. Final aggregate results will be made available to participants upon request.
- Your participation is entirely voluntary. You are free to choose not to participate. Should you choose to participate, you can withdraw at any time without consequences of any kind.

If you have questions concerning the study, contact the principal investigator, Lisa L. Rolan, Doctoral Candidate at (910) 975-1788 or by email at lrolan@uncc.edu or contact the faculty advisor, Franz Kellermanns at (704) 687-1421 or by email at kellermanns@uncc.edu. If you have further questions or concerns about your rights as a participant in this study, contact the Office of Research Compliance at (704) 687-1871 or uncc-irb@uncc.edu.

If you are 18 years of age or older, have read and understand the information provided and freely consent to participate in the study, you may proceed to the online survey.

If you select no, the survey will skip to the end.

- Yes
 No

Are you the CEO/President/Founder/Owner of the family firm?

- Yes
 No

In this section we are interested in how attitudes play a role in succession planning in family firms. Please indicate your level of agreement with each of the statements below (1 = Strongly disagree; 7= Strongly agree).

	Strongly Disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
I am viewed as being professional and dedicated to the family firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Given the successors past track record, I see no doubt in his/her competence and preparation for taking over the family business.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I can rely on the successor to not make my job more difficult by careless work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Most people, employees, family members, customers and constituents in the community, trust and respect him/her as the next successor.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other associates of mine who must interact with the next successor consider him/her to be trustworthy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Kinship Relationship

What is the relationship of the proposed next successor to the CEO/President/Owner/Founder?

Son ____ Daughter ____ Spouse ____ Cousin ____ Mother ____
 Father ____ Sister ____ Brother ____ Aunt ____ Uncle ____
 Nonfamily member ____

The proposed next successor currently holds what position:

- Chief Financial Officer (CFO)
- Chief Operating Officer (COO)
- Chief Information Officer (CIO)
- Vice President
- Operations Manager
- Office Manager
- Professional Staff
- Not in the Family Firm
- Other (please specify)

If the next immediate successor is a child of the current CEO, what is the birth order:

Firstborn _____	Second born _____	Third born _____	Beyond _____
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What is the gender of the next immediate successor:

- Male
- Female

Timing Related to Transfer of Business

Please indicate the proportion (percent) of share ownership held by family members.

	0	10	20	30	40	50	60	70	80	90	100
1st Generation											
2nd Generation											
3rd Generation											
4th Generation											
More Than 5 Generations											

How many generations are currently working in the family firm?

- One Generation
- Two Generations
- Three Generations
- Four Generations
- More than Five Generations

Which generation currently manages the family business?

- 1st Generation
- 2nd Generation
- 3rd Generation
- 4th Generation
- More than 5th Generation

How many top managers do you have?

- Family Members
- Non Family Members

How many potential successors are interested in the family business?

- Family Members
- Non Family Members

Has more than one potential successor been identified?

- Yes
- No

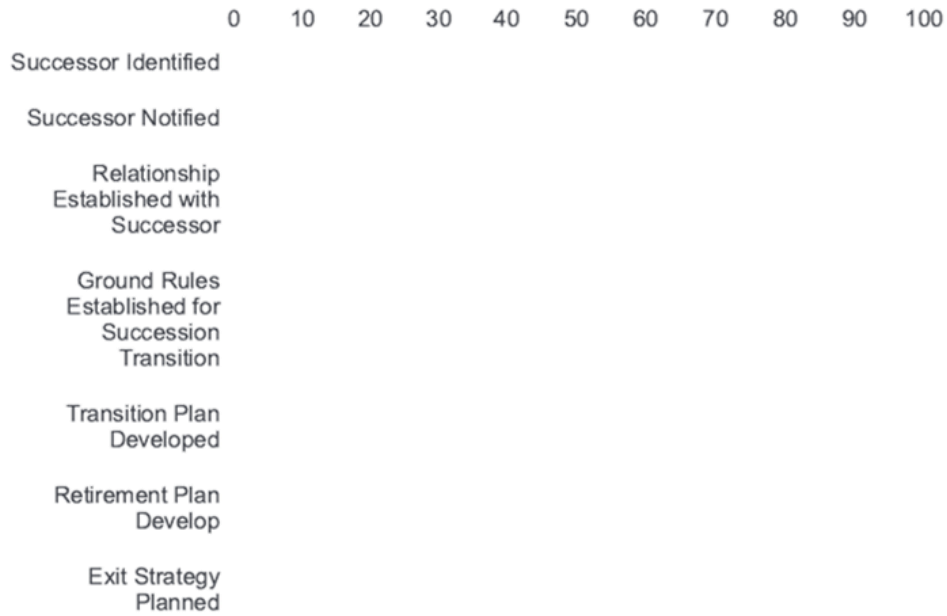
I believe that ensuring business continuity is important for a successful transfer of the family firm to the next generation.

I believe that starting the succession process early is important for a successful transfer of the family firm to the next generation.

Do you have a succession plan?

- Yes
- No

If yes, at what stage are you in the succession planning?



Make-up of Family Business

What year was your business established?

What is your primary firm's industry?

Automotive __ Biotech/Med Tech/Pharmaceutical __ Distribution and
Manufacturing __ Financial Services __ Health Care Services __
Hospitality and Leisure __ Media, Arts and Entertainment __ Mining and
Metals __ Oil/Gas/Power and Utilities __ Real Estate and Construction __
Retail and Consumer Products __ Services __ Technology __
Telecommunications __ Other __

Are you the original founder of the business?

- Yes
 No

If no, are you a direct descendant (blood relative) of the family firm's founder?

- Yes
 No

What is your relationship with the founder (ie, cousin, sister, brother, spouse, etc)?

What is the incumbents age?

What is the incumbents gender?

- Male
 Female

What is the incumbent's education level:

High School _____ Associate Degree _____ Bachelor's Degree _____
 Master Degree _____ Doctorate or other Terminal Degree _____

How long have you worked for the family firm?

Demographics of Successor

What is the successors' relationship with the founder (ie cousin, sister, brother, spouse, etc)?

What is the successors' relationship with the incumbent (ie cousin, sister, brother, spouse, etc)?

What is the successor's age?

What is the successor's gender?

- Male
 Female

What is the successor's education level:

High School _____ Associate Degree _____ Bachelor's Degree _____
 Master Degree _____ Doctorate or other Terminal Degree _____

How long has the identified successor been working for the family firm?

Firm Level Information

Please indicate the amount of annual sales.

- Less than \$500,000
- \$500,000 to less than \$1 Million
- \$1 Million to less than \$1.5 Million
- \$1.5 Million to less than \$2 Million
- \$2 Million to less than \$2.5 Million
- \$2.5 Million to less than \$3 Million
- \$3 Million to less than \$3.5 Million
- \$3.5 Million to less than \$4 Million
- \$4 Million to less than \$4.5 Million
- \$4.5 Million to less than \$5 Million
- More than \$5 Million

Please indicate growth in employment over the past three years:

- Zero or decreased
- Less than 2%
- 2 - 3.99%
- 4 - 5.99%
- 6 - 7.99%
- 8 - 9.99%
- 10% or more

Please indicate your net profit margins:

- Zero or decreased
- Less than 2%
- 2 - 3.99%
- 4 - 5.99%
- 6 - 7.99%
- 8 - 9.99%
- 10% or more

Has management control of your family business been transferred to a successor in the past three years?

- Yes
- No

If yes, please indicate the year(s) in which such control was transferred

If no, please indicate whether the current leader is likely to transfer the leadership of the firm to a successor in the next three years.

- Yes
- No

How often do family members meet to discuss family issues?

- We Don't Have Meetings
- Once a Year
- Twice a Year
- Other

If other, please indicate how often

How often do family members meet to discuss business issues?

- We Don't Have Meetings
- Once a Year
- Twice a Year
- Other

If other, please indicate how often