The influence of transgenerational succession intentions on the succession planning process : the moderating role of high-quality relationships

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Abstract

Socioemotional wealth (SEW) is an important point of reference for decision-making in family firms. This study shows that the SEW dimension of renewing family bonds through dynastic succession is positively related to the level of succession planning in a family firm. However, the link between the intention for transgenerational succession and the existence of such planned processes does not appear to be as straightforward as predicted. Therefore, by drawing on relational systems theory, we argue that high-quality relationships will positively moderate the expected positive effect of the intention for transgenerational succession on the level of succession planning in a family firm. Our results partly confirm this argument.

Keywords Leadership succession planning ♦ Relational systems theory ♦ Socioemotional wealth ♦ High-quality relationships ♦ Nonfamily managers

1 Introduction

For family firms, profit and wealth generation are rarely the sole driving force for their behavior. Alongside pursuing financial goals, family firms also aim to meet their nonfinancial needs, including their social and emotional needs (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Indeed, prior research found that socioemotional wealth (SEW) is an important point of reference for decision-making in family firms and differentiates these firms from nonfamily firms (Gomez-Mejia, Takacs-Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007). SEW encompasses “the non-financial aspects of the firm that meet the family’s affective needs” (Gomez-Mejia et al., 2007, p. 106), such as the family identity, the family’s emotional attachment and the continuance of the family dynasty (Berrone, Cruz, & Gomez-Mejia, 2012; Hauck, Suess-Reyes, Beck, Prügl, & Frank, 2016). However, family firms are not a homogeneous population, and “variations in the importance of SEW lead to heterogeneous strategic behaviors among family firms” (Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016, p. 48).

From a succession perspective, one of the prevailing dimensions of SEW is the renewal of family bonds through dynastic succession stated differently, the firm’s transgenerational succession intention which is defined as the intention of handing down the business to future family generations (Berrone et al., 2012; Hauck et al., 2016). This dimension has been argued to be a fundamental driver in explaining a family firm’s attitude towards the selection of a successor and the design of the succession process (Gomez-Mejia et al., 2011, p. 662; Minichilli, Nordqvist, Corbetta, & Daniele, 2014). Although few studies introduce SEW as an antecedent of leadership succession choices (Calabro, Minichilli, Amore, & Brogi, 2018; Minichilli et al., 2014), empirical research exploring SEW as an antecedent of the planning of the leadership succession process is missing. From the existing literature (cf. Gomez-Mejia et al., 2011), it can be deduced that family firms that have a stronger focus on the aforementioned SEW dimension are expected to plan their leadership succession process more properly. Indeed, leadership succession planning has proven to be helpful in ensuring the continuity of family firms (Le Breton-Miller, Miller, & Steier, 2004). Additionally, since the continuity of the business is accompanied by the well-being of the family, succession planning is done for the greater good of the family (Lansberg & Astrachan, 1994). Leadership succession planning is defined in this study as the degree to which the family firm is engaged in training the successor, communicating succession decisions to family members, and deciding on the postsuccession strategy and the postsuccession role of the incumbent (Sharma, Chrisman, & Chua, 2003b, p. 14).

Hence, one would rationally expect that to guarantee successful longevity, the family firm will invest in an effectively implemented succession process. However, ample evidence worldwide discloses contrasting results. Overall, less than one third of the family firm population seems to succeed in managing an effective succession process and reaching intergenerational transition (Le Breton-Miller et al., 2004; Lefebvre & Lefebvre, 2016; Mathews & Blumentritt, 2015). Indeed, Schulze and Kellermanns (2015) indicate that the relationship between SEW and outcome variables such as a family firm's decision-making is not straightforward and can depend on other factors. This puzzle in which theoretical expectations conflict with practical evidence needs to be addressed. Considering this notion, we argue that the effect of the socioemotional factor of the family firm's transgenerational succession intentions on the level of succession planning will depend on the quality of relationships in the business as relationships permeate through the entire organization. According to the relational systems theory, relationships are the nervous system of an organization (Kahn, 1998, 2001; Kahn, Barton, & Fellows, 2013). Therefore, employees are anchored to their organization through the presence of so-called anchoring relationships. These relationships are high-quality relationships that assist employees in maintaining their organizational commitment in the face of stressful events (Kahn, 1998; Ragins, Ehrhardt, Lyness, Murphy, & Capman, 2017). One of these stressful events during the life of family businesses is the succession process. Prior family business studies already mentioned the importance of family relationships during the succession planning process (e.g.,Cabrera-Suárez, 2005; Venter, Boshoff, & Maas, 2005). For instance, Seymour

(1993) and Lansberg and Astrachan (1994) found that the quality of the relationship between the owner-manager and the successor positively affects successor training. More generally, Morris and Williams (1997) showed that family business transitions occur more smoothly when relationships among family members are more trust-based. Therefore, we introduce the quality of relationships as a moderator and argue that low-quality relationships in family firms hinder family firms that have transgenerational succession intentions to move on with succession planning. Indeed, high-quality relationships between the family CEO and the successor and between family members that are characterized by flexibility, cohesion, open communication (Ragins et al., 2017; Venter et al., 2005) and commitment to the family (firm) (Kahn, 1998) may boost the effect of transgenerational succession intentions on the level of succession planning.

However, only allowing for relationships between family members limits to an incomplete overview since a family firm's management team often consists of both family and nonfamily members (Klein & Bell, 2007). Together with the family members, these nonfamily managers can affect the accomplishment of the family firm's goals (Chrisman, Memili, & Misra, 2013). Hence, while the extant literature only considers family relations in the succession context, we also focus on the relationship between family and nonfamily members in this context. Former conceptual (e.g., De Massis, Chua, & Chrisman, 2008) and qualitative (e.g., Cabrera-Suárez, 2005) studies suggest that a low-quality relationship between the successor and nonfamily managers employed in the family firm may obstruct intrafamily leadership succession (Barnett, Long, & Marler, 2012). These studies argue that nonfamily managers can obstruct the successor's development when they do not trust the successor, while a high-quality relationship between the successor and these managers that is characterized by loyalty, flexibility, open communication, support, and collaboration may benefit the succession process. Such an anchoring relationship between the successor and the nonfamily managers stimulates the attachment of these managers to the family (firm). Therefore, we argue that a high-quality relationship between the successor and the nonfamily managers will positively moderate the relation between transgenerational succession intentions and the level of succession planning.

In sum, we expect a positive association between the family firm's intentions for transgenerational succession and the level of succession planning that will be positively moderated by high-quality relationships between the family CEO and the successor, between family members, and between the nonfamily managers and the successor. Our results are based on data of 125 Belgian family firms collected through a postal survey and a follow-up online survey. The results affirm the positive association between the family firm's transgenerational succession intentions and the level of succession planning and provide evidence that high-quality relationships between the family CEO and the successor and between the nonfamily managers and the successor positively moderate the preceding direct positive association.

Our findings lead to three primary theoretical and empirical contributions to the family business field. First, we contribute to both the SEW and leadership succession literature by empirically demonstrating that the intention for transgenerational control is a primary driver of the level of succession planning in family firms. Hereby, we provide empirical support that SEW is an important point of reference for decision-making in family firms in the succession context (cf. Gomez-Mejia et al., 2011). More specifically, we confirm existing evidence that SEW may influence the succession process (cf. Calabro et al., 2018; Minichilli et al., 2014) by providing evidence that SEW can influence succession planning. Furthermore, we disclose that variations in the importance of SEW indeed lead to heterogeneous strategic behaviors among family firms (cf. Debicki et al., 2016). Second, we contribute to the family firm literature by integrating a theoretical framework from the field of psychology, i.e., relational systems theory (Kahn, 1998, 2001), to explain how high-quality relationships may strengthen the association between transgenerational succession intentions and the level of succession planning. Thereby, we address the puzzle of why family firms do not plan their leadership succession despite their desire to transfer the business to the next generation of family members. The results confirm that a certain level of relationship quality is required so that the intention for transgenerational control leads to a higher level of succession planning. From then, the effect becomes stronger when relationship quality is higher. Third, because prior studies mostly focus on the role of family relationships during the succession process (e.g., Morris & Williams, 1997; Venter et al., 2005), we further enhance prior research by integrating the role of nonfamily managers during the succession process in family firms (Barnett et al., 2012; Chrisman et al., 2013). Our findings affirm the importance of the role of nonfamily managers during the succession process in that their relationship with the potential successor is of great value for this process.

2 Literature and hypotheses development

2.1 Succession planning and socioemotional wealth

Succession, i.e., the transfer of leadership from one generation to the next, is a critical process in family firms (Ibrahim, Soufani, & Lam, 2001). In this study, we focus on intrafamily succession, i.e., from the incumbent/family CEO to a next-generation family member. To successfully conclude the succession process, family firms need to plan this process (Le Breton-Miller et al., 2004; Sharma et al., 2003b). Although there are clear advantages to succession planning, family firms frequently postpone the planning of the leadership succession, and this postponement may be harmful for the future of the family firm (Astrachan & Kolenko, 1994; Ward, 1987). Recent developments in the family business field give rise to the idea that the preservation of SEW can be a driver of succession planning activities in a family firm.

The commitment and motivation to preserve and perpetuate SEW is a characteristic of many family firms (Berrone et al., 2012; Gomez-Mejia et al., 2011; Zellweger, Kellermanns, Chrisman, & Chua, 2012). The main principle of the SEW rationale is that family firms often have multiple objectives, not merely financial ones. That is, they derive value from noneconomic affect-related issues such as the perpetuation of the family legacy (Gomez-Mejia et al., 2011; Gomez-Mejia et al., 2007). SEW is derived from the behavioral agency model developed by Wiseman and Gomez-Mejia

(1998). This model combines elements of prospect theory (Kahneman & Tversky, 1979) and the behavioral theory of the firm (Cyert & March, 1963). According to the behavioral agency model, the loss or gain of SEW is assumed to serve as a main reference point for the family firm's decision-making (Berrone et al., 2012; Minichilli et al., 2014). Hence, family firm principals who value SEW are more likely to make long-term strategic decisions that benefit future generations rather than decisions that only serve their own short-term interests (Strike, Berrone, Sapp, & Congiu, 2015). When investigating the succession process, the feature of SEW that prevails is the intention for transgenerational succession (Chua, Chrisman, & Sharma, 2003; Zellweger et al., 2012) or, stated differently, the renewal of family bonds in the firm through dynastic succession (Berrone et al., 2012; Hauck et al., 2016).

Prior research argued that SEW is a fundamental driver in explaining a firm's attitude towards the selection of a successor and the design of the succession process (Gomez-Mejia et al., 2011). Hence, alongside economic rationality, the focus on transferring the business between family members drives the decision of who the successor will be (Berrone et al., 2012; Calabro et al., 2018; Minichilli et al., 2014). In addition, family CEOs consider their family legacy, the family dynamics, resources, and potential conflicts important to bear in mind when succession decisions are made (Boyd, Botero, & Fediuk, 2014). They view the firm as a long-term family investment to be bequeathed to descendants (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010). The intention for transgenerational control creates a concern and commitment to preserve career opportunities for the family, enabling family members to enduringly recognize themselves in the family firm (Zellweger et al., 2012). In addition, it protects the wealth-generating capabilities of family assets for future generations (Curasi, Price, & Arnould, 2004). Hence, to safeguard the well-being of the family and the business, it would be wise to plan the transfer of leadership upfront. By indefinitely postponing the planning of the leadership succession, the potential loss of SEW and, more specifically, the potential loss of family control in the most crucial managerial position of the family firm is a realistic concern. Furthermore, the intention for transgenerational succession varies among family firms because they are a heterogeneous group of firms (Debicki et al., 2016). In this regard, we argue that the family firm's intention to transfer the management of the family business to the next generation will stimulate the level of succession planning in the family firm. This leads to our baseline hypothesis:

Hypothesis 1: The intention for transgenerational succession is positively related to the level of succession planning in the family firm.

2.2 Relational systems theory

Nevertheless, the effect of the family firm's transgenerational succession intentions on the level of succession planning may depend on other factors (Schulze & Kellermanns, 2015), such as the quality of relationships. Relational systems theory explains the role of relationships in organizations (Kahn, 1998; Kahn et al., 2013). An organization is defined by a set of relationships among the members of that organization who coordinate their activities in the service of goals and tasks (Gittell, Seidner, & Wimbush, 2010). These relationships are the underlying relational system of the organization (Kahn, 1998). Relational systems theory states that "the presence of anchoring relationships anchor employees to their organizations and help them maintain their organizational commitment in the face of anxiety-producing events" (Ragins et al., 2017, p. 214). Through these anchoring relationships, which are high-quality relationships, people become attached to their organization (Kahn, 1998, 2001). Olson (2000) synthesizes the key concepts of relational systems into three dimensions: flexibility, cohesion, and communication. Flexibility concerns how members of the relational system harmonize stability and change in their relationships. Cohesion refers to the balance between separateness and togetherness in their relationships with one another. Communication concerns how different parties listen to, speak to, respect and regard one another. Hence, anchoring relationships are characterized by flexibility, cohesion, and open communication. These relationships affect the daily routine in a firm. They influence most aspects of organizing, especially when situations are uncertain, stressful, and interdependent (Gittell et al., 2010). One of the most uncertain and stressful processes that takes place in family firms is the succession process.

In this study, we will discuss three types of high-quality relationships that can enhance the positive effect of transgenerational succession intentions on the level of succession planning. We consider the relationship quality between the family CEO and the successor, between the family members active in the family firm, and between the nonfamily managers and the successor.

The most important relationship in the succession process is the one between the two main players in this process: the incumbent/family CEO and the successor (Handler, 1991; Venter et al., 2005). The quality of this relationship is of fundamental importance in family firms (Cater III, Kidwell, & Camp, 2016) and is particularly complicated as professional and personal experience are mixed together (Cabrera-Suárez, 2005). Prior studies indicate that the relationship quality between the incumbent/family CEO and the successor is one of the most important factors influencing the satisfaction with (Sharma, Chrisman, & Chua, 2003a) and the success of the succession process (Cabrera-Suarez, Saa-Perez, & Garcia-Almeida, 2001; Handler, 1991). Thus, for the succession process to evolve smoothly, the relationship between the family CEO and the successor should be of high quality. Unresolved conflicts or competition between CEOs and their offspring may lower the potential that transgenerational succession intentions lead to a peaceful, planned succession (Barach & Ganitsky, 1995).

A high-quality relationship between these two individuals is characterized by a high level of mutual support, open and honest communication, and cooperation instead of competition (Lambrechts, Grieten, Bouwen, & Corthouts, 2009; Lansberg & Astrachan, 1994). It is a mature and harmonious relationship in which both parties are willing to solve conflicts and acknowledge the achievements of the other party. It portrays greater cohesion and, therefore, increased loyalty to the family (Venter et al., 2005). Moreover, greater cohesion stimulates the belief in sharing responsibility for preserving and further improving family assets. Accordingly, the family CEO will be more willing to discuss expectations of the future with the successor. In turn, this discussion encourages the potential successor to participate in the family firm's decision-making process, increasing the successor's commitment to the family firm (Lansberg & Astrachan, 1994). Because of this intense cohesion and communication, the need to improve family wealth and the increased attachment and commitment to the family business (Kahn, 1998), we argue that the positive effect of the intention for transgenerational control on the level of succession planning is stronger when the relationship quality between the family CEO and the successor is higher, leading to our second hypothesis:

Hypothesis 2: The positive effect of the family firm's transgenerational succession intentions on the level of succession planning is positively moderated by the relationship quality between the successor and the family CEO such that the direct positive effect will be stronger as this relationship quality increases.

Alongside the relationship between the family CEO and the successor, family relations in general are important during the succession process (Morris & Williams, 1997; Venter et al., 2005). Conflicts between family members may inhibit the appointment of a successor or discourage applications for a leadership position, for instance, because of sibling rivalries (Barach, Gantisky, Carson, & Doochin, 1988; De Massis et al., 2008). In contrast, high-quality relationships between family members characterized by a high level of trust, commitment, open communication, closeness, loyalty and the alignment of goals play an important role in family firm survival (Steier, 2001). In addition, trustful relationships between family members are accompanied by smoother family business transitions (Morris & Williams, 1997), implying that the translation of transgenerational succession intentions into succession planning activities can only be realized when relationships are of high quality. In high-quality relationships, family members are open and honest and therefore have confidence in each other's reliability and integrity (Morris & Williams, 1997). They understand each other's desires and needs because they share the same norms and values (Sundaramurthy, 2008). These shared principles exist because of the common kinship and familiarity between family members (Carney, 2005; Lane & Bachmann, 1998). High-quality relationships between family members may therefore result in the alignment of goals (Sundaramurthy, 2008) and increased commitment and attachment to the family (firm) (Buyukcan, Finkenauer, Siersema, Vander Heyden, & Krabbendam, 2015; Kahn, 1998). Hence, since a high-quality relationship between family members characterized by strong cohesion and open communication creates a reliable, flexible environment in which family members are anchored to the family firm, we argue that the positive effect of the intention for transgenerational control on the level of succession planning is stronger when the relationship quality between family members increases, leading to our third hypothesis:

Hypothesis 3: The positive effect of the family firm's transgenerational succession intentions on the level of succession planning is positively moderated by the relationship quality between family members such that the direct positive effect will be stronger as this relationship quality increases.

While the quality of family relations is indispensable in family firms, the quality of the relationships between the family successor and nonfamily managers may affect the accomplishment of a family firm's goals as well (e.g., Chrisman et al., 2013). Many family firms have a mixed management team in which both family and nonfamily managers are active (Klein & Bell, 2007). For family firms, one of the highest priorities is to develop and maintain the commitment and loyalty of nonfamily managers (Mitchell, Morse, & Sharma, 2003). In the context of family firm succession, research revolves around the potential for nonfamily managers to hinder or support the succession process bacause, alongside family members, nonfamily managers also come into contact with the potential successor (Barnett et al., 2012; Chrisman et al., 2013; Lansberg, 1988). These nonfamily managers are the ones who must work side by side with the successor in the future.

Prior conceptual (e.g., De Massis et al., 2008) and qualitative (e.g., Cabrera-Suárez, 2005) studies suggest that a low-quality relationship between the successor and nonfamily managers employed in the family firm may impede intrafamily leadership succession (Barnett et al., 2012). They argue that nonfamily managers can obstruct the successor's development when they do not trust him or her, while a high-quality relationship between the successor and these managers characterized by loyalty, support, and collaboration may benefit the succession process. Additionally, conflicts between the successor and nonfamily managers may obstruct the succession process. For example, to avoid an escalation of conflict, it is possible that the family CEO - put under pressure by the nonfamily managers - hampers the succession by not giving the successor the chance to take the lead. The potential successor may also decide to refuse leadership to avoid a further increase in conflict (Chua et al., 2003; De Massis et al., 2008). Additionally, nonfamily managers are less likely to perceive the succession process as fair and may be dissatisfied and obstructive when policies are not equally applied to family and nonfamily members. Nonfamily managers may also hope to become CEO when they feel they are the most suitable candidate for the job (Poza, Alfred, & Maheshwari, 1997). However, when the relationship between the successor and nonfamily managers is of high quality, perceptions of the succession process are more positive (Barnett et al., 2012; Chua et al., 2003), resulting in a higher commitment of nonfamily managers to the firm's future (Lansberg, 1988). Nonfamily managers may even take on a mentor role in the succession process by providing skills, experience, and support for the successor (Cabrera-Suárez, 2005; De Massis et al., 2008). They may take over the shared intention of the family for transgenerational sustainability of the firm and commit to the values of the family firm as family members do (Chrisman, Chua, Pearson, & Barnett, 2012; Huybrechts, Voordeckers, & Lybaert, 2013). Their motivation derives from their desire to enjoy a bright future in the further development of the family firm (Cabrera-Suárez, 2005). Although nonfamily managers are not members of the family, they identify themselves as members of the social group running the family firm (Oakes & Turner, 1986).

Hence, a high-quality relationship between nonfamily managers and the successor can also be interpreted as an anchoring relationship characterized by flexibility, cohesion, and open communication. This type of positive work relationship makes these managers attached to the family firm, especially in times of stress - for instance, during the succession process. Moreover, their organizational commitment will be higher (Kahn, 1998, 2001). Hence, since a high-quality relationship between the nonfamily managers and the successor creates a reliable, trusted, and supporting environment, we argue that the positive effect of the intention for transgenerational control on the level of succession planning is stronger when the relationship quality between these two parties increases, leading to our fourth hypothesis:

Hypothesis 4: The positive effect of the family firm's transgenerational succession intentions on the level of succession planning is moderated by the relationship quality between the successor and the nonfamily managers, such that the direct positive effect will be stronger as this relationship quality increases.

The research model is summarized in Figure I.

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3 Methodology

3.1 Sample

To empirically test the moderation models, we use data from 125 private Belgian family firms, and these data are derived from a postal cross-sectional survey followed by an online survey, both conducted in 2015. The postal survey explores general firm characteristics, governance issues, and succession elements. This survey was mailed to CEOs aged 50 or above of 4,100 micro, small, and medium-sized firms selected from a small and medium-sized business database by stratifying the population by size and applying random sampling within each stratum afterwards. We focus on SMEs because they make up the largest part of the GNP in the Belgian economy (Vandorpe & Tchinda, 2016). This database is compiled by Flanders Innovation and Entrepreneurship, a government agency responsible for implementing the economic, innovation and enterprise policy in Flanders. The agency has a wider database in which data are available on entrepreneurs in Flanders. From this wider database, the agency preselected firms with a CEO aged 50 or above to collect a relevant group of firms in which succession may take place in the near future, resulting in a unique database. The selection of CEOs aged 50 or higher is also in line with prior studies on succession (e.g., Brun De Pontet, Wrosch, & Gagne, 2007; Gagnè, Wrosch, & Brun De Pontet, 2011). The age of 50 is a key age in life at which CEOs start to think about their future (Neugarten, 1996) and succession planning becomes more salient (Gagnè et al., 2011; Marshall et al., 2006; Strike et al., 2015).

To increase the response rate, the completeness of data, and their reliability, we assured the participants of confidentiality in a cover letter that accompanied the survey. After sending reminders to nonresponding informants after one month, a total of 590 completed questionnaires was received, i.e., a response rate of 14.4%. Thereafter, the online survey was sent to 235 firms that indicated in the postal survey that they were willing to participate in a second online survey, with the aim of gaining deeper insight into the antecedents of the succession planning process. In the end, a total of 165 completed questionnaires were received. In this study, we classify a firm as a family firm when they identify themselves as a family firm and the firm is family-managed (Westhead & Cowling, 1998) and/or when at least 50% of the shares are owned by a single family and the firm is family-managed (Chua, Chrisman, & Sharma, 1999). After removing the nonfamily firms and the family firms with a nonfamily CEO, a final sample of 125 Belgian family firms is obtained. Thirty of these firms employ at least one nonfamily manager.

3.2 Measurements

3.2.1 Dependent variable

In line with Sharma et al. (2003b, p. 14), we define succession planning as the extent to which a family firm engages in the process of planning a transition from one generation to the next with the following components: selecting and training a successor, developing a vision for the firm after succession, defining the role of the departing incumbent, and communicating the decision to key stakeholders. We use the equally weighted arithmetic average of the 12 items proposed by Sharma et al. (2003b, p. 14), and these 12 items are measured on a five-point Likert scale, resulting in a value varying from 1 (low level of succession planning) to 5 (high level of succession planning).

3.2.2 Independent variables

The variable measuring the family firm's transgenerational succession intentions is based on the REI scale developed by Hauck et al. (2016, p. 139), where REI stands for the following three dimensions of socioemotional wealth: renewal of family bonds through dynastic succession (R), emotional attachment of family members (E), and identification of family members with the firm (I). The first dimension of the REI scale is a valid and practical measure to grasp the core element of the SEW dimension used in this study. The focus on the renewal of family bonds through dynastic succession relates to the family firm's intentions for transgenerational succession (Berrone et al., 2012; Hauck et al., 2016, p. 136). The respondents were asked whether they agree with the following three statements (1 = not at all accurate, 5 = completely accurate): 'Continuing the family legacy and tradition is an important goal for the family business', 'Family owners are less likely to evaluate their investment on a short-term basis', and 'Successful business transfer to the next generation is an important goal for family members'. The construct for this variable was calculated as the equally weighted arithmetic average of the three items, resulting in a measure varying from 1 (low intention for transgenerational succession) to 5 (high intention for transgenerational succession).

To measure the quality of the relationship between the family CEO and the successor, we use a scale proposed by Venter et al. (2005, p. 303). We calculate the equally weighted average of the following items, which are measured on a five-point Likert scale (1 = not at all accurate, 5 = completely accurate): 'The potential successor and the incumbent have a mutually supportive relationship', 'The potential successor and the incumbent prefer to cooperate with each other rather than compete with each other', and 'The potential successor and the incumbent are willing to share information with each other'. This calculation results in a measure varying from 1 (low-quality relationship between successor and family CEO) to 5 (high-quality relationship between successor and family CEO).

To measure the quality of the relationship between family members active in the family firm, we focus on the equally weighted arithmetic average of the following five items as proposed by Morris and Williams (1997, p. 394), and these five items are measured on a five-point Likert scale (1 = not at all accurate, 5 = completely accurate): ‘Family members tend to play roles and are not themselves (reverse coded)’, ‘Family members tend to trust one another’, ‘Family members are open and honest with one another’, ‘Family members have good cooperative relationships’, and ‘Family members work together as a team’. This results in a measure varying from 1 (low-quality relationship between family members) to 5 (high-quality relationship between family members).

To measure the quality of the relationship between the nonfamily managers and the successor, we rephrase the aforementioned items proposed by Venter et al. (2005, p. 303) and replace ‘the incumbent’ by ‘nonfamily managers’. This results in a measure varying from 1 (low-quality relationship between successor and nonfamily managers) to 5 (high-quality relationship between successor and nonfamily managers). The respondents who indicated that they currently do not employ nonfamily managers received a value of 0 for the variable measuring the quality of the relationship between the successor and nonfamily managers because there is no existing relationship.

Since the family CEO was the sole respondent, we proxy the relationship quality constructs by the perception of this quality by the family CEO. We argue that the family CEO has preeminent and reliable insight into the quality of all relationships in the family business because he or she, on a daily basis, comes into contact with the potential successor (being a next-generation family member in this study), the management team (both family and nonfamily managers), and the other family members active in the family firm. Since the family CEO is the most knowledgeable person in the firm (Sharma et al., 2003b), we argue that he or she is the best respondent to provide us with the most accurate data on all our variables.

3.2.3 Control variables

In line with prior succession research, our analysis includes several firm and CEO characteristics that can influence the level of succession planning in a family firm. First, we control for firm size, which is measured as the natural logarithm of the number of employees. Previous studies show a positive relationship between firm size and the adoption of a succession plan (Huang, 1999; Motwani, Levenburg, Schwarz, & Blankson, 2006). Second, we control for generation of management, which is measured as a binary variable in which the value '0' stands for the first generation and the value '1' denotes second or higher generations in charge of management. We argue that generation of management is positively related to the level of succession planning since a more mature family firm, frequently a second or higher generation family firm, has already more experience with the succession planning process (e.g., Suare & Santana-Martin, 2004). Third, we control for the age of the CEO. When the CEO ages, the perceived need for succession planning will be higher as illness and the idea of one's own mortality become more noticeable (Harveston, Davis, & Lyden, 1997; Lansberg, 1988; Marshall et al., 2006). Therefore, we argue that (although all respondents are older than 50) the older the CEO is, the higher the level of succession planning is.

4 Results[1]

4.1 Descriptive statistics and validation of scales

The descriptive statistics are summarized in Table I. The average family firm in our sample employs 23 employees and has a 61-year-old CEO. Nearly half of the firms in our sample are managed by a second or higher generation of the family. Thirty respondents employ at least one nonfamily manager. The mean levels of succession planning and the R dimension of SEW are respectively 2.57 and 3.82. For the relational variables, the mean levels are 4.11, 4.02, and 4.08 for the relationship

[1] For convenience, we use the term 'R dimension' to refer to the family firm's transgenerational succession intentions in the results section.

quality between the family CEO and the successor, between family members, and between the nonfamily managers and the successor, respectively.

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Table II presents pairwise correlations. The correlation table displays a significant positive correlation between, on the one hand, the level of succession planning and, on the other hand, the R dimension of SEW, the relationship quality between the family CEO and the successor, the relationship quality between family members, and the relationship quality between the nonfamily managers and the successor. The R dimension of SEW is positively correlated with the relationship quality between the family CEO and the successor and with the relationship quality between family members. The correlation value between the relationship quality between the family CEO and the successor and the relationship quality between the nonfamily managers and the successor is very high (0.78). Moreover, when integrating all variables into one model, the highest variance inflation factor is 20.53 which is far above the threshold of 10 (Mansfield & Helms, 1982). Taking this into account, we therefore calculate three separate models for hypotheses 2 to 4. Based on the correlation values in Table II and the computed VIF for each of these separate models, which are lower than a threshold of 10 (the highest value of VIF is 7.98) (Mansfield & Helms, 1982), we conclude that multicollinearity is not a problem in our study.

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To test for potential nonresponse bias, we compared early and late respondents using an analysis of variance, assuming that late respondents are more comparable to nonrespondents than early respondents (Rogelberg & Stanton, 2007). We found no statistically significant differences between early and late respondents for all study variables, indicating that our results are unlikely to be affected by a nonresponse bias. In dealing with a potential social desirability bias, we stressed the high academic importance of the study, and we assured the participants of complete confidentiality, which enhances the probability of truthful and well-considered answers. In addition, there were no evaluative consequences for the respondents, the participants were not forced to answer all items in the questionnaire, and the different variables were spread over the survey. These preventive actions reduce the likelihood that respondents prognosticated the questions and adapted their answers accordingly (Podsakoff, MacKenzie, & Podsakoff, 2003).

To check for the common method bias, we first performed a Harman one-factor test on the five main variables in our research model (Harman, 1967). A 6-factor solution was extracted, accounting for 86.47% of the total variance. The first factor explained 42.52% of the total variance. Second, we performed the common latent factor method with the *Binding social ties* dimension of SEW (cf. Berrone et al., 2012) as the marker variable because this dimension is only weakly correlated with our main variables (Podsakoff, MacKenzie, & Podsakoff, 2012). The highest common factor is 0.40, which implies a maximum common variance of 0.16 (0.40^2) in the three models. These tests indicate that common method bias is not a problem in our study. If common method bias should exist, it causes interaction effects to be *deflated* (Siemsen, Roth, & Oliveira, 2010). Therefore, if we find significant interaction effects, this outcome likely signals that common method bias should not be a serious concern.

Next, we analyzed the validity of our measures. To assess the convergent validity of our constructs, three techniques were used (Appendix A). First, the item factor loadings for the separate constructs are between 0.89 and 0.92 for the relationship quality between the family CEO and the successor, between 0.57 and 0.88 for the relationship quality between family members, between 0.78 and 0.96 for the relationship quality between nonfamily managers and the successor, between 0.72 and 0.88 for the R dimension of SEW, and between 0.76 and 0.94 for the level of succession planning. All item loadings exceed the threshold level of 0.50 (Hair, Black, Babin, & Anderson, 2010). Second, the calculated construct reliabilities (α) exceed the value of 0.70 suggesting good reliability (Hair et al., 2010). Third, the average variances extracted (AVE) are 82.53%, 64.91%, 82.74%, 67.06%, and 78.66%, respectively. AVE scores of 0.50 or higher indicate adequate convergent validity (Fornell

& Larcker, 1981; Hair et al., 2010). To assess the discriminant validity of our constructs, AVE scores were compared to the squared inter-construct correlations (cf. Memili, Eddleston, Kellermanns, Zellweger, & Barnett, 2010). Since all AVE scores are substantially larger than the squared inter-construct correlations, discriminant validity is established (Hair et al., 2010). In sum, since the items for each separate construct converge on the same construct and all items of all constructs discriminate between constructs, convergent and discriminant validity are confirmed.

To further assess the validity of our constructs, a confirmatory factor analysis was undertaken. We use multiple fit indices to assess the fit of our model, namely the comparative fit index (CFI), the Tucker-Lewis index (TLI), the root mean square error of approximation (RMSEA) and standardized root mean square residual (SRMR). The values of the fit indicators are CFI = 0.96, 0.95, and 0.93; TLI = 0.94, 0.93, and 0.92; RMSEA = 0.09, 0.09, and 0.09; and SRMR = 0.04, 0.04, and 0.05 for models 2, 3, and 4, respectively. Since larger values of CFI and TLI (0.90 or above) and smaller values of RMSEA and SRMR (0.08 or below) denote a good fit of a model to the data, we conclude that the measurement models show acceptable fit (Brown, 2006; Hu & Bentler, 1995).

4.2 Regression results

We test our hypotheses with the PROCESS code of Hayes (2013). We use bias-corrected bootstrapping with 10,000 iterations. Thus, power problems that result from asymmetric and other nonnormal sampling distributions of an indirect effect are avoided. Prior to the moderation models, we test hypothesis 1. Model 1 (table III), i.e., our baseline model, shows that the direct effect of the R dimension of SEW (measuring the focus on the transgenerational succession intention) on the level of succession planning is positive and statistically significant ($\beta = 0.56$, $p < 0.01$), confirming hypothesis 1.

--- INSERT TABLE III HERE ---

To test the moderating effects in hypotheses 2 to 4, we use an interaction model for each of the hypothesized relationships. Model 2 (table III) displays the effects of the R dimension of SEW, the relationship quality between the family CEO and the successor, and the interaction term between these two variables on the level of succession planning. This model reveals that the R dimension of SEW has a positive effect on the level of succession planning and that this effect is conditional on the relationship quality between the family CEO and the successor in that the positive effect is intensified when the relationship quality increases. These results provide support for hypothesis 2 (β interaction term = 0.20, $p < 0.05$). Although the interaction term is significant, it is important to calculate the marginal effect to detect the relevant value ranges of the moderator variable for which the moderating effect is significant (Brambor, Clark, & Golder, 2006). Therefore, we explore the conditional indirect effect through the use of the Johnson and Newman technique (Hayes, 2013). Figure II graphically presents the marginal effect of the R dimension of SEW on the level of succession planning as the relationship quality between the family CEO and the successor changes, illustrated by the solid line. The dotted lines represent the upper and lower level 95% confidence interval. The marginal effect is significant when both the upper and lower bounds of the confidence interval are above (or below) the zero line. Figure II shows that the marginal effect is significant when the relationship quality is 3.03 or higher, valid for 84.8% of the sample. Hence, figure II supports hypothesis 2 by illustrating that the positive effect of the R dimension of SEW on the level of succession planning increases when the relationship quality between the family CEO and the successor increases.

--- INSERT FIGURE II HERE ---

In model 3 (table III), we investigate the moderating effect of the relationship quality between the family members active in the firm on the relationship between the R dimension of SEW and the level of succession planning. The interaction term is not statistically significant (β = 0.04, p = 0.78). Therefore, hypothesis 3 cannot be supported by our results.

Model 4 (table III) shows that the R dimension of SEW has a positive effect on the level of succession planning conditional on the relationship quality between the nonfamily managers and the successor. This means that the positive effect is enhanced when the relationship quality increases, providing support for hypothesis 4 (β interaction term = 0.20, $p < 0.05$). Figure III shows that the marginal effect is significant when the relationship quality between the nonfamily managers and the successor reaches values of 2.74 or higher, representing 96% of the sample; this outcome confirms hypothesis 4. Hence, the positive effect of the R-dimension of SEW on the level of succession planning increases when the relationship quality between the nonfamily managers and the successor increases.

--- INSERT FIGURE III HERE ---

5 Discussion and conclusions

Our study extends the previous leadership succession literature by focusing on the role of the quality of relationships in family firms and how this quality affects the relationship between transgenerational succession intentions and succession planning. In particular, by drawing on relational systems theory (Kahn, 1998, 2001) and the socioemotional wealth framework (Gomez-Mejia et al., 2007), we investigate whether high-quality relationships between the family CEO and the successor, between family members, and between nonfamily managers and the successor strengthen the positive effect of the intention to transfer the family business to the next generation on the level of succession planning.

5.1 Theoretical implications

Our findings make several contributions to the family business field. First, our results show that transgenerational succession intentions are a primary driver of the level of succession planning in family firms, suggesting that socioemotional wealth often is a reference point on which important decisions are based in family firms (Gomez-Mejia et al., 2007; Minichilli et al., 2014). More specifically, when the family firm focuses on transferring the business within the family as a succession option, we observe that they will take action to follow that direction and therefore plan their succession. These firms acknowledge the value of succession planning and thereby hope to increase the outcome of a successful succession. Hence, our study supports the notion of the SEW theoretical framework. Namely, the family firm's dominant principal makes decisions in such a way that accumulated endowment is preserved, i.e., the decision to carry out succession planning activities for an intrafamily succession. Consequently, these family CEOs are more likely to make long-term strategic decisions that benefit future generations rather than decisions that only serve their own short-term interests (cf. Strike et al., 2015). Furthermore, these arguments suggest more consideration of the socioemotional dynamics around CEO succession (cf. Minichilli et al., 2014) and greater allowance for the mixed motives of family firms and their desire to protect their values and interests in their family business (cf. Calabro et al., 2018; Gomez-Mejia, Patel, & Zellweger, 2018), both in the family business literature and in the general management and strategic literature.

Second, we integrate relational systems theory (Kahn, 1998) into the field of family business succession research for a richer understanding of the importance of the quality of relationships and to explain why in some family businesses transgenerational succession intentions do not necessarily lead to the desired outcome being a well-thought-out succession planning process. Hereby, this study aims to contribute to the unaddressed puzzling discrepancy between theoretical expectations and practical evidence. Relational systems theory allows for the consideration of relationships between family members and for relationships between family and nonfamily managers in the organization, the latter of which is an often disregarded relationship in the succession (planning) context. Our results show that anchoring relationships between the successor and the family CEO and between the successor and the nonfamily managers in the family firm strengthen the tie between transgenerational succession intentions and the level of succession planning. Our findings highlight the value and potential impact of these critical high-quality relationships in family firms characterized by flexibility, cohesion, and communication (cf. Gilding, Gregory, & Cosson, 2015; Lansberg & Astrachan, 1994). In times of stress and uncertainty, during the succession process, these anchoring relationships make people more attached to their organization (Kahn, 1998) and augment their commitment to the firm (Ragins et al., 2017). Thus, when the relationship quality between the successor and the family CEO or between the successor and the nonfamily managers is higher, we conclude that the positive effect of the family firm's transgenerational succession intentions on the level of succession planning increases.

Third, we provide empirical evidence for the role that nonfamily managers play in the succession planning process and respond to calls for bringing the role of nonfamily managers into research on family CEO succession (cf. Barnett et al., 2012; Chua et al., 2003). More specifically, a high-quality relationship between nonfamily managers and the successor is a valuable asset in the succession process. When nonfamily managers are supportive and loyal and collaborate with the successor, the effect of transgenerational succession intentions on succession planning is higher. These nonfamily managers are motivated to collaborate with the successor because their future is partly dependent on their relationship with the successor. Furthermore, this result indicates that nonfamily managers are capable of influencing the outcomes of the pursuance of noneconomic goals in a family firm, and this influence already has been proposed by other scholars (e.g., Fang, Randolph, Memili, & Chrisman, 2015). These managers may contribute to the family firm's culture and the perceived amicability towards the family's continued control and influence through dynastic succession. In addition, as mentioned before, by considering this relationship from the point of view of relational systems theory, we show that the family system is only one part of the relational system influencing the succession process (cf. Kahn et al., 2013; Uhlaner, Matser, Berent-Braun, & Floren, 2015). We thereby provide a useful theoretical framework for studies integrating both family relationships and relationships between family and nonfamily members.

Lastly, existing literature on strategic planning shows there is only a weak correlation between having a strategic plan and future success. Also, having a succession plan does not seem sufficient to ensure future success (Astrachan & Kolenko, 1994). Instead of having a succession plan, a more effective strategy is to be engaged in succession planning (Sharma, Chua, & Chrisman, 2000). Therefore, we are convinced that succession planning is an important contributor to family firm survival albeit indirectly. Indeed, there are studies that provide evidence that 'thoughtfully developed succession plans can increase the likelihood of cooperation among stakeholders in the business and enhance satisfaction with the succession process (e.g. Dyck, Mauws, Starke, & Mischke, 2002)' (Sharma et al., 2003a, p. 673). Satisfaction with the succession process is one of the main contributors to the future success of the family business (Sharma, Chrisman, Pablo, & Chua, 2001). Hence, having a succession plan is not sufficient to ensure future success. However, a thoughtfully developed succession plan which is the result of a planning process can contribute to the future success of the family firm. Furthermore, in this study, we emphasize the importance of open relationships and the alignment of goals in affecting succession planning which are both important elements that can aid long-term survival and success (Astrachan & Kolenko, 1994).

5.2 Practical implications

In general, research on SEW is valuable to family firm practitioners. For them, a better understanding of SEW is necessary because the family firm's goal to pursue SEW influences decision-making in family firms. Hence, when practitioners help family firms in pursuing their financial goals or when they provide advice or expertise, they need to consider the influence of the family firm's aim to meet social and emotional needs alongside the financial needs. In addition, both family CEOs and practitioners should allow for the influence of the soft side of the family (firm) being the socioemotional needs on the succession planning process. In addition, this study indicates that the family CEO and other stakeholders need to be aware that a positive family culture wherein frequent communication, participative decision-making, and thus high-quality relationships between relevant actors affect the extent to which transgenerational succession intentions are translated into real succession planning activities in the family firm and thereby determine the success of the family business in the long run. In this regard, systems can be set up to stimulate a positive family culture. For instance, a family forum or regular informal family meetings can assist in encouraging and preserving a positive family culture (Suess-Reyes, 2017). In this forum or in these meetings, relationships can be discussed and feelings can be shared on an ongoing basis so that negative feelings are not allowed to fester and multiply unchecked. Furthermore, family CEOs and practitioners should not underestimate the importance of integrating nonfamily employees into the succession process. The quality of the relationship between the nonfamily managers and the successor partly depends on this integration. Additionally, the higher the relationship quality is, the more transgenerational succession intentions will result in succession planning activities. Furthermore, the family firm may formulate clear rules on the roles of family members in the firm. These rules can be articulated in a family charter (Mustakallio, Autio, & Zahra, 2002) which reduces the odds that nonfamily managers will not accept the family successor (Barnett et al., 2012).

5.3 Limitations and future research directions

Notwithstanding its contributions, this study is not without limitations. Nevertheless, these limitations provide interesting avenues for future research. First, our results are based on the response of a single person because only one informant, the family CEO, completed the survey. This may lead to cognitive and subjective bias. However, as discussed in the results section, the analyses reveal that common method variance does not appear to be a problem in our study. Nevertheless, future research can integrate different points of view into our research model. As individual family members and nonfamily members do not necessarily perceive the succession process or quality of relationships in a uniform manner (Chrisman et al., 2013; Daspit, Holt, Chrisman, & Long, 2015), future research may include the view of other stakeholders through the medium of a combined method of in-depth case studies, surveys, and/or multiple face-to-face interviews. A qualitative approach would be meaningful in that it will be possible to gain deeper knowledge concerning the complex relationships under study. Furthermore, a qualitative method can provide detailed information on a potentially different perception of SEW by the family members active in the firm since the members of the family firm may vary in the extent to which they want to preserve SEW (cf. Miller & Le Breton-Miller, 2014; Vandekerkhof, Steijvers, Hendriks, & Voordeckers, 2018). Second, our results are based on a sample of SMEs since most Belgian family firms are SMEs (cf. Vandorpe & Tchinda, 2016). Prior studies state that it is important to check for contextual elements surrounding the leadership succession (e.g., Minichilli et al., 2014). Therefore, it would be interesting to further explore our proposed model in a sample of large family firms. For instance, future research could examine whether the importance of high-quality relationships is higher in larger family firms because of the more branched structure in these firms, complicating communication, cohesion, and flexibility between parties. In addition, the relationship between the nonfamily managers and the successor may be different in larger family firms because nonfamily managers may be more distant from the potential successor in these firms. Third, the sample size and subsample size of family firms with at least one nonfamily manager are rather small. Although these sample sizes are in line with earlier studies on relationships with nonfamily managers in the succession context (e.g. Chua et al., 2003), future research may replicate our analyses on larger samples. Finally, given the population of relatively old CEOs, a follow-up study checking the actual outcome of the succession would delineate the power of the existing high-quality relationships on the succession steps following the initial planning process.

Furthermore, our findings lead to several other future research opportunities. While prior studies acknowledge the importance of harmonious family relationships in securing a succession plan (Lansberg & Astrachan, 1994; Malone, 1989; Venter et al., 2005), our results do not confirm that high-quality relationships between family members active in the firm positively moderate the link between transgenerational succession intentions and the level of succession planning. According to existing literature on top management teams, trust is an important facet to have a well-functioning management team (Simons & Peterson, 2000). An effective top management team enhances decision-making processes (Korsgaard, Schweiger, & Sapienza, 1995). Hence, it is plausible that the importance of high-quality relationships is only situated at the top management level which is addressed in our study by the relationship quality between on the one hand the potential successor and on the other hand the current family CEO and the nonfamily managers. It would therefore be interesting to examine in a follow-up study whether the effect of the relationship quality between family members active in the top management team is different from the effect of the relationship quality between family members active in the family firm but not at the top management level. It is also likely that conflicts that lower the relationship quality between family members active in all layers of the firm are tackled in family governance institutions. Future research may delve into this line of research by exploring how high-quality relationships in conjunction with other constructs, e.g., good family governance practices, may enhance the level of succession planning or moderate the effect of SEW on the planning process. From prior studies, we know that conflicts or issues between family members concerning the succession process can be discussed in family governance institutions (Gilding et al., 2015; Umans, Lybaert, Steijvers, & Voordeckers, 2018). These institutions can foster communication within the family and enhance the family members' emotional investment in the business (Arteaga & Menéndez-Requejo, 2017; Suess-Reyes, 2017), which may stimulate the quality of the relationships between family members (Astrachan & Kolenko, 1994). In this regard, we encourage future research to explore whether family governance practices can affect the quality of relationships in a positive way.

Next, prior studies already relate SEW to succession choices. For instance, Calabro et al. (2018) found that when there is a high degree of SEW endowment, the appointment of a family firstborn sibling is more likely. Others found that SEW may influence the choice of the succession type: relay succession, external succession, or a horse race among internal candidates (e.g., Minichilli et al., 2014). Future research may explore whether high-quality relationships play a role in the association between SEW and succession choices. For instance, a high-quality relationship between the firstborn sibling and the CEO may strengthen the effect of SEW on the appointment of the firstborn sibling.

Our study may also fuel the debate of leadership succession in nonfamily firms. Leadership succession is a crucial event to any type of firm. Although our study only focuses on intrafamily succession in family firms, the insights of our study might apply to nonfamily firms as well. Nonfamily firms need to decide whether the successor will be an insider or an outsider. When they choose an insider to be the successor, the quality of the relationship between the potential successor and other parties may also be important during the succession process in a nonfamily firm (cf. Schepker, Ulrich, & Wright, 2018). For instance, it is the responsibility of the board of directors to select CEOs (Mace, 1971). However, recent studies show that the board may face informational barriers affecting their ability to gather and process information - for instance, related to the succession process (cf. Schepker et al., 2018). In this regard, high-quality relationships between, for instance, the potential successor and the other managers or between the potential successor and members of the board may empower the board's effect on the succession planning process by reducing the existing information asymmetry.

Moreover, notwithstanding the importance of research on leadership succession planning, future research may delve into the topic of ownership succession planning since much remains to be done within this field of research as well (cf. Sund, Melin, & Haag, 2015; Wennberg, Wiklund, Hellerstedt, & Nordqvist, 2011). Future research may investigate which antecedents are important in either type of ownership succession, i.e., a family succession or an external sale of the firm. In addition, an interesting research direction exists when more children participate in the family firm and not all want to retain their shares. Considering this type of succession problem, the family and, in general, the relational mechanisms that come into play can be investigated with a qualitative research method.

Lastly, having a succession plan does not seem to be sufficient to ensure future success (Astrachan & Kolenko, 1994). Therefore, in accordance with the reasoning of Sharma et al. (2000), we defined succession planning as a combination of four elements: selecting and training the successor, developing a vision for the firm after succession, defining the role of the incumbent, and communicating decisions to key stakeholders. We encourage future research to not solely look at whether firms have a succession plan, however, to go further by checking to what extent firms already engaged in the succession planning process.

5.4 Conclusions

Based on the theoretical framework of SEW, this study examines how variations in the family firm's transgenerational succession intentions lead to heterogeneous behavior regarding the succession planning process among family firms. In addition, by drawing on relational systems theory, this study started to unravel the unaddressed puzzle of why family firms do not plan their leadership succession despite their desire to renew family bonds through dynastic succession. That is, high quality relationships may translate the family firm's transgenerational succession intentions into real succession planning activities. Hopefully, this study may stimulate more research to further explore the black box linking SEW and outcomes.

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Figures

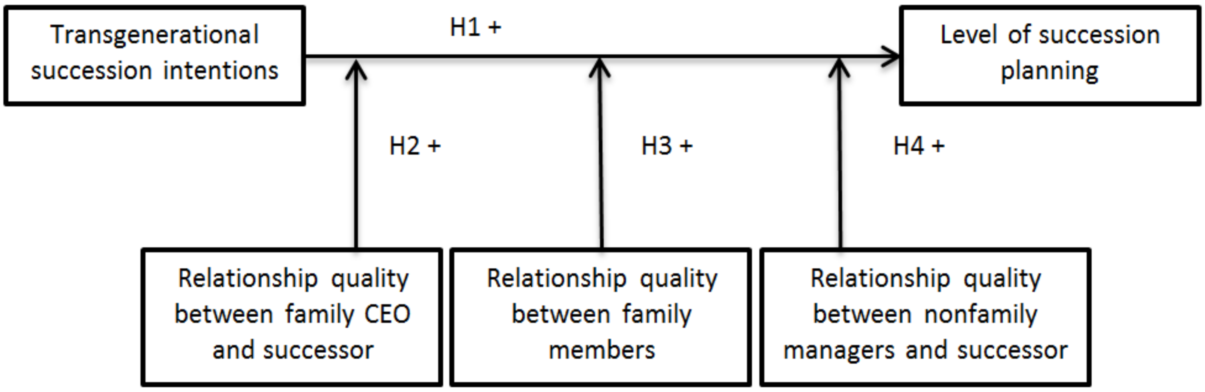

Figure I: Research model

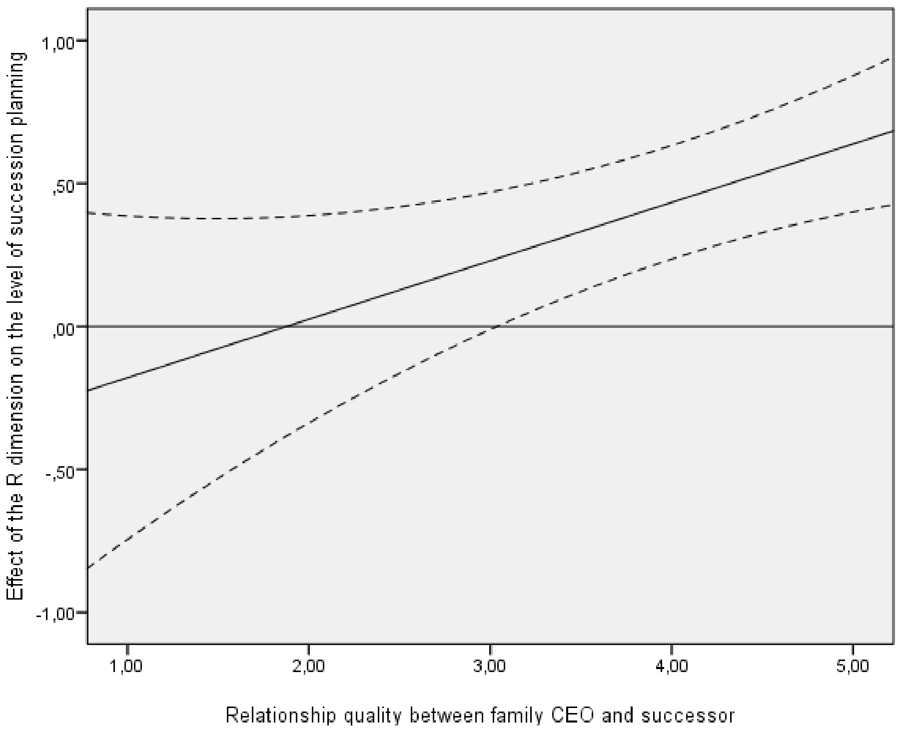

Figure II: Marginal effect of the R dimension of SEW on the level of succession planning as the relationship quality between the family CEO and the successor changes

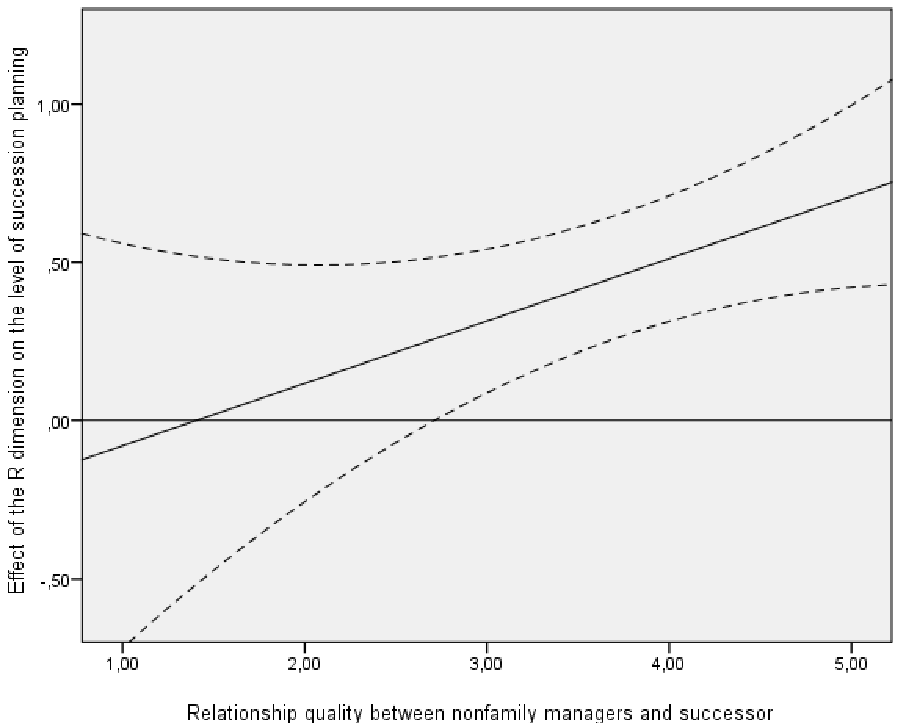

Figure III: Marginal effect of the R dimension of SEW on the level of succession planning as the relationship quality between the nonfamily managers and the successor changes

Tables

Variable	***Min.***	***Max.***	***Mean***	***SD***
Succession planning	1	5	2.57	1.42
R dimension of SEW	1	5	3.82	1.11
RQ[1] between family CEO and successor	1	5	4.11	0.79
RQ between family members	1	5	4.02	0.65
RQ between nonfamily managers[2] and successor	1	5	4.08	0.63
Firm size	2	250	23.43	39.34
Management generation	0	1	0.50	0.50
CEO age	50	70	60.83	4.38

Table I: Descriptive statistics (n = 125)

[1] RQ = Relationship Quality

[2] Only for those firms that employ nonfamily managers (n = 30)

	Variable	1	2	3	4	5	6	7
1	Succession Planning	1						
2	R dimension of SEW	0.53**	1					
3	RQ fam. CEO and successor	0.51**	0.37**	1				
4	RQ family members	0.25*	0.19†	0.42**	1			
5	RQ nonfam. man. and succ.	0.69**	0.33	0.78**	0.37†	1		
6	Firm size	0.19*	0.08	0.23*	0.07	-0.02	1	
7	Management gen.	0.02	0.14	0.02	0.18	-0.03	0.13	1
8	CEO age	0.43**	0.25**	0.20*	0.57**	0.16†	-0.22*	0.01

Table II: Pairwise correlations (n = 125)

† $p < .10$. * $p < 0.05$. ** $p < 0.01$.

	Model 1			Model 2			Model 3			Model 4		
Variable	β	SD	t	β	SD	t	β	SD	t	β	SD	t
R dimension of SEW	0.56	0.09	6.07**	0.46	0.09	4.93**	0.55	0.09	5.96**	0.50	0.09	5.51**
RQ family CEO and successor				0.55	0.13	4.19**						
*RQ family CEO and successor * R dim.*				0.20	0.09	2.32*						
RQ family members							0.08	0.16	0.52			
*RQ family members * R dim.*							0.04	0.13	0.28			
RQ nonfamily managers and successor										0.49	0.14	3.58**
*RQ nonfam. man. and successor * R dim.*										0.20	0.10	0.05*
Firm size	0.26	0.09	2.96**	0.21	0.08	2.50*	0.27	0.09	3.02**	0.23	0.08	2.72**
Management generation	-0.08	0.20	-0.40	-0.02	0.18	-0.12	-0.11	0.20	-0.56	-0.14	0.18	-0.76
CEO age	0.12	0.02	5.07**	0.11	0.02	5.01**	0.12	0.02	4.93**	0.11	0.02	4.74**
	Adjusted $R^2 = 0.41$			Adjusted $R^2 = 0.50$			Adjusted $R^2 = 0.41$			Adjusted $R^2 = 0.48$		
	$F = 22.76$, $p < 0.01$			$F = 21.17$, $p < 0.01$			$F = 15.28$, $p < 0.01$			$F = 20.01$, $p < 0.01$		

Table III: Regression results for the moderation model in which the relationship quality between the family CEO and the successor (model 2), between family members (model 3), and between the nonfamily managers and the successor (model 4) moderates the relationship between the R dimension of SEW and the level of succession planning.

- Dependent variable = the level of succession planning
- n = 125
- † $p < .10$. * $p < 0.05$. ** $p < 0.01$. (two-tailed)

Appendix A

Constructs	**Items**	**Item loadings**	**α**	**AVE**
Dependent variable				
Succession planning	A list of potential successors has been developed	0.92	0.98	0.83
	Explicit succession criteria have been developed for identifying the best successor	0.93		
	Explicit efforts have been made to train potential successors for their future role in the business	0.94		
	Explicit attention has been given to familiarize the potential successors with the business prior to the succession	0.94		
	Explicit attention has been given to familiarize the potential successors with the employees of the business prior to the succession	0.91		
	We have an understanding of what the business strategy will be after leadership has been transferred to the successor	0.90		
	We have an explicit plan for the business after the transfer of leadership to the business	0.86		
	We have a formal plan regarding my roles and responsibilities after the leadership has been passed on to the potential successor	0.83		
	We have an unwritten understanding of my roles and responsibilities after the leadership has been passed on to the potential successor	0.85		
	A financial package have been developed for my retirement	0.76		
	The decision of who the potential successor will be have been clearly communicated to family members active in the business	0.91		
	The decision of who the potential successor will be have been clearly communicated to the key employees	0.88		
Independent variables				
R dimension of SEW	Continuing the family legacy and tradition is an important goal for the family business	0.88	0.75	0.79
	Family owners are less likely to evaluate their investment on a short-term basis	0.72		
	Successful business transfer to the next generation is an important goal for family members	0.85		
RQ family CEO and successor	The potential successor and the incumbent have a mutually supportive relationship	0.92	0.89	0.65

	The potential successor and the incumbent prefer to cooperate with each other rather than compete with each other	0.89		
	The potential successor and the incumbent are willing to share information with each other	0.91		
RQ family members	Family members tend to play roles and are not themselves (reverse coded)	0.57	0.85	0.83
	Family members tend to trust one another	0.84		
	Family members are open and honest with one another	0.86		
	Family members have good cooperative relationships	0.88		
	Family members work together as a team	0.84		
RQ nonfamily managers and successor	The potential successor and the nonfamily managers have a mutually supportive relationship	0.95	0.92	0.67
	The potential successor and the nonfamily managers prefer to cooperate with each other rather than compete with each other	0.78		
	The potential successor and the nonfamily managers are willing to share information with each other	0.96		

Appendix A: Scale items and validity assessment