THE IMPACT OF ADVISORS WITHIN THE SIBLING SUCCESSION

BY

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1 – AIM OF THE PAPER (500 WORDS)

The leadership of the family firm by multiple family members is common practice in the context of the transfer of the family business from one generation to another (Cater & Justis, 2010). Indeed, according to a study carried out in the United States, 42% of owners of family firms envisaged transferring leadership of the family firm to a team of successors, rather than choosing a single successor (Mass Mutual, 2007). Aronoff (1998) claimed that team succession should be considered the most suitable solution for a smooth succession. This idea was confirmed by Brockhaus (2004) who felt that transferring leadership to a single successor would be an incorrect approach. However, although succession is one of the most researched topics within the field of family firms (Allouche & Amann, 2000; Sharma, 2004), and in practice the transfer of leadership to several family members seems common (Cater & Justis, 2010), it is surprising to note that with the exception of one book (Gersick et al., 1997) and two recent articles (Cater & Justis, 2010; Farrington, Venter & Boshoff, 2011), there is little research into succession to several children (collective or sibling succession) within the context of family firms. Furthermore, there are almost no empirical studies analyzing this issue (Rutherford, Muse & Oswald, 2006). However, the subject of succession to a sibling partnership (a management team made up of brothers and/or sisters) was discussed in the business press towards the end of the 1990s (Aronoff & Astrachan, 1997; Nelton, 1996; Nelton, 1997). These authors recommended rethinking the collective management of the firm and also the required support for the process. This has led us to the question: do advisors play a role in the effectiveness of a sibling partnership and therefore the collective succession? In her review of literature covering the advising of family firms, Strike (2012) points out the lack of research attention given to the role of the advisor. This is particularly true with regards to collective successions within family businesses.

In this paper we explore family business succession to the second or third generation, by a predecessor to more than one child (sibling succession). We aim to shed light on the following question: how do the various advisors (external consultants, family councils, boards of directors, and even the predecessors, their spouses and the successors' spouses) participate in the process of sibling succession? Our findings contribute to the body of knowledge related to family succession. The theoretical part of the paper covers research into the family succession process when there are several successors; and looks particularly at the role of advisors in this specific context. The methodology then provides a comprehensive framework for understanding our exploratory, qualitative research. The results of the six case studies carried out are then presented within the phases of the succession process. The focus is on the functioning of the sibling partnership and the role of the advisors in this context. The discussion helps to understand the role of the family advisors as opposed to business advisors.

2 – CONTRIBUTION TO LITERATURE (468 WORDS)

Almost all the literature on family business succession looks at the relationship between predecessor and successor from a one-to-one perspective without considering the possibility of transferring the leadership from one predecessor to several children. That said, there are a number of authors (Aronoff, 1998; Gersick, Davis McCollon & Lansberg, 1997; Cadieux, Lorrain & Hugron, 2002; Sonfield, Lussier, Pfeifer, Manikutty, Maherault & Verdier, 2005; Cadieux, 2007; Cater & Justis, 2010) who do point out that there may be cases where more than one successor is involved; however they do not actually explore the idea.

While the transfer of leadership to several siblings is common, research on this topic is scarce. We aim to fill the gap in literature in identifying the advisors involved in the sibling succession, and investigating why and how they are implicated in this process. Several questions are to be considered:

- In the process of succession, the literature describes the change in the predecessor's role (Cater and Justis, 2010 ; Handler, 1990). We do however know that the predecessor's disengagement from the family firm is fraught with psychological difficulties (Kets de Vries, Carlock & Florent-Treacy, 2007). He has to work through the mourning process as he moves from one role (that of the head of the firm) to another (that of the former head). The disengagement concerns both the cultural context and the relationships linked to the role. Given the above, it is particularly interesting to study how advisors facilitate the incumbent's separation from the family firm in the context of a sibling succession.

- In parallel the sibling successors are also entering new roles. How to take over leadership collectively? Aronoff, Astrachan, Mendosa and Ward (1997) alert us to the slowness of decision-making and the confusion created with regards to authority. How to abandon the "I" in favor of the "we, members of the management team"? How do the children together become owner-managers? A collective succession involves an organizational revolution, one that requires the intervention of advisors to assist in the transformation (Nelton, 1996).

Taking into account the affective element of the actor's role transition we feel that both the predecessor and the successor(s) need(s) someone beside them: to support them in the succession process, to help them take decisions and also to help them organize the collective succession.

Strike (2012) insists on the positive elements for a family business that is advised (performance, refection, planning, etc.). However, she neither mentions advisors specialized in successions nor advisors who are within the firm but external to the family. In addition, her literature review does not cover the role of advisors within the family business succession. The topic of advisors in the decision for a collective succession and the implementation of a sibling succession is not explored yet. This is the gap we aim to fill.

DATA AND RESULTS (482 words)

We built six cases study. The sample is based on specific criteria relevant to succession research. We chose family businesses located in the same region (Montreal and suburbs, QC, Canada), with the following characteristics: private enterprises whose capital was entirely held by the family running the business and which were also SMEs (see details in table 1). In all six firms retained, the leadership and the majority shareholding had been transferred at least four years, but less than six years, prior to our study. Interviews were conducted during formal meetings. In each case, all the principal succession stakeholders were interviewed: the predecessor, all the successors and advisors. Two researchers recorded notes that were then examined in order to prepare for subsequent meetings. The research was carried out between November 2010 and December 2012. Twenty-eight interviews lasting an average of two hours were conducted.

Table 1: General characteristics of the firms

Firms	Generation	Revenue growth	Staff	Sector of activity
Firm B				Construction
Predecessor	2nd	$20 millions*	150	
Successors	3rd	$45 millions	200	
Firm C				Equipment rental and sales
Predecessor	2nd	$22 millions	70	
Successors	3rd	$32 millions	90	
Firm H				Hydrocarbon processing products
Predecessor	1st	$32 millions	180	
Successors	2nd	$85 millions	450	
Firm J				Construction
Predecessor	2nd	$20 millions	45	
Successors	3rd	$42 millions	80	
Firm M				Machining
Predecessor	1st	$12 millions	70	
Successors	2nd	$20 millions	110	
Firm V				Financial services
Predecessor	1st	$13 millions	19	
Successors	2nd	$58 millions	80	

* Amounts are in Canadian dollars.

Three different situations of shared leadership are observed: (1) equal distribution of shares, with co-CEOs (Cases V, B, H & C); (2) equal distribution of shares but one sibling (the first to have joined the firm and proven competencies) is CEO and his equity partners (siblings) are his subordinates (Cases J); (3) unequal distribution of shares with the majority shareholder as the leader (Cases M).

Our findings show the presence and the role of advisors on the different phases of the succession process. The different advisors (external consultants, family councils, boards of directors, and even predecessors, their spouses and successors' spouses) each have a considerable role to play in the success of the collective succession process (see table 2).

Table 2: Advisors interventions during different phases of the collective succession

Incubation		
Planning succession	**Trigger for succession**	**Decision for collective succession**
Tax advisor External accounts	Advisory board (AB) Spouses	Tax advisor External accounts Family business (FB) consultant Advisory board Spouses
Implementation		
First steps of the Successors	**Mediation between Predecessor and Successors**	**Structure of Management team**
Advisory board Family council (FC)	Advisory board External accounts Mothers	Advisory board External accounts Mothers Coach FB consultant Management consultant
Joint management		
Team work	**Demarcation of responsibilities**	**Mediation between Successors**
FB consultant Management consultant	Advisory board External accounts	Predecessor FB consultant Coach Family council
Disengagement		
Departure of the Predecessor	**Daily challenges**	
Advisory board External account	Father Management consultant Family council	

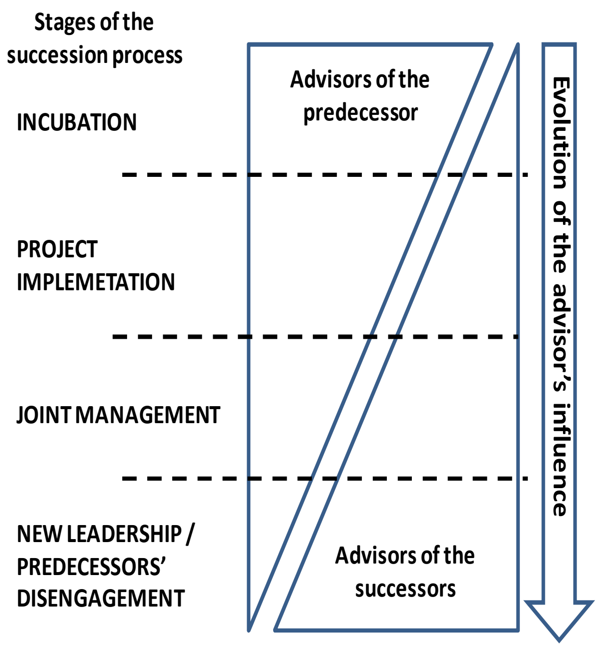
4 – DISCUSSION AND PRACTICAL IMPLICATIONS (488 WORDS)

Contribution with regards to needs met by the advisors in the context of collective succession. The advisors involved in the succession process primarily meet two types of needs: (1) intergenerational mediation (between predecessors and sibling successors) and (2) intragenerational mediation (among successors). Even when their actions are operational or strategic, the advisors carry out one or both of these types of mediation. The mediation of the advisors is fundamental and an important element for collective family successions. The internal advisors impact the relationship between predecessors and successors and thus the quality of the succession.

Contribution by category of advisor within the collective succession. Our results show that advisors undoubtedly played a role in triggering the decision and the implementation of the collective succession process. More specifically, we show that the different advisors belong to different categories and have different orientations within these categories: (1) family *or* business; (2) temporary (appointed for a specific assignment) *or* permanent; (3) advisor of the predecessor *or* advisor of the successor; (4) internal *or* external. The contribution of our research is important since it further develops Strike's (2012) considerable contribution to this field. Strike separated advisors according to family, business and ownership on the one hand, and formal or informal on the other hand.

Some advisors were already present in the firm, at the predecessor's side, before the succession process started. It became clear that the successors were not very inclined to maintain these advisors as they considered them too close the worries of the predecessor, rather than their own. The successors rather had a tendency to surround themselves with their own advisors. That said the advisors of the predecessors were still useful in the mediation between predecessor and successors, whereas the advisors of the children were focused on mediating among siblings. It follows logically then that the role and influence of the predecessor's advisor faded with the advancement of the succession process, while the role and influence of the advisors of the successors became stronger as the roles of siblings' grew (*see figure 1*).

Figure 1: The evolution of the influence of the advisors



Our contribution to understanding the role of advisors is significant. Specifically, these actors facilitate considerably the decision for collective succession, and they are indispensable to the preservation of family harmony, to the mediation between generations and to the relationships between successors. Our contribution lies not only in defining of the role of advisors in the succession process, but also in highlighting the specific way they influence the process of collective succession. Moreover, the results of our research help to understand the relationships between advisors, predecessor and several successors within the family context. This can be useful for all the owner-managers of small family businesses, whether potential predecessor or successor. Finally, the findings are also of use for the advisors themselves; potentially helping them provide complementary advice and, above all, meeting the requirements of family members in a succession.

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