PEOPLE OF FUTURE AGRICULTURE:
TRUST AND SUCCESSION IN FAMILY BUSINESSES

Catherine Bell
California Southern University

Contact information:

cawbell@hotmail.ca

Phone +1-403-823-9462

Box 1403, Drumheller, AB Canada, T0J 0Y0

Number of words: 2903

This Academic research paper is the original work done by Catherine Bell for the thesis component of her MSc of Psychology (I/O Psychology) from California Southern University

March 2019 - ISBN 978-92-990062-8-3
www.ifmaonline.org - Congress Proceedings

PEOPLE OF FUTURE AGRICULTURE: TRUST AND SUCCESSION IN FAMILY BUSINESSES

Abstract

Intergenerational transfer, or succession, is often a goal for family businesses in general, and family farms in particular. This challenging objective is aided or hindered by interpersonal trust between family members. The purpose of this study is to gain an understanding of the role of trust in succession so that those involved can observe the intergenerational behavioral patterns and estimate the source of trust/mistrust, or they can evaluate the trust issues and predict what behavioral patterns to expect. This meta study of the qualitative research literature on family businesses and succession revealed recurring patterns of intergenerational behavior as it relates to the essential component of trust. Character and competence influence the ability of business founders/predecessors and their children/successors to work within an area of trust, shaping intergenerational relationships and producing characteristic family business behavior patterns. Four typical interactive patterns include long-term stability, authoritarian rule, nepotism and sibling rivalry. Family member trust directly affects, and is affected by, family relationships, which, in turn influence both business performance, and the likelihood of successful intergenerational succession for the business itself.

Keywords: *family business, succession, trust, nepotism, sibling rivalry*

Family businesses (FBs) make up a large proportion of businesses around the world and contribute greatly to the global economy. They have the paradoxical reputation of being longterm, resilient and stable, or of being short lived and producing environments full of conflict and drama. The family farm is a quintessential family business and the backbone of agriculture worldwide, yet it, too, can be either established and robust, or full of struggle and disagreement.

While the desire to pass on the farm may be an integral part of many family farms, relatively few of them are fortunate enough to see this procedure happen successfully. The process of succession has a disruptive potential and is a perilous time in the life cycle of a family farm or business (Osnes et al., 2017; Williams et al., 2013). Many FBs (approximately 70%) fail to survive to the second generation, around one in ten make it to the third generation, and only about 3% continue to the fourth generation (Cooper et.al., 2013; Solomon, et al., 2011; Ruggieri, Pozzi & Ripamonti, 2014; Williams et al., 2013). Although transgenerational succession has proved difficult for a large majority of FBs, it continues to be a fundamental goal for many of them (Gudmunson & Danes, 2013), and those businesses are willing to work through the succession process in order to achieve this ambitious and challenging objective.

Methodology

This study considers the aspect of trust as it affects FBs. While trust hasan impact on all businesses, it influences FBs in distinctive ways because of the interaction between the family and the business systems. Family businesses form characteristic patterns partly based on the level of trust between family members, and such patterns affect the working environments and the outcomes of the business. An understanding of how trust affects patterns of interpersonal behavior and succession, can help FBs increase the chances of successful long-term viability. With an understanding of trust and its consequences, those involved can either view the patterns and analyze where the trust issues occur, or conversely, know where the trust issues are and predict what kinds of behaviors may result.

Different levels of predecessor and successor trust combine to produce distinct patterns of behavior which affect FBs, particularly in terms of intergenerational functioning. While high levels of trust in both parties contributes to the long-term stability of FBs, other combinations are not as positive. Autocratic rule, nepotism, and sibling rivalry are all results of low trust in either, or both, the predecessor and successor. Such conditions shape interpersonal behaviors and affect FB performance.

Research was done by analyzing journal articles from both psychological and business literature. Search engines for the psychology articles included ProQuest – Psychology, and EBSCO Host articles from the psychology and behavioral sciences collection. Business articles used the ProQuest – ABI/INFORM collection. Using key words and terms including family business, family owned businesses, family firms, trust, family relationships, family conflict and succession provided access to articles which investigated FB behaviors through the lens of trust.

What was of particular interest in studying the role of trust within an FB was understanding how it affected FB behavior. With this in mind, articles which considered intergenerational relationships in the functioning of an FB were given priority as they described how real-life FBs reacted to the demands of both business and family dynamics. Fifteen articles were found to outline and describe such relationships and behaviors. While most of the articles range in date from 2011 to 2017, a seminal and often quoted article from Kets de Vries dating from 1993, was also included.

These articles were overlaid with a grid to demonstrate characteristic patterns observed in FBs which indicate the source of trust/mistrust and the consequent behaviors, including deviant and domineering actions as well as nepotism. While these FB behaviors decrease the likelihood of long-term business sustainability, an understanding of them may help those involved deal more constructively with these situations, thereby improving the prospects for FB success.

Trust

Many authors discuss the centrality of trust within an FB, both for the functioning of the family and the business. Trust within a FB is an essential, far reaching, multi-faceted, multilevel concept that is closely tied to norms, values, and beliefs, (Bencsik & Machova, 2016; Cole & Johnson, 2012; Johnson, Worthington, Gredecki, & Wilks-Riley, 2016; Rutherford, 2011). Trust has been defined as the confident set of beliefs about the other party and one's relationship with them which leads one to assume that the other party's likely action will have positive consequences for oneself (Azizi, et al., 2017) or, put more succinctly, trust is a feeling that another person, group of people or the system as a whole, is performing in your best interest (Rutherford, 2011).

Gaining trust, however, is not a one-time achievement. Rather, it involves an ongoing set of practices that earn or increase trust over time as people recognize each other's trustworthiness (Castoro, 2018; Dede & Ayranci, 2014). Still, it is not a person's trustworthiness alone that determines trust. Trust is comprised of both character and competence (Rutherford, 2011). The character aspects of trust, or trustworthiness, include such traits as integrity, consistency, honesty, predictability, loyalty, benevolent motives, a lack of hidden agendas, openness, kindness, respect shown, sincerity and genuine caring (Azizi et al., 2017; Castoro, 2018; Dede & Ayranci, 2014; Rutherford, 2011). The aspects of trust related to competence include ability, skills and capacity, power, and demonstrated reliability (Azizi et al., 2017; Castoro, 2018). Accountability, which is the ability to explain, justify and account for one's actions, is an aspect of trust that straddles both competence and trustworthiness (Brundin, et al., 2014).

When integrity or competence is lacking, there is low potential for trust among individuals. The ability to create change is closely related to competence, and the ability to ensure the positive direction of that change is related to character. In an FB, change can be initiated by either the predecessors or the successors. It is a sign of low influence when individuals can't initiate change in others or their situation, or if the change attempted is not positive and is therefore resisted. One person's inability to influence the situation positively, is reflected by others mistrusting that individual.

The opposite stance to having no influence is having control, where an individual has complete power to influence the situation. Others may trust the competence of that individual to enact change, and may even look positively on those changes, but trust will eventually diminish when people know that they have no opportunity to influence the situation should circumstances have a negative effect in the future. People may feel uncomfortably vulnerable to the notions of the one in control.

'No influence' and 'control' represent extremes on the continuum, with 'influence' marking the middle ground, the area of trust. When individuals and organizations, particularly FBs, can learn to operate within the area of trust there is great potential for that business to function successfully.

Figure 1: Continuum of Trust

No influence — Influence — Control

[---------------- Area of Trust -----------------]

It requires two things for an FB to function within an area of trust. First, the predecessor must share the control of the business to the extent that others trust that they will have some influence should circumstances produce a negative effect on them. Secondly, successors must have the capacity, in terms of character and competence, to initiate positive changes. Both the predecessor and the successor influence the FB trust dynamics due to their individual traits and their ability to work within the area of trust. Trust is reciprocal in nature and each party must be willing and able to both influence and be influenced by, the other.

In the following grid, the ability to work in the area of trust is labeled 'high trust', and the failure to work in the area of trust is labeled 'low trust'. The individuals' capacity to work within the area of trust is determined by their competence and character, including their propensity to trust others i.e. through delegation or sharing power. A grid producing four quadrants is formed: 1) predecessor high trust and successor high trust, 2) predecessor low trust and successor high trust, 3) predecessor high trust and successor low trust, and 4) predecessor low trust and successor low trust.

Figure 2: Predecessor/Successor Trust matrix

Trust of Predecessor

Trust of Successor		high trust	low trust
	high trust	1	2
	low trust	3	4

Results

Behavioral outcomes or patterns fall into distinct categories depending on the reciprocal abilities of the predecessor and successors to trust each other to function in an intergenerational

FB. These categories include successful succession, autocratic rule, nepotism and sibling rivalry.

Category 1, successful succession, shows high predecessor and high successor trust. It has been shown that the levels of trust in FBs significantly and positively influence cohesion and profitability (Ruiz Jimenez et al., 2015). Although, the reverse may also be true, in that secure profitability could increase trust.

The ability of the predecessor to move into an area of trust is indicated by the willingness to share control, and demonstrated by such actions as grooming, training and communicating explicit and tacit knowledge with the successor (Carr & Ring, 2017; Williams, et al., 2013). The capacity of the successor to move into an area of trust is shown by a readiness to take on new responsibility regarding leadership and/or work-related roles (Marler, et al., 2017). This combination encourages cooperation and collaboration as both parties are able to contribute to decision making and innovation. Having a common purpose and high levels of involvement by family members creates a sense of psychological ownership that motivates the family to behave and act in the best interests of the business, resulting in higher levels of commitment and trust (Cano-Rubio et al., 2016). Category 1 FBs deal with trust issues by making competence and character part of the FB ethos and culture.

While FBs have advantages because of the resources associated with the interactions and involvement of the family (Cano-Rubio et al., 2016; Daspit et al., 2017; Ruiz Jimenez et al., 2015), there are also disadvantages associated with this pairing. One frequent concern is that family conflicts overflow into the business (Cooper et al., 2013; Kets de Vries, 1993).

Relationship conflict seems to be particularly characteristic of FBs, harming the decision-making process, firm development and performance (Memili, Zellwiger & Fang, 2013). Lee & Danes (2012) suggest that the interpersonal dynamics among family business members is an important factor in the low rate of intergenerational transmission of businesses. They further warn that if family members are unable to harmonize, ameliorate relationship ruptures and re-establish trust, their business is highly vulnerable and may even fail.

Category 2 indicates low predecessor trust and high successor trust which is demonstrated by the predecessor's unwillingness to distribute control, even as the successors show the capacity to work within the area of trust. Although the successors might display competence, the predecessor may identify with the FB to such an extent that he is averse to letting go of, or sharing power. Having a powerful, domineering patriarch is common in FBs (Kets de Vries, 1993; Solomon, et al., 2011; White, 2018). This has consequences for the FB in that it can lead to family dysfunction, low FB trust, and business stagnation.

Predecessors in this category have difficulty trusting the competence and characteristics of people other than themselves. While the predecessor's characteristics such as industriousness and perseverance are useful for establishing and managing a business, they can be taken to an extreme (Hertler, 2014). Traits such as conscientiousness, competence, self-discipline and achievement striving, can be pushed to the point of becoming authoritarian, autocratic and controlling (Hertler, 2015). The concepts of over-conscientiousness, perfectionism, and workaholism are interrelated and are typified by high interpersonal control, and low trust or difficulty in delegating responsibility (Bovornusvakool et al., 2012; Samuel & Widiger, 2011) One of the outcomes for those with low trust/high control traits is a higher likelihood of interpersonal conflicts (Steenkamp et al., 2015).

Trust becomes an issue when the successors are belittled or controlled by their powerful father and are therefore afraid to challenge him; they don't trust themselves to stand up to a 'giant' of a man. Successors also don't trust the father to listen to new and innovative ideas or to let go of management or control, even if they technically become the head of the FB.

Category 3 is an area of high predecessor trust and low successor trust. This can be shown by the predecessor being willing, or more than willing, to share FB control with successors although the successors may lack technical ability or the capacity for leadership. While some leaders have a strong desire to pass on their business to their heirs, some successors may feel that managing the FB is more of a burden (Williams et al., 2013), and take over the FB out of a sense of obligation or the perception of limited alternative opportunities for income (Pieper et.al, 2013).

Parents may encourage this feeling of obligation by indicating that successors need to conform in order to receive recognition from the parents, or to collect financial or other benefits from the FB (Pieper et.al, 2013). Some FBs emphasize family relatedness at the expense of autonomy. Parents may employ controlled motivation so that the children perceive that their choices are forced by external factors i.e. the children act in order to avoid guilt or shame, or to manage interpersonal controls like rewards or punishments (Osnes et al., 2017).

Kets de Vries (1993) notes that many predecessors simply overlook the weaknesses of their children, welcoming them into the FB regardless of their ability to contribute. Parents may be willing to offer pay and gifts in excess of the market value of the work as a means of encouraging their children's participation (Pieper et al., 2013). When family connection trumps merit or capacity it can smack of nepotism, favoritism and intra-family altruism which has an impact on other non-family FB employees (Carmon & Pearson, 2013).

The successors' inabilities have financial implications for the business as most FBs can't afford to support unproductive, unskilled family members in the long term. This situation may also postpone normal development when children are not allowed to freely make decisions regarding their involvement in the business, and children may not trust that parental attention and gifts come without 'strings attached'.

In category 4, both the predecessor and the successors show low trust. Predecessors demonstrate low trust by an unwillingness to share power and control, and perhaps even time and attention, with the successors (Kets de Vries, 1993). The founder may be completely obsessed by his business, devoting himself to its demands, and leaving him very little time for his family. In such cases children may perceive the business as the preferred 'sibling', producing intense feelings of competitiveness and jealousy among the children who never really had a chance to be the 'favorite' (Solomon, et al., 2011). A parent's emotional unavailability can have ongoing repercussions for children since early feelings of mistrust, envy and jealousy are long-lasting and difficult to resolve (Kets de Vries, 1993). Who was loved more or treated better becomes the issue at the heart of the relationship conflicts that are often transposed on to the business (Pieper et al., 2013).

Deviant, self-interested, opportunistic behaviors, including theft, withholding job effort, shirking, free-riding, violence, insubordination, sabotage, poor attendance, misuse of information, drug and alcohol use and abuse, being too dependent on the family, and various types of harassment may be use by dissatisfied family members as a means of restoring control (Cooper et al., 2013; Dede & Ayranci, 2014). A successor who perceives him/herself as the cheated and disfavored child, may feel more entitled to unearned benefits, as a way to punish those they perceive as treating them unfairly or unjustly, and as a way to restore a sense of dignity and justice (Cooper et al., 2013). When family members 'milk the business' to get what they feel entitled to, it can have devastating results for the business (Cooper et al.,2013; Kets de Vries, 1993).

The level of trust amongst family members influences how an FB operates, i.e. the interpersonal behavior patterns. Successful FBs are known for their high levels of trust and stewardship involving employees and the work environment. However, when trust levels are low because of attempts at interpersonal control, family members' feelings of jealousy, rivalry or forced involvement, the behaviors are dysfunctional and the business suffers.

Conclusion

Family businesses are important contributors to the economy worldwide, particularly in the area of agriculture through the family farm. An essential component in the functioning of FBs is the level of trust amongst family members which allows members to influence each other, and is shaped by the character and competence of the members themselves. Family member trust, particularly demonstrated by business predecessors/managers and their children/successors, affects interpersonal interactions, producing characteristic FB behavior patterns. These four typical interactive patterns include long-term stability, authoritarian rule, nepotism and sibling rivalry. The ability of family members to work within an area of trust directly affects, and is affected by, family relationships, which, in turn influence the performance of the business itself.

References

Azizi, M., Salmani Bidgoli, M. & Seddighian Bidgoli, A., 2017. Trust in family businesses: A more comprehensive empirical review. *Cogent Business and Management 4,* pp. 1-17.

Bencsik, A. & Machova, R., 2016. Knowledge sharing problems from the viewpoint of intergeneration management. *Janos Selye University,* pp. 42-50.

Bovornusvakool, W., Vodanovich, S., Ariyabuddhiphongs, K. & Ngamake, S., 2012. Examining the antecedents and consequences of workaholism. *The Psychologist Manager Journal, 15,* pp. 56-70.

Boyd, B., Botero, I. & Fediuk, T., 2014. Incumbent decisions about succession transitions in family firms: A conceptual model. *International Journal of Financial Studies (2),* pp. 335-358.

Brundin, E., Florin Samuelsson, E. & Melin, L., 2014. Family ownership logic: Framing the core characteristics of family businesses. *Journal of Management & Organization 20:1,* pp. 6-37.

Cano-Rubio, M., Fuentes-Lombardo, G. & Vallejo-Martos, M., 2017. Influenceof the lack of a standard definition of "family business" on research into their international strategies. *European Research on Management and Business Economics 23(3),* pp. 132-146.

Carmon, A. & Pearson, J., 2013. Family business employees' family communication and workplace experiences. *Journal of Family Business Management 3(2),* pp. 88-107.

Carr, J. & Ring, K., 2017. Family firm knowledge integration and noneconomic value creation. *Journal of Managerial Issues XXIX (1),* pp. 30-56.

Castoro, A., 2018. Speak up or risk losing your best clients (and their kids). *Wealth Management (Jan),* pp. 1-3.

Cole, P. & Johnson, K., 2012. A perfect fit: connecting family therapy skills to family business needs. *Journal of Marital and Family Therapy 38(1),* pp. 63-71.

Cooper, J., Kidwell, R. & Eddleston, K., 2013. Boss and parent, employee and child: Workfamily roles and deviant behavior in the family firm. *Family Relations 62,* pp. 457-471.

Daspit, J. et al., 2017. A strategic management perspective of the family firm: Past trends, new insights and future directions.. *Journal of Managerial Issues XXIX (1),* pp. 6-29.

Dede, N. & Ayranci, E., 2014. Exploring the connections among spiritual leadership, altruism, and trust in family businesses. *Qual Quant 48,* pp. 3373-3400.

Grossman, S. & von Schlippe, A., 2015. Family businesses: fertile environments for conflict. *Journal of Family Business Management 5(2),* pp. 294-314.

Gudmunson, C. & Danes, S., 2013. Family social capital in famiy businesses: a stocks and flows investigation. *Family Relations 62(July),* pp. 399-414.

Hadjielias, E. & Poutziouris, P., 2015. On the conditions for the cooperative relations between family businesses: the role of trust. *International Journal of Entrepreneurial Behavior & Research 21 (6),* pp. 867-897.

Hertler, S., 2014. The continuum of conscientiousness: The antagonistic interests among obsessive and antisocial personalities. *Polish Psychological Bulletin 45(2),* pp. 167-178.

Hertler, S., 2015. The evolutionary logic of the obsessive trait complex: Obsessive compulsive personality disorder as a complementaty behavioral syndrome. *Psychological Thought, 8(1),* pp. 17-34.

Johnson, H., Worthington, R., Gredecki, N. & Wilks-Riley, F., 2016. The relationship between trust in work colleagues, impact of boundary violations and burnout among staff within a forensic psychiatric service.. *Journal of Forensic Practice 18(1),* pp. 64-75.

Kets de Vries, M., 1993. The dynamics of famiy controlled firms:the good and the bad news. *Organizational Dynamics 21(3),* pp. 59-71.

Kidwell, R., Kellermanns, F. & Eddleston, K., 2012. Harmony, justice, confusion, and conflict in family firms: implications for ethical climate and the "Fredo effect". *Journal of Business Ethics 106,* pp. 503-517.

Lee, J. & Danes, S., 2012. Uniqueness of family therapists as family business systems consultants: A cross-disciplinary investigation. *Journal of Marital and Family Therapy 38 (June),* pp. 92-104.

Marler, L., Botero, I. & De Massis, A., 2017. Succession-re;ated role transitions in family firms: The impact of proactive personality. *Journal of Managerial Issues XXIX (1),* pp. 57-78.

Memili, E., Zellweger, T. & Fang, H., 2013. The deteninants of family ower-managers' affective organizational commitment. *Family Relations 62(3),* pp. 443-456.

Osnes, G. et al., 2017. Autonomy and paradoxes in family ownership: case studies across cultures and sectors. *Journal of Family Business Management 7(1),* pp. 93-110.

Pieper, T., Astrachan, J. & Manners, G., 2013. Conflict in Family business: common metaphors and suggestions for intervention. *Family Relations 62 (July),* pp. 490-500.

Pounder, P., 2015. Family business insights: an overview of the literature. *Journal of Family Business Management 5(1),* pp. 116-127.

Ruggieri, R., Pozzi, M. & Ripamonti, S., 2014. Itallian family business cultures involved in the generational change. *Europe's Journal of Psychology 10(1),* pp. 79-103.

Ruiz Jimenez, M., Vallejo Martos, M. & Martinez Jimenez, R., 2015. Organizational harmony as a value in family business and its influence on performance. *Journal of Business Ethics (126),* pp. 259-272.

Rutherford, B., 2011. Trust is the beginningof everything in a family business. *Beef (Nov),* p. (8).

Samuel, D. & Widiger, T., 2011. Conscientiousness and obsessive-compulsive personality disorder. *Personality Disorders: Theory, Research and Treatment 2(3),* pp. 161-174.

Sciascia, S. et al., 2013. Family communication and innovativeness in family firms. *Family Relations, 62(3),* pp. 429-442.

Solomon, A. et al., 2011. "Don't lock me out": life-story interviews of family business owners facing succession. *Family Process 50(2),* pp. 149-166.

Steenkamp, M. et al., 2015. Emotional functioning in obsessive-compulsive personality disorder: Comparison to borderline personality disorder and healthy controls. *Journal of Personality Disorders 29(6),* pp. 794-806.

Venter, E., Farrington, S. & Sharp, G., 2013. The influence of relational-based issues on job satisfaction and organisational commitment in family businesses: The views of nonfamily employees. *Management Dynamics 22(4),* pp. 38-57.

White, E., 2018. Top down not always the best management style. *The Western Producer*, 29 March, p. 68.

Williams, D., Zorn, M., Crook, T. & Combs, J., 2013. Passing the torch: Factors influencing transgenerational intent in family firms. *Family Relations 62 (July),* pp. 415-428.