

Running head: TRUST, FAMILY BUSINESSES, & SUCCESSION PLANNING

Trust, Family Businesses, & Succession Planning: Exploring a Restorative Approach

by

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BA, University of Winnipeg, 2005

A Master's Project Submitted in Partial Fulfillment
of the Requirements for the Degree of

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Executive Summary

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Succession planning is a key process for the survival of a family business into the next generation. Succession planning is defined as the process whereby business owners plan when and how they will exit their business. The academic and professional literature demonstrates that trust is a foundational aspect of planning for succession. Despite the reference to trust throughout the literature, there is a gap in the research about the mechanisms that build and repair trust in family businesses. This research project explores the lived experiences of family business predecessors and successors to discover how trust influences succession planning, as well as consider the theory and practices of restorative justice as a trust-based framework for family businesses to navigate the succession planning process. The goal is to answer these research questions: How does trust influence the process of planning for family business succession? How can principals and processes of restorative justice be applied to the family business context to address succession planning?

Methodology

Over a three-month period in fall 2013, a total of six interviews were conducted with family business successors, predecessors, and business advisors in Victoria, B.C. Interviews were audio recorded, transcribed, and analyzed to identify themes.

Findings

Findings assert that trust is characterized by three major themes: open communication, mutual respect, and mentorship. These foundations of trust correspond with the three levels of trust

found in a family business: interpersonal trust, competence trust, and systems trust. The three themes are interrelated: mentorship requires communication and mutual respect; open communication creates mutual respect and mentorship opportunities; mentorship reinforces mutual respect and establishes open communication. The demonstration of all three themes requires trust, as they necessitate a willingness to take a risk both professionally and personally, be vulnerable with emotions and competences, and dependence on the other for future success of the business. Overall, the theme of open communication had the most prominent role, as its presence was necessary for both the predecessor and successor to understand and experience mutual respect and mentorship.

The findings suggest that if cultivated, mutual respect, communication, and mentorship can be foundational elements to sustain and build trust in the family business sphere and support people through the challenging process of planning for succession. Further, an exploration of restorative justice approaches to build systems trust revealed that the overlap of family business practices with restorative justice practices. This suggests that restorative justice approaches could be a viable alternative for building foundations of trust in a family business, as well as preventing, managing and repairing trust violations.

Recommendations

The following recommendations are purposively broad in scope and are intended as general reference points for the Canadian Association of Family Enterprise, Vancouver Island Chapter (CAFE VI). They may apply the recommendations as they see fit as they serve a variety of members and each family business is a unique organization.

- **Continue to enhance communication skill building for members:** CAFE VI should continue to enhance basic communication skill building information or training for members to encourage open communication about succession between predecessor and successor, as well as all members of family businesses.
- **Expand mentorship opportunities between family businesses:** CAFE VI should consider the creation of a formal peer-to-peer mentor program to connect members, such

as predecessor to predecessor, as mentorship can provide personal and professional development that can contribute to a more successful succession process.

- **Continue to connect family business members with external advisors:** CAFE VI should continue to connect families with advisors that assist families in navigating family dynamics and the emotional side of succession.
- **Further explore restorative approaches as a process for building foundations of trust and repairing trust:** CAFE VI should further explore the use of a restorative approach as an alternative way for families to build foundations of trust, have potentially difficult conversations about succession planning, as well as rebuild trust when there has been a harm or violation of trust. Many of the restorative practices are already being exhibited by family businesses.

This report has been completed in partial fulfillment of a Master's of Arts in Dispute Resolution at the University of Victoria. Research was conducted in cooperation with CAFE VI.

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Dedication

This project is dedicated to my family. You are my source of strength, offering guidance and compassion, debate and affection, laughter and encouragement. Thank you for believing in me. Mom, Dad, and Morgen - I could not have done this without you.

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Chapter 1: Introduction

Planning for succession has been identified as one of the most important processes to increase the survival of family businesses into the next generation. Succession planning is defined as the process whereby business owners plan when, how, and by what means they will exit their business that considers the business's continued success (Sharma, Chrisman, Pablo & Chua, 2001, p. 2; Wang, 2011, p. 7). Statistics show that while 41 percent of small and medium-sized Canadian business owners plan to exit their business within five years, only 35 percent are planning for their future succession, and of those, the majority of plans are informal and unwritten (Bruce & Picard, 2005, p. 5; Checkley, 2010, p. 8; Wang, 2011, p. 12). Of the small businesses that are family owned, it is suggested that only 30 percent of these firms survive into the second generation of family ownership, and only 15 percent survive into the third generation (Sharma et al., 2001, p. 18; Tagiuri & Davis, 1996, p. 200; Ward, 1987). This prompts the question: Why are family businesses failing to plan for succession?

Family businesses, or firms, are defined as “organizations where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights” (Tagiuri & Davis, 1996, p. 199). The Canadian Association of Family Enterprise (2013) suggests that half of all family businesses will transition to the next generation within the next five years. Proactive succession planning, or planning far in advance of retirement for succession, is an essential business practice to ensure that personal, familial, and business needs are met once an owner exits the business (Wang, 2011, p. 8). Checkley (2010) found that although there is no set timeframe for when planning should begin, the literature states that planning should occur as early as possible, even before the predecessor has set and committed to a retirement date (p. 26). Research has documented that over 85 percent of the origins of the failures lie within the family itself, based primarily on a lack of communication, trust, and respect within the family (Irvine & Reger, 2013, p. 1).

Succession planning is a key process for the survival of a family firm. The academic and professional literature demonstrates that trust is a foundational aspect of planning for succession. Trust is “the intention to accept vulnerability based on positive expectations of the intentions or behaviour of another” (Dyer, 2012, p. 158). Within the business context, trust

matters since it often allows individuals to interact in a cooperative manner, improves self-esteem, innovation and creativity, and leads to improved productivity (Dyer, 2012, p. 159). Despite the reference to trust throughout the literature, there is a gap in the research about the mechanisms that build and repair trust in family businesses. This gap prompted this research project, *Trust, Family Businesses, and Succession Planning: Exploring A Restorative Approach* in collaboration with the client, the Vancouver Island Chapter of the Canadian Association of Family Enterprise (CAFE VI). This report seeks to explore the lived experience of family business predecessors and successors to discover how trust influences succession planning, as well as consider restorative justice as a trust-based mechanism for family businesses to navigate this process. The goal is to answer these research questions:

- How does trust influence the process of planning for family business succession?
- How can principals and processes of restorative justice be applied to the family business context to address succession planning?

This report provides recommendations based on the experiences of the respondents. The following objectives were identified:

- Establish an understanding of the challenges present in the family sphere of a family business, specifically the emotional impact or “soft side” of succession,
- Identify the influence that trust has in the succession planning process, and
- Create a list of recommendations for CAFE VI that establishes how to support members with issues related to trust and succession planning.

1.1 Background of Client

This report is commissioned for CAFE VI to explore the role that trust has in proactive succession planning for family business and how restorative justice could be used as a mechanism in the context of family businesses. Trust and trust repair were identified by CAFE VI as an issue faced by many family businesses (Kux-Kardos, personal communication, May 27, 2013).

The Canadian Association of Family Enterprise (CAFE) is a national, member-based organization that was founded in 1983 to support a wide range of family enterprises. The purpose was to build a network of family business owners and participants that can help each other, through knowledge and experience exchange. The Vancouver Island chapter of CAFE was started in 1995, and its mission focuses on the promotion of well-being and understanding of families in business, by encouraging, educating and informing members in issues unique to the family business (CAFE, 2013).

Membership services are offered to both family business and advisors. CAFE VI works with family businesses of all sizes and from all industry sectors. Members can range from the whole family, regardless of whether they participate in the family business, founders, successors, spouses, and extended family members. The organization also works with professionals and professional firms who provide consulting and services to family businesses, as well as non-family members working in a family business. CAFE VI offers programs and services to its members. These include Personal Advisory Groups (PAGS) and ongoing educational programming. PAGS meet monthly and include eight to twelve participants from non-competing businesses to provide personal and professional support to one another (CAFE, 2013). These meetings offer a confidential environment to share issues that arise in family business. Ongoing education programming includes workshops, seminars and webinars that address a wide range of topics, such as succession planning and implementation, taxation issues and financing, family law and estate planning, ownership transition, selling the firm outside the family, family conflict and rivalry, and conflict resolution and mediation (CAFE, 2013). CAFE VI also offers opportunities for networking and recognition opportunities for businesses through events, a biennial conference, awards, and a Membership Directory (CAFE, 2013).

Although CAFE VI provides information and education about the succession planning process, CAFE VI is facing difficulty encouraging its members to plan for succession, suggesting only ten percent of small businesses are succeeding to the third generation due to a lack of planning (Kux-Kardos, personal communication, December 2012). This report will provide recommendations on how CAFE VI can better support members of family businesses

to tackle issues related to trust when going through the process of succession planning.

1.2 Chapter Summary

This chapter provided introductory comments, as well as the research question and objectives, as well as a brief description of the report's client. The remainder of the report is divided into seven chapters. Chapter 2 presents a review of the literature, providing background information on family business succession planning, as well as advantages and challenges to that process, and trust literature. Chapter 3 outlines the methodological process chosen for this project. Chapter 4 reports the findings from the participant interviews. Chapter 5 is a discussion of the findings in conjunction with the literature and brings in new literature to frame the discussion. Chapter 6 presents the report's recommendations, and Chapter 7 is the report's concluding remarks.

Chapter 2: Background & Literature Review

Chapter 2 will situate the research, outlining the importance of family businesses to the Canadian economy, providing definitions, and introducing the unique experience of family businesses with succession planning. A discussion of the advantages and challenges of succession planning is also included, with a focus on the soft side of succession planning, specifically the emotional dimension and managing relationships. Then, an overview of the existing information of trust and family businesses is included, outlining the importance of trust, the levels of trust, as well as trust and distrust. Finally, the theory of restorative justice will be introduced as a potential framework that can address issues related to trust and succession planning. This section will seek to better understand trust in family businesses and position the research.

2.1 Small and Family Businesses in Canada: Succession Planning

Small and family businesses are an integral part of Canada's economy and communities. They account for a large majority of all businesses in Canada and represent the largest employer of Canadians. The Sauder School of Business estimate that about half of the Canadian workforce is employed by small and family businesses which create anywhere from 45 to 60 percent of national Gross Domestic Product (GDP) (Halyk, 2012, p. 1). Research shows that a significant planning issue shared by these businesses is the question of succession, or changes in the top leadership of a business (Fox, Nilakant, & Hamilton, 1994, p. 15; Handler, 1994, p. 133; Ip & Jacob, 2004, p. 326; Lansberg, 1998, p. 120).

Succession planning is defined as the process where business owners plan when, how, and by what means they will exit their business that considers the business's continued success (Sharma et al., 2001, p. 2; Wang, 2011, p. 7). Planning for this transition is a complex process that includes such actions as creating the procedures necessary for a successful transfer, legal and financial considerations, psychological factors, leadership development, and exit strategies (Ip & Jacob, 2006, p. 327). Statistics show that while 41 percent of small and medium-sized Canadian business owners plan to exit their business within five years, only 35 percent are planning for their future succession, and of those, the majority of plans are

informal and unwritten (Bruce & Picard, 2005, p. 5; Checkley, 2010, p. 8; Wang, 2011, p. 12). Of the small businesses that are family owned, it is suggested that only 30% of these firms survive into the second generation of family ownership, and only 15% survive into the third generation (Sharma et al., 2001, p. 18; Tagiuri & Davis, 1996, p. 200; Ward, 1987). The Canadian Association of Family Enterprise (2013) suggests that half of all family businesses will transition to the next generation within the next five years.

2.2 Family Business: A Unique Organization

Family businesses are defined as “organizations where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights” (Tagiuri & Davis, 1996, p. 199). Family businesses are unique

organizations since they encompass the overlap of two influential systems: family and business, both of which can influence the process of succession planning. For this research’s purpose, which is looking at the critical relationship between the predecessor and the successor, only the **overlap** of these two influential systems will be explored, as shown in Figure 1. This model is modified

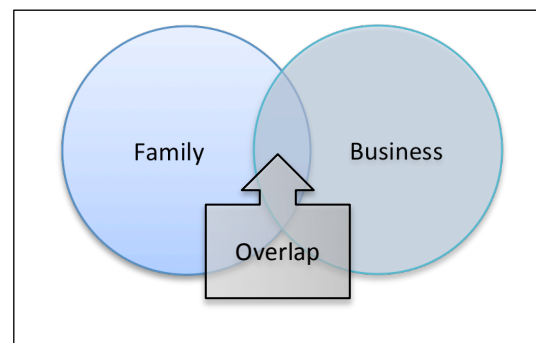


FIGURE 1: OVERLAPPING SPHERES (MODIFIED FROM TAGIURI & DAVIS, 1996)

from the Three Circle Model, as shown in Figure

2 (Tagiuri & Davis, 1996, p. 200), which discusses the characteristics or roles and rules of individuals based on where they were located in relation to the overlap between the family, business, and ownership systems. For the purpose of this research, the researcher chose to

focus on two spheres, family and business.

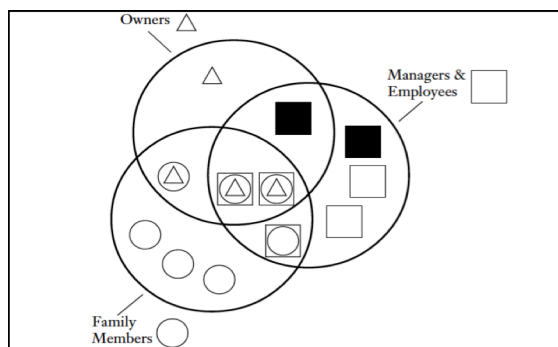


FIGURE 2: THREE CIRCLE MODEL (TAGIURI & DAVIS, 1996)

Succession planning is part of the transition process for family businesses. Proactive succession planning, or planning far in advance of retirement for succession, is an essential business practice to ensure that personal, familial, and business needs are

met once an owner exits the business (Wang, 2011, p. 8). Checkley (2010) found that although there is no set timeframe when planning should begin, the literature states that planning should occur as early as possible, even before the predecessor has set and committed to a retirement date (p. 26). The next section will outline some of the advantages and challenges for family business succession planning.

2.3 Advantages to Succession Planning

Proactive succession planning can offer many advantages for a business. Literature has identified that succession planning is among the most important characteristics that increase the survival of the business into the next generation (Ip & Jacob, 2006, p. 331; Wang, 2011, p. 7; De Massis, Chua, & Chrisman, 2005, p. 183).

Proactive planning, which is planning for succession well in advance of the transition date, can mitigate financial issues. Businesses that can put important legal and financial structures in place will help sustain their business, as well as increase the financial literacy of the business members through learning and using these structures (Walsh, 2011, p. 37). Formal succession plans help businesses avoid risk of closure following transfer (Morris, Williams, & Nel, 1996, p. 78) and raise the likelihood of successful transitions (Ip & Jacob, 2006, p. 336). Further, planning increases communication and collaboration between business members (Pitts, Fowler, Kaplan, Nussbaum, & Becker, 2009, p. 75), and can represent an opportunity for an organization to plan strategically for changes in the market and in management as the business grows (Dyck, Mauws, Starke, & Mischke, 2002, p. 144). Finally, family businesses with positive family relationships that are characterized by limited conflict, rivalry and hostility, and good levels of trust, tend to have successful family transitions (Morris et al., 1996, p. 78). Planning processes can be completed with the active assistance of advisors, who can help family businesses navigate the technical issues of planning (Walsh, 2011, p. 49).

Despite the advantages to creating a plan, family businesses continue to fail to plan for succession. Failed successions have been attributed to a number of barriers that can be challenging for family firms. The challenges facing family businesses will be explored in the next section.

2.3.1 Challenges to Succession Planning

The challenges of planning for succession can be found in both the family and business spheres. These barriers include, but are not limited to, time and experience with the process, managing relationships, and ignoring the “soft side” of succession.

Succession planning is a process that takes a considerable amount of concentrated effort and time. As it occurs only once for each generation, few people in either the family or the business sphere will have had experience with dealing with the challenges that arise, including when and how succession should be dealt with (Fox et al., 1994, p. 16). This includes both the technical steps (e.g. legal and financial structures) and the human aspects (e.g. changing roles, conflict, and communication) of the transition. The experience deficiency is significant because a lack of knowledge or information about the succession process could impede the current members from starting the planning process. Succession is also a multi-staged process that unfolds in stages, requiring resources and time to create a smooth transition and a common vision for the firm (Morris et al., 1996, p. 398). The perception from family business owners that succession can occur over a relatively short period of time is a significant barrier to overcome (Bruce & Picard, 2005, p. 9).

Other challenges that have been identified in the literature include: sibling rivalry caused by competition for the successor role, finances, or lack of clarity about responsibilities (Kellerman & Eddleston, 2007, p. 547); poor or lacking communication due to an inability or reluctance to talk about the succession plan, decision-making processes, or a history of strained relationships (Dyck et al., 2000, p. 144); conflict between family business members due to overlapping roles of family, personal, and business expectations (Fox et al., 1996; Wang, 2011, p. 13); specialized knowledge transfer from one generation to the next (Sharma, 2004, p. 13); financial issues concerning retirement funds or minimizing transfer taxes (Miller, Steier, & Le Berton, Miller, 2003); the unwillingness of the owner to step out of the leadership role due to a fear of mortality or loss of power (Sharma, 2001, p. 22-23); and the indecision or dearth of choice when choosing a successor (Ket de Vries, 1993, p. 68). For a more in depth review of these barriers to succession planning, please refer to Wang (2011).

Much of the succession literature focuses on the technical aspects of succession rather than the family, or emotional sphere. The “hard issues” include tax minimization, estate freezes, family trusts, buy-sell agreements, and wealth management (Bruce & Picard, 2005, p. 9; Walsh, 2011, p. 15). These issues are often more straightforward and can be done with the assistance of an advisor. The “soft issues”, such as relationship building and interpersonal conflict, are often neglected. This is due in part to a lack of capacity or willingness to deal with the emotional repercussions of succession and the challenge of managing relationships. For the purpose of this research, this report will focus on the barriers related to the “soft” or emotional side of succession planning and will be outlined in the next section.

2.4 The Soft Side of Succession: A Focus on the Family Sphere

Most barriers to succession in family business are found at the individual and interpersonal levels, and are commonly considered “soft” in nature. The main “soft issues” are the emotional impact of succession on the family and managing relationships. The emotional component is a significant part of succession planning since it is the family members of the business who will ultimately plan for the transition or not. The most intractable family business issues are not the business difficulties the organization faces, but the emotional issues that compound them (Ket de Vries, 2007). The literature review will look further at the role of emotion and family relationships in family businesses.

2.4.1 Emotion and Succession Planning

As shown in Figure 1, the family business is made of two overlapping systems: family and business. Whereas the business sphere is based on rational, economic principles, the family sphere is organized and based on emotions (Ket de Vries, 2007, p. 26). The dynamic overlap of these two seemingly incompatible systems make it more likely that family firms see a wider variety and intensity of emotions than a non-family firm. Emotions refer to feelings and their “distinctive thoughts, psychological, and biological states, and range of propensities to act” (Brundin & Sharma, 2012, p. 56). Past researchers regarded the family as a separate entity

from the business and that the two entities had their own structure with separate goals and tasks (Tagiuri & Davis, 1996, p. 199). However, current thinking in the family business field has moved away from the idea that emotions did not significantly impact family firms, to an acknowledgement that they play a meaningful role in these businesses (Brundin & Sharma, 2012; Tagiuri & Davis, 1996; Morris et. al, 1996). In fact, family businesses are an arena where some emotions can be observed at their most intense because members of family firms can experience a range of emotions, which will influence both the family and business spheres. Both negative emotions, such as hate or anger, and positive emotions, such as love and commitment, can co-exist and this “emotional messiness” (Brundin & Sharma, 2012, p. 61) is the norm in family firms due to the hybrid of the family and business systems, as well as the multiple identities experience by its members. The experience of multiple identities, or the overlapping roles of family, owner, and business member, can mix up issues that would typically be more separate in a non-family firm¹. For example, a conversation about a business issue could become an emotional argument about a family issue, while family decisions could be made on the basis of company needs (Tagiuri & Davis, 1996, p. 202). In times of change, such as succession planning, multiple identities can seem incompatible and clash (Brundin & Sharma, 2012, p. 64).

Triggering events like succession can destabilize a stable system and create ambiguity, confusion, and conflict among the family members (Morris et al., 1996, p. 69). The emotional and interpersonal issues that may already exist within the family, or emotional messiness, can become magnified as changes to the firm occur (PriceWaterhouseCooper (PWC), 2011, p. 16). Managing the negative and positive emotions that arise becomes an important task for the family business. One of the main reasons for the high failure rate among first- and second-generation family businesses is their inability to manage the complex and highly emotional process of ownership and management succession from one generation to the next (Ventor et al., 2005, p. 283). This means navigating the complex emotions that arise during the process of succession planning. Literature supports the idea that succession is an emotionally charged issue, which means that succession is a process that can evoke strong emotions. And scholars

¹ These overlapping and interacting systems have been explained in some family business literature using “systems theory”. For supplemental literature on systems theory and family businesses, see Distelberg, B., & Blow, A. (2010), Distelberg, B., & Sorenson, R. L. (2009), and Peterson, P., & Distelberg, B. J. (2011).

have demonstrated with examples: the unwillingness of predecessors to step aside, the difficulty of choosing a successor, or interpersonal conflict between family members (Beckhard & Dyer, 1988; Lansberg, 1988; Le Breton Miller, Miller, & Steier, 2003; Sharma, 2001; Wang, 2011).

Emotional messiness will manifest both in the people involved in the family business and in the relationships between people. It is how family members manage the emotion that is important.

2.4.2 Managing Relationships

It is the inability to effectively manage the family component that has proven to be the major stumbling block for many family businesses in the succession process (Walsh, 2011, p. 13). The emotional management of relationships could assist family businesses in navigating the emotionally charged process of succession and ensure that key relationships are maintained.

Relationships among family members are densely linked; therefore, the consequences of one bad relationship are felt throughout the tight web of other relationships in the business (Sharma, 2004, p. 8). There are six integral relationships involved with the management of succession in a family-owned business (Fox et al., 1996, p. 16). These include: (1) the business and key stakeholders; (2) the incumbent CEO and the business; (3) the successor and the business; (4) the successor and the incumbent; (5) the successor and the key stakeholders; and (6) the incumbent and the key stakeholders (p. 20). Each of these relationships need to be managed throughout the succession process as they have the capacity to negatively affect the business's ability to successfully move through and beyond succession. This research focuses on the relationship between the successor and the predecessor as key in a successful transition, as it has been discussed as a critical relationship in the literature (Dyck, 2002; Fox et al, 1996; Lansberg, 1988; Sharma et al, 2003). These two are the central players; the predecessor facilitates the successor in taking over the leadership role, and, therefore, both must be involved in the succession planning process in order to effectively transition.

The methods in which a family business can manage these relationships are suggested in the family business literature. Some scholars propose that businesses use different governance mechanisms to manage relationships and navigate the emotional experience of succession. In the traditional sense, governance can be defined as the organizational structures that outline who is accountable to whom, as well as the organizational processes that determine how decisions are made (Walsh, 2011, p. 49). Family businesses have to account for corporate issues and additionally address the family component. Governance structures can include family councils, meetings, and retreats, as well as the creation of frameworks that provide guidance for collaboration and engagement to encourage family cohesion (Eddleston, Chrisman, Steier, & Chua, 2010, p. 1048; Lansberg, 1988, p. 138; Sorenson, 1999, p. 334; Sundaramurthy, 2008, p. 97). Cohesion refers to the degree of connectedness and emotional bonding that family members experience within a family (Lansberg & Astrachan, 1994, p. 42). A lack of cohesion leads to conflict. Eddleston and Kellerman (2006) confirmed that relationship conflict significantly harms a family firm's performance and that a participative strategy process is positively related to firm performance. Family firms that encourage knowledge sharing about firm specific processes tend to be more innovative and efficient (Eddleston & Kellerman, 2006, p. 559). Therefore, governance strategies are critical to creating and maintaining positive family cultures and relationships (Sorenson, 1999, p. 328; Sundaramurthy, 2008, p. 98), which will assist family businesses during times of change.

The interaction between trust and governance merits further exploration (Eddleston et al., 2010, p. 1044), as well as how to better foster communication and collaboration between the individuals involved within these structures to enhance interpersonal relationships. This information gap will be addressed in the literature review, which will focus specifically on the concept of trust and how it influences succession planning.

2.4.3 Conclusion

Emotions and family relationships influence the process of planning for succession. The inability to effectively manage the family component is a challenge for family businesses in the succession process. The emotional management of relationships is a part of business

practice and would assist family businesses in navigating the emotionally charged process of succession and ensure that key relationships are maintained. The literature suggests different governance structures or tools to encourage collaboration and communication and to create family cohesion.

2.5 Trust and Family Business Succession

Trust is named as an important factor that influences successful succession in the literature, particularly in the relationships between the successor and predecessor. Trust implies relationships – one person depending upon another person and vice versa – and facilitates human interaction and cooperation (Rule & Friedburg, 2005, p. 194-5; Sundaramurthy, 2008, p. 89). It is most commonly referred to as a characteristic of a high quality relationship (Dyck et al., 2002, p. 161; Lansberg & Astrachan, 1994, p. 47; Morris et al., 1997, p. 71; Ventor et al., 2005, p. 299). The literature positions trust as a feeling, or “an emotional state or reaction” (Merriam-Webster Dictionary.com), which is associated with effective communication (Dyck et al., 2001, 161), mutual role adjustment by the predecessor and successor during transitions (Fox et al., 1996, p. 21), mutual respect (Checkley, 2009, p. 37), and belief in the capacity of the successor to take over (Ventor et al., 2005, p. 283). In these examples, trust is more often referred to without any clear definition of the term. Trust is a precondition for better performance and competitive success in business (Lane, 2000, p. 1). A lack of trust generates rivalry and jealousy between the successor and predecessor (Lansberg, 1988, p. 126), poor communication about succession planning (Dyck et al., 2002, p. 160), and as obstructing the process of choosing a successor (De Massis et al., 2005, p. 188). This research assumes that trust is important for succession planning, however the term itself still requires definition.

2.5.1 Defining Trust

Trust influences family businesses and this research will explore the concept of trust further. For the purpose of this research, trust will be defined as “a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or behaviour

of another” (Eddleston et al., 2012, p. 1044; Dyer, 2012, p. 158; Kim et al, 2009, p. 401; Mayer, Davis, & Schoorman, 1995, p. 712; Rousseau, 1998, p. 398; Steier, 2001, p. 353; Sundaramurthy, 2008, p. 90). In other words, a person agrees to be vulnerable based on the belief that they will benefit in some way by a relationship to a person, a group, or an institution. In family business succession planning, family members trust that others are working with the best intentions for success of the business and well being of the family. This research project assumes that for succession planning to occur, trust is present in the relationship between successor and predecessor. This definition will assist this research to better understand how to recognize when trust is present in a family business and how it influences succession planning.

Trust is the expectation that the vulnerability that results from an acceptance of risk will not be taken advantage of by the other party in the relationship (Lane, 2000, p. 3). Although definitions of trust vary across disciplines, most conceptualizations of trust include two necessary conditions that must exist for trust to arise: risk and interdependence (Rousseau et al., 1998, p. 395). Risk taking, followed by reward, affirms trust. In the literature, risk is assumed as inherent in social relationships (Lane, 2000, p. 3). Interdependence is created through the reliance on another to achieve a common interest. These two aspects are conditions that must exist for trust to arise (Rousseau, 1998, p. 395).

2.5.3 The Importance of Trust

Trust is an important resource and foundational factor for family businesses. It can be influential in reducing conflict, facilitating effective group functioning, lowering transactions costs and agency costs, helping family members and non-family employees feel more secure at work, and improving productivity (Dyer, 2012; Fukuyama, 1995; Rousseau et al., 1998; Sharma, 2004). Trust is

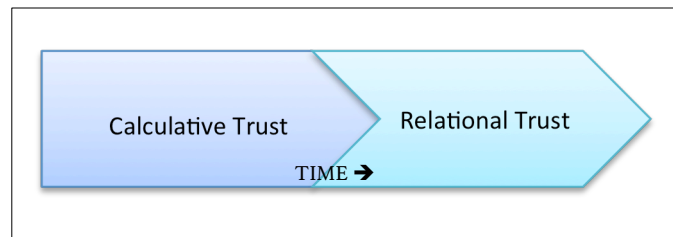


FIGURE 3: RELATIONAL TRUST REPLACES CALCULATIVE TRUST OVERTIME
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said to foster better communication, cooperation, and confidence between family members, which can lead to the beneficial factors listed above.

The formation of trust in relationships occurs in different ways, with two forms being the most prominent in the literature: calculative and relational trust (Hauswald, 2012, p. 15).

Calculative trust exists at the beginning of the relationship between a trustor and trustee. It is when individuals make choices to trust based on a rational consideration of costs and benefits. As seen in Figure 3, the relationship between both parties evolves with time; calculative trust is continuously replaced by relational trust (Hauswald, 2012, p. 16). *Relational trust* stems from repeated interactions over time between trustor and trustee. This type of trust is formed through the information available to the trustor from within the relationship. This is as opposed to calculative trust, in which the information is gathered from outside sources, separate from the interaction between the two parties (Rousseau et al., 1998, p. 399). In relational trust, there are repeated cycles of exchange of trusting behaviour and the positive fulfillment of expectations strengthens the willingness of both parties to rely upon each other (Hauswald, 2012, p. 16). As the participants in this research are family members and have had a history of association with repeated interaction over time, this research assumes that relational trust is the type manifesting. For a more fulsome understanding of the different theories related to the forms of trust, see Lane (2000), Rousseau et al. (1998), and Welter (2012).

Although the origin of trust is always grounded in an individual perspective and between two parties (Hauswald, 2012, p. 16), trust is a concept that exists as multiple levels of analysis (Schoorman, Mayer, & Davis, 2007). Generally, relational trust, as outlined above, in family firms is seen at three levels of analysis: interpersonal trust, competence trust, and institutional, or systems, trust, as seen in Figure 3 (Dyer, 2012; Kim et al., 2009; Sundaramurthy, 2008). Scholars suggest that trust is also a multi-level phenomenon and it is useful to explore the interconnections among trust at multiple levels (Lane, 2000; Rousseau et al., 1998; Sundaramurthy, 2008).

Interpersonal trust is based on one's relationship with another person and is primarily based on one's relational history with that person (Dyer, 2012). The interpersonal trust among family members is based in kinship, familiarity, history, and extended periods of experience (Sundaramurthy, 2008). People are deemed "trustworthy" when they have proven to be predictable and reliable in certain situations. *Competence trust* is based on the skills, abilities, and experience of the other party (Dyer, 2012). It is a belief that the parties entrusted to do a certain job within a family firm are not only willing, but capable, of performing the job effectively. *Systems trust* is the next level. This level of trust is based on whether individuals see the system, the rules, or the processes as being fair and trustworthy (Dyer, 2012). Within the family business, rules and guidelines that outline clear roles, responsibilities, and expectations can enhance the potential for trust and mitigate conflict in the family system (Sundaramurthy, 2008). Therefore, trust is an interconnected, multi-level phenomenon (Lane, 1998; Rousseau et al., 1998; Sundaramurthy, 2008). However, the origin of trust is always grounded in an individual perspective (Hauswald, 2012, p. 17), and this research will focus on the experience of the individuals within these three levels.

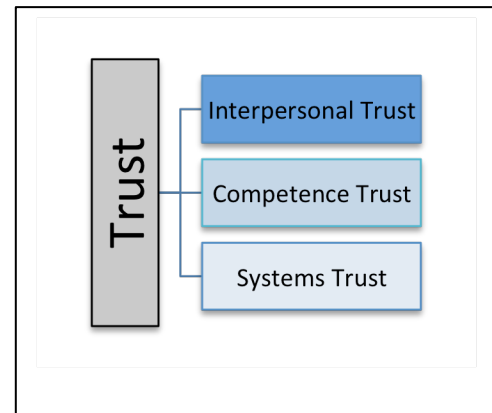


FIGURE 4: TYPES OF TRUST IN FAMILY FIRMS

Trust can be problematic when there is an overreliance on it in family relationships. Trust can have a dark side that appears in the form of relational inertia, blind trust, and over-trusting behaviour (Welter, 2012, p 200). This dark side can be dysfunctional for family businesses as it diminishes warnings caused by anxiety, can cause complacency, erode the quality of decisions made, and damage the businesses competitive advantage in the market (Sundaramurthy, 2008, p. 93). For example, trust can mean an expectation exists that an individual in the family firm will not pursue activities for self-interest, such as education or networking, which can damage a business's competitive advantage. As there is a dark side to trust, the concept of trust cannot, therefore, exist apart from distrust. Trust and distrust are developed as people share experiences and gain knowledge of each other (Lewicki & Wiethoff, 2000). Distrust is defined as "confident negative expectations regarding another's

conduct”, meaning a fear of, or a propensity to attribute, threatening intentions of another (Lewicki et al., 1998, p. 439). Too much distrust can lead to problems with coordination, control, and, consequently, can undermine an enterprise (Steier, 2001). Lewicki et al. (1998) advance the idea that trust and distrust are linked but separate concepts. As both trust and distrust are separate constructs that can co-exist within aspects of interpersonal relationships, the amount of each can shift and change in a relationship. A functional coexistence between these two concepts is argued to sustain trust within a family business (Sundaramurthy, 2008). For example, a successor having the ability to question decisions made by a predecessor encourages dialogue and collaborate decision-making. The tension between trust and distrust is productive and can act as a stabilizing force for a functioning relationship (Lewicki, McAllister, & Bies, 1998).

2.5.4 Trust Violation and Repair

Trust violations in a family business are based on a violation of expectations. Violations of trust can include stealing, forgery, lying, failure to meet obligations, failure to follow agreed-upon procedures, and a lack of transparency, such as not sharing or withholding information. These types of violations can unfold in two ways (Dyer, 2012). The first is through acts of commission; when individuals, groups, or organizations do something that is inconsistent with one’s expectations. The second is an act of omission; when an individual, group, or organization fails to do something that had been agreed to. Violations or harms such as these can be both real and perceived. Regardless, the result of a violation decreases trusting beliefs in, and trusting intentions toward, another person (Kim et al., 2009). Understanding the context of how trust was damaged will inform the process of reparation (Shoorman, Mayer, & Davis, 2007, p. 349).

In a family business, a successor may have an expectation of taking over the leadership role. Any changes to the expectations of the successor could violate the trust between her and her predecessor. In order for the parties involved to move forward and repair the violation, they would need to sort out the expectations, emotions, and violations together. When looking at the theory behind trust repair, the process ultimately involves the interaction of both the

trustor (the person doing the trusting) and trustee (the person who is being trusted) as they attempt to resolve discrepancies in their beliefs of the other and the situation (Kim et al., 2009). If trust is violated in family relationships, the continuance of the relationship is dependent on addressing the situation that occurred (Lewicki & Wiethoff, 2000). Within the context of a family business, trust repair would require the willingness of the parties involved in the violation to participate in an active process of resolution and explore the violated expectations. Three assumptions exist at the core of trust repair: (1) the notion that trustees want to be considered trustworthy, (2) the inclination of trustors to believe that greater trust in their trustees is not deserved, and (3) the efforts of trustors and trustees to resolve these discrepant beliefs (Kim et al., 2009, p. 40). The literature does present a “checklist” to repair interpersonal trust in a family business, as described by Dyer (2012, p. 161-162). This process begins with confession, followed by remorse, attribution, fixability, restitution, promise to not repeat, and forgiveness. However, this process is prescriptive and retributive with the individual who violated trust having to bare the weight of the repair.

2.5.5 Conclusion

As family businesses transition leadership from one generation to the next, so will the relationships that have been fostered within the business. Interpersonal, competence, and systems trust levels demonstrate that trust is dynamic and it emerges at different stages of a relationship. A healthy balance of trust and distrust is important to ground a relationship, as trust is fluid and can change, depending on the interaction that occurs. The processes to manage relationships and to build or rebuild trust must be developed as changes to the business and the relationships within the business occur (Steier, 2001). How trust and distrust changes can in part be attributed to how trust is violated and repaired. However, surprisingly little is known about the exact mechanism of how trust in relationships is destroyed and repaired. In the next section, restorative justice will be discussed as a possible mechanism.

2.6 Using a Restorative Approach

The theory and practice of restorative justice holds a promise to build the capacity in family businesses to proactively manage trust and relationships. Restorative justice’s central goals of

harm repair and building interpersonal relationships inspired the researcher to explore its theoretical application to family businesses and succession planning. First, a brief introduction to restorative justice and then an overview of how restorative approaches has been applied to other contexts.

2.6.1 An Introduction to Restorative Justice

Restorative justice is as an alternative form of justice and originated as a response to crime and wrongdoing. Restorative justice is a process involving the primary stakeholders in determining how best to repair the harm done by an offence and collectively attempt to heal damaged relationships (Goodstein & Aquino, 2009; London, 2010; Zehr, 2004). It seeks to reframe the idea of punishment toward a focus on collectively identifying the harms, needs, and obligations of the participants “in order to heal an put things are right as possible” (Zehr, 2004, p. 37). The umbrella goal of restorative justice is to heal damaged relationships. However, there are three central goals to the theory: *participation*, in which everyone affected by the conflict must participate; *reparation*, which is repairing harm through the acknowledgement of harm caused and collaborative problem solving; and *reintegration*, the offender is reintegrated in the community and forgiveness occurs (Zehr, 2004; Kidder, 2007). A community can be defined as a workplace, family, or a conflict (Rundell, 2007, p. 53). A key dimension of restorative justice philosophy is self-determination. Self-determination connotes the idea that when people develop their own analysis and make their own decisions, interpretations are more likely to be helpful, realistic, and lasting than those imposed or suggested by someone else (Mediation Services, 2010). Emphasis is on engaging and empowering those directly involved and the use of collaborative problem solving (Zehr, 2004, p. 306).

2.6.2 Restorative Practices

Processes used for repairing harm are called “restorative practices”. There are either formal

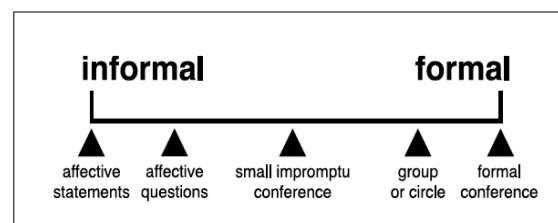


FIGURE 5: RESTORATIVE PRACTICES CONTINUUM

processes, such as conferencing, circle conferencing, circle processes, and family group conferencing, or informal processes, such as affective statements and questions, that aim to manage conflict and to develop community by repairing harm and building relationships (see Figure 5). The processes used in restorative justice include a meeting of the participants with an experienced facilitator to hold a group decision-making session or sessions to resolve the conflict (Kidder, 2006, p. 9).

Although restorative justice originated as a response to crime, the main goals of restorative justice and its practices can be extracted from this specific context and applied to others, including the family business context. The next section will explore how restorative approaches have been successfully applied to contexts outside the criminal justice system.

2.6.3 Contextualizing Restorative Justice

When restorative justice is viewed as a philosophy, an opportunity exists to move beyond the limited criminal justice framework and recognize the wider possibilities of using restorative approaches in other fields. Beyond the criminal justice context, restorative justice theory and its corresponding restorative practices have been applied to education and organizational management.

Exploratory research conducted by Kidder (2007) advances that using restorative justice as a mechanism in the workplace to repair damaged relationships can increase employee well-being and organizational effectiveness (p. 17). Using the three goals of restorative justice (participation, reparation, and reintegration), Kidder's (2007) research introduces the concept as an alternative way to restore trust and repair harm that occurs with interpersonal conflict in the workplace. Her research findings concluded that participation in a successful restorative justice meeting would empower employees to work through conflict, which has been found to be a barrier to effective performance (Kidder, 2007). Organizations can also benefit indirectly as employees can learn to better cope with future impersonal conflicts as well as increase empathy (Kidder, 2007). Using restorative practices, which includes meetings with all stakeholders, can also reinforce group norms, clarify roles and responsibilities, and can

provide a coaching opportunity to increase the quality of interactions between co-workers (Kidder, 2007). Restorative justice provides a training opportunity to strengthen interpersonal relationships, thereby increasing trust and the health of interpersonal relationships. Goodstein and Aquino (2009) expand on this research, stating that although not all transgressions in the workplace can be addressed using this process, “there may be many instances where restorative justice approaches can yield important benefits through healing...relevant stakeholders” (p. 626).

Another field of research for restorative justice theory has been in education. In schools, restorative justice is usually referred to as restorative measures or restorative practices and is represented by an extensive set of prevention and intervention strategies aimed to address discipline, well-being, and educational objectives (Shaw, 2007, p. 128). The notions of relationship repair and personal accountability have particular appeal in schools, where issues of order, justice, and punishment are closely linked to social relationships and institutional inclusion. Through formal and informal initiatives in the education system, the objectives of restorative practices or “peace education” have been for learners to experience problem-solving communication. Participants learn to describe unmet needs, the consequences of those unmet needs, and ways to meet those needs, including repair of harm (Carter, 2012). Processes like circles and groups provide opportunities for students to share their feelings, build relationships and solve problems, and when there is wrongdoing, to play an active role in addressing the wrong and making things right (Watchel, 2013; Carter, 2012). Suspending or expelling students has not improved behaviour nor school climate as intended, adversely impacting school climate and alienating students from their schools (Watchel, 2013). The practices of restorative justice, on the other hand, proactively foster healthy relationships among students and staff in schools. See Carter (2012) and Shaw (2007) for a more in-depth look at restorative practices and education.

2.6.4 Conclusion

Using a restorative approach offers an alternative method for workplaces and schools to prevent, resolve or address disputes, encourage collaborative problem-solving, and strengthen

interpersonal relationships, which builds and repairs trust. Restorative approaches could generate important benefits for workplace or business settings when harm has occurred through healing the relationships of relevant stakeholders (Goodstein & Aquino, 2009). Yet, to the knowledge of this researcher, there has been no specific application of restorative justice theory and its practices to family businesses or succession planning that was found in the literature search.

2.7 The Limits to Current Research

Strong family bonds, or high quality relationships, are characterized as being based on trust. Although trust is important, the literature demonstrates that little is known about the exact mechanism of how trust in relationships is destroyed or repaired (Kim et al., 2009; Kramer and Lewicki, 2010; Welter, 2012). Dyer (2012) states that further research would be important to identify which approaches to building trust work better than others. This research seeks to add to this literature gap. In addition, the interaction between trust and governance merits further exploration (Eddleston et al., 2010, p. 1044). Governance structures can support trust at the systems level, and family firms are usually depicted as relying on trust in their governance structures (Corbetta & Salvato, 2004; Steier, 2001). Trust has not been fully integrated into the family business literature as a mechanism for succession planning, and this research will explore restorative justice as a framework for building and repairing trust, as well as navigating succession planning. More research is needed in the literature on the mechanics of how to build and repair trust (Kim et al., 2009; Kramer and Lewicki, 2010; Welter, 2012).

2.8 Chapter Summary

Emotions and family relationships influence the process of planning for succession. The inability to effectively manage the family component is a challenge for family businesses in the succession process. In much of the academic and professional literature, trust between family members is touted as key to managing relationships and the succession process. After

reviewing the literature, two gaps were found. First, this research seeks to explore the lived experience of family business predecessors and successors to discover what role trust has and how it influences succession planning. The second gap is related to the mechanisms of how trust is repaired and built in a family business. Restorative justice was introduced as a possible mechanism for building and repairing trust and will be further explored in Chapter 6, as a violation to trust has the potential to be understood using a restorative justice framework. The next chapter will outline the methodological approach chosen for this project to fill these gaps.

Chapter 3: Methodology

This chapter presents the methodology of the research project. This study uses an exploratory research design. A systematic literature review of both peer reviewed and grey literature established the following research questions:

- How does trust influence the process of planning for family business succession?
- How can principals and processes of restorative justice be applied to the family business context?

To explore these questions further, three strategies were employed:

1. Interviews with key informants,
2. A thematic analysis of interviews, and
3. Discussion and recommendations based on the findings of the interviews and the literature review.

3.1 Key Informant Interviews

The purpose of the interviews was to record the lived experiences of individuals involved in family businesses and the succession planning process. These interviews provide insight into the experiences of the predecessor and successor in the succession process.

Three groups were identified to participate in this study:

- Business Predecessors- Predecessors are individuals who own a business and are transferring the obligations and/or rights to another (the successor).
- Business Successors - Successors are individuals who take over the obligations and/or rights of another (the predecessor).

- Business Advisors –Advisors are individuals who are professionally qualified from a number of disciplines. They provide legal, tax, and governance support to small and family businesses.

3.1.1 Participants

The respondents were chosen for their experience with succession, succession planning, and their willingness to participate in the study. Participant selection was focused on predecessors and successors as that relationship was identified in the literature as critical in the succession process (De Massis et al., 2005; Dyck et al, 2002; Fox et al., 1966; Lansberg, 1994). The questions that guided the interviews can be found in Appendix B.

Business predecessors were of interest because they are the individuals in family businesses that identify and often initiate the process of planning for business succession. This population provided professional and personal experiences of business predecessors, and outlined the barriers and opportunities they encounter as they plan to pass their business on to the next generation.

Successors were able to identify barriers and opportunities related to succession planning they have experienced in the succession process. Many identified the importance of their personal and professional relationship with the predecessor as a key component of the succession process. The participant from the Advisors group has worked with predecessors and successors in family businesses, both in the planning stage of succession, as well as after succession has occurred.

The Advisor was able to talk about the role of trust, identify barriers and opportunities related to trust and trust building with their clients, and was able to provide tools and resources in addressing trust in the succession planning process.

In total, six interviews were conducted: two from the Predecessor group, three from the Successor Group, and one from the Business Advisor group. The interviews were conducted

in a semi-formal style to ensure the experiences of the respondents were captured while maintaining the scope of this report. The interviews were between 20 and 90 minutes in length.

3.2 Ethical Approval

The involvement of human participants in this project required the completion of an Application for Ethics Approval for Human Participant Research. The UVic Human Research Ethics Board approved the application on August 31st, 2013. In accordance with the ethics approval, each participant received and signed a consent form that outlined the purpose of the project, the precautions that would be taken to ensure confidentiality, and explanation of how the participant data would be used and protected by the researcher. The consent form can be found in Appendix C.

3.3 Analysis of Interviews

An analysis of the key informant interviews was conducted using thematic analysis. Thematic analysis is a flexible and useful tool to identify, analyze, and report patterns within data, providing a rich and detailed, yet complex account of the data (Braun & Clark, 2006, p. 82). A theme captures something important in relation to the research question and represents a patterned response or meaning within the data set. The keyness of the theme is dependent on whether it captures something important in relation to the overall research question. The epistemology used was within an essentialist paradigm, in which the motivations, experiences, and meaning are theorized in a straightforward way because a unidirectional relationship is assumed between meaning, experience, and language (Braun & Clark, 2006, p. 85).

Three dominant themes from the data set are presented in this report: communication, mutual respect, and mentorship. They are described in detail in Chapter 5 and discussed in Chapter 6.

3.6 Limitations to Research

There were several limitations to this research. This study is qualitative in nature and subject to the respondents' biases and experiences. The respondents were specifically chosen for their roles as successor, predecessor, or business advisor with experiences of or intentions for succession planning in order to uncover the interpersonal aspects of this process. The report was missing perspectives from a more diverse demographic (i.e. women in business) and geographic locations (i.e. rural experiences), which may have highlighted different themes than those presented in this report.

This study had limits to data collection. On request of the client, CAFE VI members were asked to contact the researcher directly to participate in the study as an assurance of anonymity. Further, the invitation to present the research and recruit participants at CAFE VI events or meetings was limited. Despite several unsuccessful attempts to connect with members of the organization to participate in this study, timing and financial constraints forced the researcher to create an end date to data collection after three months. It is believed that more interviews from a wider range of participants could have provided further insight in relation to the role that trust has in the succession process. Future research should attempt to recruit more perspectives from outside of the client's organization for a more complete picture of family business succession. A snowball technique was deployed for recruitment and had some success. However, due to the confidentiality concerns of this population, this technique resulted in a limited perspective as respondents were drawn from a small and close population. Morris et al. (1997) found a similar roadblock in data collection, finding that the complexity of family dynamics and concerns for confidentiality regarding family relationships made it challenging to get a range of participants (p. 399).

3.7 Chapter Summary

This chapter provided the methodology used for the research project, including an overview of the literature review, key informant interviews, analysis of the interviews, findings, as well as

discussion, recommendations, and limitations to the research. The next chapter will reveal the findings from the data collection.

Chapter 4: Findings

This chapter presents the findings from the interviews that took place in Victoria from September to November of 2013. Interviews were conducted to supplement the gaps found in the literature. The perspectives from members of the family business community were explored to gain a better understanding of their experiences with succession planning, and the role that trust has in this process. Interviews provided valuable information on the relationships, processes, and resources that family businesses use to navigate the challenging process of transitioning the business from one generation to the next. All participants recognized succession planning as an evolving process that is unique for each business.

Three overarching themes were found in the data that responded to the research question: *How does trust influence the succession planning process?* Three key findings were drawn from the analysis that demonstrate trust and reflect the interpersonal, competence, and institutional levels of trust that function in a family business between the successor and predecessor. In order to protect participant confidentiality, all data collected and reported will remain anonymous.

4.1 Main Themes

Three main themes are explored in the next three sections. Mutual respect, open communication, and mentorship were the dominant themes in the primary data set collected from the participant interviews, as seen in Figure 6. Although these three themes are being presented as discrete, they are to a large extent intertwined. All participants made reference to each throughout the interviews.

Theme 1: Open Communication

The theme of open communication between the successor and predecessor is explored in the first section. Open communication is a transparent exchange of information between two or more people. It is a theme that includes three subthemes: open and transparent information

sharing, having conversations about succession on an ongoing basis, and, the acknowledgment by the family members of the emotional dimension of succession and the family dynamics present within each firm.

Theme 2: Mutual Respect

The second section explores the theme of mutual respect. Mutual respect is defined in this report as “esteem for or a sense of the worth or excellence of a person, a personal quality or ability, or something considered as a manifestation of personal quality or ability” (Dictionary.com). The theme of mutual respect had three subthemes: experience outside the business, collaborative planning for succession and the business, and, having a common vision for the future of the business.

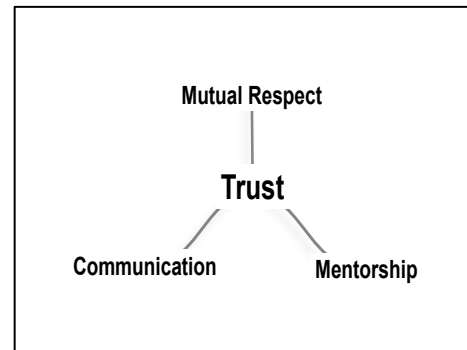


FIGURE 6: THEMES FROM FINDINGS

Theme 3: Mentorship

This role of mentorship is the theme in the third section. Mentorship is defined in this report as an ongoing relationship between two people that is comprised of learning, dialogue, and challenge. This theme is explored with the following three subthemes: walking beside the successor, personal development, and, seeking external support.

4.2 Thematic Analysis

4.2.1 *Open Communication Between the Successor and the Predecessor*

Open communication was a consistent theme in the participants’ responses. All interviewees described conversations about succession, other business issues, and personal life as occurring easily between the successor and the predecessor, most of the time. These conversations that

can be best explained as an exchange of views for the purpose of exploration and decision-making around both personal and professional issues. This theme was extrapolated by discussion in the interviews about when and where the successor and predecessor talk about succession, communication and information sharing, and how family dynamics effect succession planning, as shown in Figure 7.

Succession planning occurred on a regular basis for over half of the participants. Participants explained that succession planning is a part of everyday conversation between the predecessor and successor, and occurs in correlation with other business matters. For example, one participant said that discussions with his predecessor are always about the business and that succession planning is almost always a component of those individual discussions. Another participant stated that “we talk about [succession] all the time and it is a part of our conversation on an ongoing, regular basis.” He stated that dialogue occurs consistently in his business in order to keep working through the process of succession. Aspects of succession that were discussed were related to technical factors, such as the successors eventual ownership of the business, and issues around leadership, specifically preparing employees for leadership change. Another participant stated that ongoing dialogue about his succession helps significantly with his confidence in the process. For some, big business decisions and succession planning conversations occurred outside of the work environment. For example, discussions about succession occurred over lunch or around the dinner table. Succession discussions were unplanned for one interviewee, stating, “[conversation] just happens” and felt this was effective for their business. This “it just happens” was a common adage with four participants in particular, demonstrating that succession planning is a topic of conversation that is common between successor and predecessor. One respondent observed that he sees examples of succession being “a disaster and effecting long term family legacies and destroying business or making them very difficult to run”. He attributed this to families not being about to talk to each other.

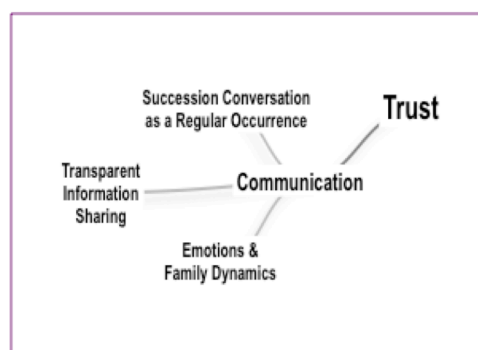


FIGURE 7: SUB-THEMES OF COMMUNICATION

Open and transparent communication and information sharing is a key part of dialogue that promotes trust. When asked about how and when conversations about succession planning occurred, and what is involved, one participant responded that he and his predecessor “discuss where things are going, how things are going, how each of us are feeling about it” and that is impromptu in nature. This implies an open conversation that happens on a regular basis between him and his predecessor. Further, this participant spoke about the meaning of trust as the ability to tell his father “everything and anything” and knowing he can discuss issues related to work and his personal life with confidence that they it will remain between him and his father. Another participant outlined the use of shareholder meetings and the distribution of all family business related documentation as an important way to communicate with members. Information sharing between key members in their family business is a very formal process in which stated plans for succession are very open, where “everyone knows exactly how [the succession] is going to go down, what’s going to happen”, which makes the process much easier. An important aspect of trust for one respondent was truthfulness about his transition to the leadership role, specifically related to the predecessor following through with the verbal agreement that the successor was going to be own and run the business within the next 10 years. He explained: “it’s important that [the predecessor] is truthful. I don’t want to be here thinking [the succession] is going to happen and then in 10 years, I’m still waiting”. Open and transparent, or honest, communication and information sharing can help businesses weather uncertainties in the economy as well. Dysfunctional systems and relationships within the business can often be hidden by high sale and performance to “cover a multitude of sins”, which means as long as the business is profitable and the economy is strong, its members can overlook relationship dysfunction, such as interpersonal conflict. One respondent observed that when a business has “lots of sales and everybody’s happy”, there can be “crappy systems and people stealing from [the business] internally”, however, “[when the business is] making so much money, no one really cares or just, it doesn’t become a priority”. Then “the economy changes, the sales go away, and suddenly [the business is] running around going “Why do we have all these problems?”. Finally, another participant stated that trust is built on “listening, asking questions, not skipping to the answer” and “spending time, giving time to understanding what’s behind the questions” that are being asked in the family business

context. These are all elements of open and transparent information sharing.

The acknowledgement of family dynamics and the emotional aspect of succession planning is a key part of open communication. One participant observed that in the family business community, succession is an “emotionally charged” issue, one that evokes strong emotions from people, and some people find it very difficult to talk about. Often that difficulty is based on a history of poor communication, hurt feelings from the past, or childhood issues, for example. He considered himself fortunate because working with family can be challenging and he has had a positive experience overall, including open conversations about how the succession process will unfold. “Part of the problem with succession is that it can actually destroy families” - observed another participant. He explained that through open communication he is trying to prepare for the “human portion” or the “subjective component” that exists but can be unknown and challenging to navigate. The “human portion” includes managing relationships and acknowledging the emotions that occur at the interpersonal level, such as anger, fear, jealousy, and doubt. If a business is unprepared for the emotional aspects of succession, it can destroy a company, and can additionally blow families apart. This participant believes that simply acknowledging that the “soft side” exists and there are constructive conversations about it, family businesses will be aware and can be better prepared to deal with it. Constructive communication preserves a positive relationship between communicators while addressing the emotions, perceptions, or conflict. The majority of interviewees acknowledged issues between siblings as an example of a family dynamic that both affected succession planning and was affected by it. Dysfunctional sibling relationships were characterized as uncommunicative, competitive, and argumentative. They were the primary example used to describe situations when succession had not been planned and conflict between siblings ensued. For example, a business without a succession plan is split in half between two siblings at the time of the predecessor’s departure from the business, leaving a power struggle, ineffectual decision making, and differences in leadership styles. Three participants stated that some siblings were unsuited or incapable of being the successor. Although they believe successor choice is ideally based on ability and competence, the decision was often taken as personal slight against the sibling who was not chosen. A participant reflected on this stating, “it would be nice knowing when you enter a business [that

there is] a plan for succession... so that if there are things that happen...you don't have to worry about it...affecting your relationship with your siblings, for example”. One participant indicated that competence trust was one of the biggest issues for succession in family businesses. He used the following example: “if your [sibling] is working with you in a company and you do your job well, but the [sibling] isn't really the best fit for the role, then you won't trust them to "get the job done", and then that undermines - not only the company's performance - but is starts to undermine your relationship with your [sibling]”. Lastly, one participant spoke about how changes to the family, like divorce and death, can have material impact (i.e. equity and division of shares) and emotional impact (ex. personal depression or grief effecting professional performance) on the family business. This point was furthered by another interviewee, who spoke about how money made available after the death of a predecessor can have a way of changing people and relationships, as well as their perspectives about family. Finally, one participant was unwilling to talk about family dynamics at all. He stated that academics had “no place researching anything related to family business” and that research about family dynamics was irrelevant to the success of his business. He simply stated that asking questions about how he and his family members communicate was too personal.

4.2.2 *Mutual Respect*

The theme of mutual respect was a significant theme in the data set. Mutual respect occurs when two or more parties recognize the worth or excellence in each other, acknowledging or seeing a person's quality or ability as valuable. The importance of work and educational experience outside the family business, collaborative planning for succession, and sharing a common vision for the future were sub-themes of mutual respect, as shown in Figure 8.



FIGURE 8: SUB-THEMES OF MUTUAL RESPECT

Work and educational experience outside of the family business was mentioned by most of the participants as a key piece for establishing mutual respect between successor and predecessor. Many of the participants stated that work experience, education, and other life experiences that occurred separately from the family business played a large role in creating trust between successor and predecessor, specifically related to skills and competencies. One participant explained that his career outside of the family business was “critical” in developing mutual respect between him and the predecessor in regard to recognizing each other’s skills and capacities. His experience outside the business provided him different training, skills, alternative ideas, and new perspectives that enhanced the business. This participant stated that they both he and his predecessor recognized how their business had seen significant growth due to the use of each person’s “different skill sets”. Another participant said that he and his predecessor “bring something to the table” which creates mutual respect for the other’s talents. Experience outside of the business can contribute new ideas and innovation gleaned from external sources, an indication that the successor has the capacity to be successful in another organization, and upon return to the family business, demonstrates a conscious choice of involvement. Most of the successors stated that they felt their opinions, ideas, and suggestions are seen as valid and are welcomed within the business context, and do not feel their contributions were “brushed off” by their predecessors. This demonstrates a “confidence in one another” that fosters mutual respect and trust, as both parties are part of the process of decision making in relation to the business and planning for succession.

The theme of mutual respect was also highlighted when participants talked about how businesses succession planning has been a collaborative effort. This means that discussion about roles and responsibility, future direction, and timelines in relation to succession involved both the successor and the predecessor. All of the successors and predecessors had an understanding about their succession plan, the level of formality in documenting that plan, and agreement to it. Specifications of each varied. One participant has collaboratively “designed and controlled” the succession plan with his predecessor, meaning they had planned the process of succession together from the beginning with outside advisors to assist with the technical issues. Another described their succession planning process as a “jointly planned” approach. He described this as a process of determining the “best way” together through

conversations about expectations, clarity of role responsibility, and meeting with outside advisors and family members. A third participant said that the primary discussion between him and his predecessor has been “determining how the plan flows from here” in regard to his role in the business following his father’s departure as leader, although no specifics of how this happened was mentioned. For one successor, strictly “being involved” and not being told what is going to happen was seen as an advantage to planning with his predecessor.

All of the interviewees spoke about the importance of sharing a common vision for the future of the business. Creating a vision for the business was what one successor contributed as a significant part of their business’s growth, stating that after talking about their vision for the next five years, “we realized that we were fairly similar in terms of we wanted”. Another stated that a successful succession is attributed to having “a similar outlook on the company [and] being on the same page, business wise”. Another respondent said that an important commonality was in how they saw work, and that he and the predecessor are both very driven. He exclaimed, “We both work very hard at what we do”. For one participant, a common vision meant knowing and trusting that the decisions made by both him and his predecessor are focused on “what’s best for the business”.

4.2.3 Mentorship

The role of mentorship is a key theme in the data set. This theme was discussed both directly and indirectly, using the sub-themes of mentorship and training, as well as seeking personal development and external support and advice, as shown in Figure 9.

The majority of the interviews spoke to the importance of mentorship between the successor and predecessor. Mentorship was explained by one interviewee as the “involvement and interaction between the current leader of any organization and the potential successors to help them develop the skill set required to step into those roles”. Without guidance, it is

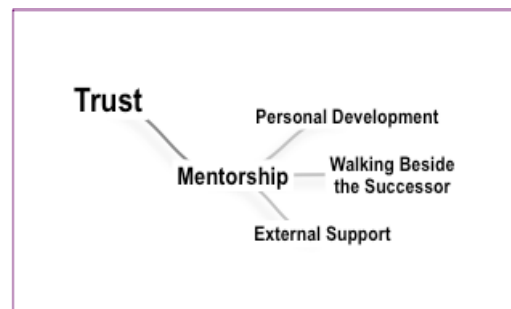


FIGURE 9: SUB-THEMES OF MENTORSHIP

difficult for the successor to “fill the footsteps” of the current leader, or take over the role and responsibilities of the predecessor position. Another participant stated that he is mentoring his successor to replace him by giving him authority and autonomy in his position so he will understand what [the business does] on an everyday basis and what the processes are. He described his mentoring process with this successor as “standing beside him”. The process includes hands-on experience with the responsibilities of the predecessor role, such as managing his own portfolio and having his own clients. Further, he explains that he has been “very open” with his successor about the struggles he had, both as a successor himself and as a businessperson, in order to help with the successor’s personal and professional growth. Another participant stated that he realized that he had a lot to learn from his predecessor about “what’s going to make [one] successful in terms of the business we’re in” and has emulated his predecessor’s confidence, patience, and calmness in negative situations. Open communication is an important factor in one successor’s mentoring experience. He states that the succession process in his family business has been that there is always “live communication” between him and his predecessors. This means there is open and transparent information sharing occurring daily, with the opportunity to ask questions and be given constructive criticism. He is learning “whatever he can” from the “plethora of knowledge” available to him through mentorship. In one of the businesses, the successor had started from the bottom and learned everything as he worked his way up. He stated that his predecessor “tries to teach me every bit of the business” through experiential learning and application, meaning he is involved in decisions related to human resources, staffing, finances, and all the facets of the business.

Personal and professional development was mentioned by half of the participants. This is a sub-theme of “mentorship” because it appears that members influence and encourage each other to practice personal development. One participant explained that he and another member of his family business undertook some professional and personal development with a focus on skills to support the business. This effort contributes to shaping their conversations in a different way about the business and succession, where the focus has become more future oriented, including making structured plans and creating ideas about what the future could look like. Further, they can refer to what they have learned together, including that which

relates to their common goal of developing their business. Personal counselling or coaching was also mentioned as a form of personal development that influences trust and succession planning. One participant talked directly about trust and personal development, highlighting that there is a big role for personal coaching and personal counseling. Both offer an opportunity to improve communication and break habitual ways of thinking and behaving. However, counselling is generally focused on resolving personal or familial issues related to history and emotional conflict, while coaching is generally focused exploring, determining, and actualizing many commitments and goals both personally and professionally. This participant believes that “building trust is a personal journey” and sometimes the dysfunction in a family business can come from a person having a “flaw in their perception of the world and the perception of their family members”, and “[that perception] just gets in the way”. In other words, sometimes there is one person in the family business that needs extra support to work through personal issues that are affecting both the business and family spheres. For example, someone who erupts with anger during meetings may alienate themselves from others in the business. However, it was sensed that the business community might perceive personal counselling or coaching to address these “flaws”, or blind spots, as a demonstration of weakness. The hesitation is due to the fear that if competitors knew someone was seeking help, it could be damaging to their reputation, or, there is fear that confidential information, such as staff changes, could be revealed. Another participant reiterated this idea, stating that some families need to go back to the basics of learning how to talk to each other about emotional issues, “like go to a feelings counsellor...and figure it out, cause it often feels like that’s a lot of what underlies [conflict]...It’s hurt feelings”. Another participant observed that in his family business, other members could benefit from “emotional counselling” in order to address how their own personal situation has been effecting the family’s capacity to work together cooperatively. Counselling was one approach to facilitating better working relationships. He recognized that this was a difficult idea to impress upon another person if that person has been reluctant to acknowledge their role in the interpersonal conflict.

Seeking the support of external advisers was suggested as important for succession planning. All interviewees have sought external support in one form or another, including lawyers, accountants, facilitators, as well as resources from CAFE VI. “The right amount of

professional advice is always going to help” with succession planning, stated one participant. He thought that for families who cannot have the “succession discussion”, it is important to hire an outside advisor to help them with this conversation. One participant explained that building a network of advisors one can rely on, in regard to confidentiality and competence, is a key aspect of family businesses in general. Advisors can assist with many issues that are beyond the expertise of the firm, including accounting, organizational management, accounting, or human resources. In addition, he believes that external consultancy can get interpersonal issues on the table so there can be some clarification. External advisors can provide family business members with a non-biased opinion to make informed decisions about the future of the business, observed one participant. Bringing in advisors to provide feedback and explain documentation can validate the succession planning process and can ensure that all parties are privy to important information and know their options. Another interviewee explained that an external advisor has been helpful in assisting their business develop the concept of their succession plan and has been asking the types of questions their business members need in order to plan for their future.

4.3 Chapter Summary

Mutual respect, open communication, and mentorship were the main themes that were identified in the findings. Mutual respect was described using the examples of collaborative planning, common vision, and the benefit of differing perspectives. Open communication was acknowledged using examples of information sharing, ongoing dialogue about succession, and discussion of family dynamics. Finally, mentorship was described using the examples of guidance and support, personal development, and seeking external advisors. See Figure 10 for a complete mapping of the themes and subthemes.

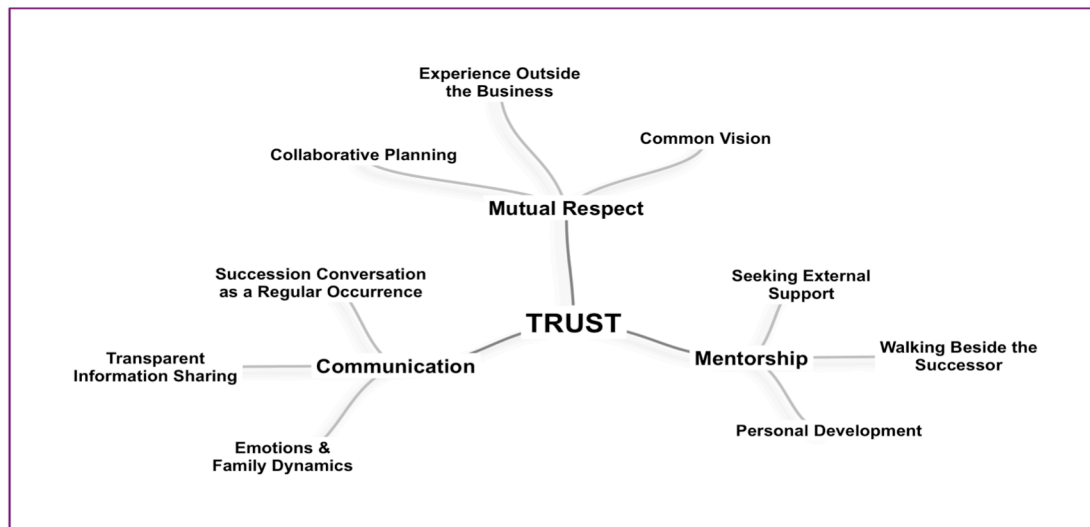


FIGURE 10: MIND MAP OF THEMES AND SUB-THEMES

The three themes are interrelated; they mutually inform each other. Mentorship requires communication and mutual respect; open communication creates mutual respect and can open up opportunities for mentorship; mentorship reinforces mutual respect and demonstrates open communication. The demonstration of all three themes requires trust, as they necessitate a willingness to take a risk both professionally and personally, be vulnerable with emotions and competences, and mutual dependence for future success of the business. Overall, the theme of open communication had the most prominent role, as its presence was necessary for both the predecessor and successor to understand and experience mutual respect and mentorship. The findings suggest that if cultivated, mutual respect, communication, and mentorship can be

foundational elements to sustain and build trust in the family business sphere and support people through the challenging process of planning for succession. The next chapter will explore these findings further in the context of the academic and professional literature.

Chapter 5: Discussion

In Chapter 4 the findings from the interviews with family business predecessors, successors, and advisors outlined how the role of trust can be better understood through the engagement of three themes: mutual respect, open communication, and mentorship. This chapter will attempt to engage these themes in conjunction with the academic and professional literature to explore the research question: *How does trust influence the process of planning for family business succession?* New literature will be introduced into the discussion to further the understandings of the second research question: *How can principals and processes of restorative justice be applied to the family business context to address succession planning?* Recommendations will be drawn from the themes of the findings, the supporting literature, and, observations from the researcher, then presented in Chapter 6.

5.1 Addressing Succession at the Three Levels of Trust

How does trust influence the process of planning for family business succession? The findings suggest that trust affects if and how predecessors and successors communicate; trust influences the presence of mutual respect; and trust is built and sustained through the experience of mentorship. The following discussion will situate the findings into the levels of trust in conjunction with the literature. The findings can be situated in the different levels of trust, most prominently, interpersonal, and competence trust. The final level, systems trust, will be discussed in relation to restorative justice, as a trust-based mechanism and alternative way forward for family businesses to address trust.

5.2 Interpersonal Trust: Communication is the Foundation of Trust

Overall, the theme of open communication had the most prominent role, as its presence was necessary for both the predecessor and successor to understand and experience the other themes: mutual respect and mentorship. The sub-themes of open and transparent information gathering and sharing were: having conversations about succession on an ongoing basis and

the acknowledgment by the family members of the emotional dimension of succession and family dynamics. The theme of “open communication” is best situated at the interpersonal level of trust as it is presented in this research as occurring between two people. Interpersonal trust is based on one’s relationship with another person and is primarily based on one’s interpersonal history with that person.

Trust is a key in the relationship between the predecessor and successor in order to have conversations about succession planning and communicate the emotions tied to this significant event. Open communication was directly linked to successful sharing of succession planning in the findings.

5.2.1 Open Communication

Various scholars describe communication as a separate concept from trust (Lansberg, 1994; Handler, 1994; Morris et al., 1996). On the contrary, the research presented here suggests that trust and communication are linked and influence each other. Interview participants repeatedly indicated that poor communication and a lack of willingness to engage in a discussion about succession planning was one of the biggest barriers facing families. Discussions could range in topic, from defining roles and responsibilities, to management strategies with members during the transition period. Other literature supported this indication. Dyck et al. (2002) concluded that communication is a result of trust. Poor communication plays a critical role in the failure to plan for succession, as well as unsuccessful business transition (Dyck et al., 2002, p. 71).

One participant defined trust as the ability to share everything, including professional and personal issues. A willingness to engage in dialogue and transparent information sharing was demonstrated in the findings as being another key for open communication. Most participants integrated the topic of succession planning into their everyday conversations with their successor or predecessor. Dyer (2012) states that trust is violated through a lack of transparency: when there is a lack of sharing or a withholding of information regarding business and family matters. In some of the earliest research on succession, Trow (1961) states that trust is demonstrated through the sharing of succession plans. The families who

shared succession plans had fewer problems in managing succession and their firms fared better financially after succession than those firms where succession plans were not shared. Open and transparent communication and information sharing allows dysfunctional, or nonproductive, systems and relationships within the business to be exposed where previously hidden by high sales and good business performance. Further, the business literature focused heavily on creating formal meetings to talk about succession planning (KPMG/Corbett, 2010; Walsh, 2011). In contrast, this research found that the *structure* of the meetings was less important than the frequency and commitment to the conversation about succession, no matter what format, leading the researcher to conclude that communication skill building is more of a priority for family businesses than creating formal structures and meetings. Therefore, basic communication skills, such as listening and asking questions, were named as the building blocks to trust. The findings presented here cannot confirm or deny the effectiveness of structured family meetings.

The findings did demonstrate that open communication encouraged family businesses to acknowledge the existence of a “soft side” of succession and the existence of the overlap of the family and business spheres. Scholars confirm that succession is emotionally charged in family businesses. Therefore, having constructive conversations about the “soft side” of succession allows family businesses to cultivate awareness of the issues and be better prepared to deal with them. Sundaramurthy (2008) supports this idea, concluding that family business members benefit from understanding how to perceive, identify, understand, and manage emotions in their daily lives. In doing so, talking to each other about difficult issues will allow space for issues to emerge and be dealt with. In contrast, a business report by PWC (2008) states that issues of the family should be separate from the business; businesses should avoid allowing the family dynamics and emotions to migrate into and drive the business (p. 16). This opposing opinion relating to the overlap of family and business was seen in the findings as well. A few of the participants insisted that there was a distinct separation between the personal and professional relationship they had with their predecessor or successor, whereas others did not see a separation. For example, some talked about business and succession issues only at work, while others also brought it home with them for discussion “around the dinner table”. For those participants, professional conversation was interlaced closely with personal

conversations. Consequently, both methods permitted productive conversations for the participants, perhaps speaking to the uniqueness of every family business. The commonality was creating the time and venue to have a conversation about succession, including the family dynamics, irrespective of the time and place. One participant was unwilling to talk about family dynamics.

This research found that predecessors and successors who were able to communicate about family and business issues had developed a mutual respect and understanding for the other. This is echoed in the literature. Barach (1995) states that after the development of open communication between predecessor and successor begins, so should reasonable expectations of each other. Having reasonable and positive expectations that are met then by the other creates trust between people. The next section will demonstrate this idea through the expectation of skills and abilities, as well as link interpersonal trust and competence trust.

5.3 Competence Trust: Building Skills, Abilities, and Trust

Competence trust is based on having expectations of the skills, abilities, and experiences of the other party. The findings established that mutual respect was developed through each party bringing unique skills and abilities to the business, each party having a role in the succession and business planning, and through sharing a common vision. The findings for the theme of “mentorship” can also be discussed in the context of competence trust as it is directly related to supporting the acquisition and development of skills, abilities, and experiences. The words *training* and *mentorship* will be used interchangeably in this report. These factors will influence competence trust between the successor and the predecessor.

5.3.1 Mutual Respect

Experience outside the business, whether through education or employment, will build different skills, abilities, and capacities of the individual once she returns to the family business. Participants found that this gave them and their business an advantage in regard to a variety of skills sets and ideas, while creating trust and mutual respect between themselves

and their counterpart. Sundaramurthy (2008) supports this finding, stating that experience from outside the business is a critical way to build competence trust (p. 94). External experience will help an individual to develop one's technical and leadership skills, but can also offer the perspective and confidence needed to guide the family firm forward (Sundaramurthy, 2008; Ward, 1987). In contrast, Dyck et al. (2002) proposed that the successor and predecessor bringing different skill sets might increase the likelihood of a failed succession. The authors reasoned that different skill sets might bring different managerial styles, which would be a detrimental for a smooth transition (Dyck et al., 2002, p. 149). However, the findings of this research suggest the opposite. Different skills and abilities from the predecessor and the successor not only contributed to the growth of businesses, but developed recognition and mutual respect for the other, as well as trust for the other's competencies. Experience outside the business, regardless of the job, is crucial because it gives those family members experience in developing new strategies and management systems (Stavrou, 1998). Further, external success and experience gained by family employees prior to joining the family firm or through external experiences can be critical in building credibility in the competence of the family business system (Sundaramurthy, 2008).

Mutual respect is characterized by affability between family business heads and heirs by Morris et al. (1997). Affability, or being at ease when talking with others, minimizes rivalry, bickering, hostility, and tension (Morris et al., 1997). The findings confirm that those who had the capacity and willingness to converse about succession planning had the advantage of being able to make a plan together. Steier (2001) found a relationship between the predecessor and successor characterized by mutual respect enables the smooth transition of knowledge, social capital, and networks across generation (p. 365). Therefore, mutual respect is important for sharing information and collaborative planning for succession. Further, solidifying a vision for the company moving forward occurs when the predecessor and successor "are on the same page" or have mutual understanding of future plans for the business. The findings show that planning together confirms that each is working for the best outcome for the business, which builds competence trust. Finally, by planning together, the predecessor and successor can understand the competence of the other, what skills they bring to the table, and also provide training opportunities. Mentorship can play a large role in effective information sharing and developing opportunity for co-creation of future plans and business vision.

5.3.2 *Mentorship*

A significant part of succession planning is the predecessor mentoring the successor to eventually step into the leadership role. The findings are clear that the process of how a successor is trained differs from organization to organization.

Participants' examples of mentorship were on a spectrum, from a more "hands-off" approach to a "standing beside" approach. Unanimously, successors named their predecessors as the main mentoring figure. Earlier literature debates whether it is the role of the predecessor (parent) to mentor the successor, due to role confusion or responsibility overload (Ward, 1987). However, the majority of literature reviewed in this research report assumes the mentor will be the predecessor, who most often is the parent (Dyck et al, 2002; Morris et al, 1997; Sharma, 2004). Parent to child, or predecessor to successor training, is the most reliable way to guarantee the knowledge, values, and history of the business will be carried forward to the next generation (Handler, 1994). Overall, the identified successors in this research were confident in the mentorship they were receiving with a couple exceptional examples. The elements that contributed to successful training were: the opportunity to have authority and responsibility so as to better understand the business and the day-to-day activities; honesty about personal and business challenges to help the personal and professional growth; and experiential learning and application. These elements all require risk-taking and interdependence from both the predecessor and the successor, which are the factors that build and sustain trust.

Mentoring can also be related to modeling behaviour of personal and professional development, whether from the predecessor to the successor, or vice versa. Professional development, such as leadership or time management skills, can change how the predecessor and successor talk about the business and succession planning. It can bring new ideas into the business and created a common thread of conversation between family members who participate in learning together. One participant found that learning together changed the conversations about the business, which included making more structured plans about the future and introducing news ideas about what that future could look like. The "togetherness"

simultaneously builds competencies and aspects of the interpersonal relationship, which will foster more mutual respect and trust.

Another important aspect of mentoring that was discovered in the findings was the value of personal development. This can include counselling or coaching. This type of development can further improve tools to navigate the emotions that arise in the family business and from succession planning. Personal development is limited in the literature, however the findings told a different story. This was an important resource for many, with one participant explicitly stating that there is a big role for counselling and coaching in family businesses. Looking at the academic literature and business literature, personal development is not a common theme. Marital counselling for the founder and spouse is suggested in one source, however the focus was specifically about decision-making related to succession (Lansberg, 1998). In the business literature, Irvine and Reger (2013) discuss how personal development can contribute to a more successful transition. They state that unsuccessful business transitions are due to failures in the family sphere, based primarily on a lack of communication, trust, and respect within the family. The development of three foundational pillars is key (Irvine & Reger, 2013, p. 1-3):

- *Character* is developed by: letting go of blame, entitlement, gossip, resentments, and practicing integrity by being accountable;
- *Compassion* is cultivated by: taking quality time for people, listening without judgment, assuming positive intent from others, and focusing on the positive; and
- *Clarity* is achieved by: being clear about what matters to you, actively listen to others, and building a business that is in line with values, beliefs, and goals of all members.

All three pillars are provided as important aspects of building a foundation for a sustainable business, and all three start with an individual's personal development and how they choose to interact in their interpersonal relationships. It echoes one participant's statement from the findings, that "trust is a personal journey". Further, trust at the interpersonal level is based on one's relationship with another person and through demonstrated behaviours of predictability and reliability. Irvine and Reger (2013) acknowledge the influence of the emotional dimension of succession, and that both personal feelings and family dynamics have a role in the family

business. This idea was recorded in the findings, with one participant stating that acknowledging that the family dynamics exist is “half the battle” to successfully transitioning a business. He mentors his successor to know and understand that personal development and managing family dynamics are part of risk management and business decisions.

Unfortunately, Irvine and Reger (2013) do not tell the reader *how* to build these three pillars or how they directly assist with succession planning.

Finally, advisors from outside the business can serve in mentorship-like roles, either through modeling, guidance, or providing resources for mentorship. Ket de Vries (2007) identified four different types of professional adviser that typically serve family businesses: teachers, consultants, coaches, and therapists (p. 272). Each of these brings a different, yet often related, approach based on various tools and disciplines: teachers transmitting knowledge; consultants offering expert advice; coaches supporting new interpersonal and work skills; and therapists working on new behaviour and deep insights (Ket de Vries, 2007, p. 272). The findings suggest that building a network of advisors is a key aspect of family businesses in general, and especially helpful when planning for succession. The business literature states that the most prominent form of consultation for succession planning is in dealing with the technical issues (Bruce & Picard, 2005; Morris et al., 1996/1997; Wang, 2011). Despite the emphasis on developing relationships within the family as critical in determining succession outcomes, the findings presented in this report and the literature in the field show that more time is devoted to find advisors to assist with tax and estate-planning issues than to developing interpersonal relationships (Morris et al., 1997). Sundaramurthy (2008) found that bringing in outside advisors is critical for building competence trust within a family business system (p. 94). These advisors can act as “trust-catalysts” to help build bridges between family members, expose blurred role boundaries or “altruism”, and can assist with decision-making, particularly those that affect both the family and the business spheres by helping members see “which hat they are wearing on a particular topic” (Sundaramurthy, 2008, p. 94). In the findings, participants had an understanding of the role that emotions and family dynamics have in influencing the succession process and that advisors can help expose the interpersonal issues in family business. However, even though over half of the participants had accessed advisors, the most common type of professional assistance used in developing a succession plan was for

technical issues. The researcher can only speculate the reasons participants did not seek assistance from advisors for issues in the family sphere. Perhaps they had the tools to work through them on their own, or they were unwilling to share with the interviewer that they had sought this type of advising. An important note is that all participants mentioned CAFE VI as an important resource, including the Professional Advisory Groups (PAGS), most often as something they recommended as a support for others in the business community. Overall, it was agreed that external advisors can authenticate the importance of the succession planning process and can ensure that all parties involved in the succession process are privy to important and pertinent information.

Mentors can provide information as well as tools to better navigate the succession process. All forms of mentorships discussed here can offer an opportunity to increase the competency trust between the successor and predecessor, and provide personal and professional development that can contribute to a more successful succession process.

In the next section, developing trust in the organization, or systems trust, will be discussed with a possible mechanism in mind – using a restorative approach.

5.4 Addressing Systems Trust: Using a Restorative Justice Approach

Governance structures are the organizational structures in family businesses that outline accountability and organizational processes (Walsh, 2012). Systems trust is based on whether the “institution,” the “rules,” or the “processes” are perceived as being fair by all parties. This level of analysis was largely missing in the findings. Yet, this research supposes that sustaining and rebuilding trust at the systems level is significant. Scholars suggest that businesses can use different governance mechanisms to manage relationships and navigate the emotional experience of succession, as well as repair trust (Eddleston et al., 2010; Lansberg, 1988; Sorenson, 1999; Sundaramurthy, 2008). Governance strategies are critical to creating and maintaining positive family cultures and relationships (Sorenson, 1999, p. 328; Sundaramurthy, 2008, p. 98), which will assist family businesses during time of change.

Trust in a family business is built and maintained by addressing the three levels of trust, which include the factors outlined in the findings. This next section will explore how restorative justice is a possible way forward for family businesses to build trust in family firms, specifically between the successor and predecessor. Restorative justice could be an alternative way for members of a family business to build capacity for open communication, mutual respect, and mentorship, as well as repair violations of trust that may occur.

The theory and practice of restorative justice holds a promise to build the capacity in family businesses to proactively manage trust and relationships, as the findings from this research resonate with the principals and practices of restorative justice. While this theory was not overtly mentioned by the participants, restorative justice’s central goal is of harm repair and building interpersonal relationships echoed the findings and inspired the researcher to explore it’s theoretical application to family businesses and succession planning.

The participants in this report demonstrated that many of their practices to build trust and plan for succession were similar to the practices used by restorative justice to repair harm, as seen in Table 1. This overlap suggests that restorative approaches could be viable alternatives for building a foundation of trust in a family businesses, as well as preventing, managing, and repairing trust violations.

Restorative Practices	Restorative Practices Demonstrated by Family Businesses
<ul style="list-style-type: none"> • Affective statements & questions • Small impromptu conferences • Formal and Informal meetings • Agreement based on shared interests • Exploration of impact • Communication • Sharing perspective • Group or circle • Formal conference • Discussion of options reparation • Participation • Reconciliation • Facilitated processes 	<ul style="list-style-type: none"> • Small impromptu conferences • Formal and informal meetings • Agreement based on shared interests • Facilitated process (External advisors) • Communication • Sharing perspective (Information sharing) • Participation • Facilitated processes

TABLE 1: RESTORATIVE PRACTICES & SMALL BUSINESSES: OVERLAP

The next section will explore the opportunities and challenges of applying a restorative model to a family business setting to build a foundation of trust between successor and predecessor, and repair harm if and when it occurs. Again, this research identifies harm or trust

violations in a family business as a violation of expectations and occurring between individuals in relationships.

5.4.1 Opportunities

The trust-based theory of the restorative approach provides the basis for understanding how to navigate difficult issues and decisions that could cause harm, as well as the elements of regaining trust for a full range of violations. It offers a participatory process or system to deal with issues that can vary for each family business. Restorative approaches take into account the actions and feelings of all parties involved. The facilitated goals of participation, reparation, and reintegration can help create stronger foundational practices for the successor and predecessor, and all family members, to address the themes in the findings that can support or hinder planning for succession, as well as a process that can be used if a violation of trust or other issues arise.

- **Manage relationships**

In the succession literature, managing relationships and emotions are the areas most neglected despite their importance in a successful transition for family businesses. Restorative practices could be integrated into the current governance structure or be used as a framework to manage the family component. The wider aims of restorative practices are to manage conflict and tensions by building relationships through harm repair. Goodstein and Aquino (2009) argue that from a restorative justice perspective, wrongdoing is fundamentally a violation of relationships between people (p. 626). In the family business context, managing relationships can also work to build trust, prevent potential harm, and provide tools of reparation.

Governance structures or frameworks can provide guidance for collaboration and engagement to encourage family cohesion (Eddleston, Chrisman, Steier, & Chua, 2010, p. 1048; Lansberg, 1988, p. 138; Sorenson, 1999, p. 334; Sundaramurthy, 2008, p. 97). Organizations, such as a family businesses, can also benefit from using restorative approaches as a whole, as they reinforce group norms, clarify roles and responsibilities, and can provide a coaching opportunity to increase the quality of interactions between members (Kidder, 2007). In

addition, an experienced facilitator in a group decision-making session or sessions can hold parties accountable and maintain respect in the meeting.

- **Build mutual respect through collaboration**

Collaborative planning was identified in the findings as an important sub-theme for fostering and supporting mutual respect and building trust, which contribute to successful succession planning. Sorenson's (1999) research suggests that families and family businesses interested in increasing levels of collaboration might consider providing forums in which individuals can express their concerns and have those concerns addressed (p. 338). The processes of a restorative approach can offer that type of collaborative forum. This means that the people most directly affected by a violation, called the "primary stakeholders," determine how best to repair the harm caused by a violation, or issue that arises in a family business. Restorative practices could be integrated into the current and established business procedures, such as family meetings and family councils. These practices can be applied in correlation with formal planning and coordinating meetings that encourage family members to express their concerns and that deal directly and effectively with these issues, such as the steps for planning for succession. This will increase collaboration and set the tone for cooperation in other interpersonal interactions because it requires mutual sharing and openness. This could also enhance organizational learning that should in turn enhance business performance (Sorenson, 1999, p. 329).

- **Create a fair process to prevent, manage, and address violations**

To foster trust in a system, people must perceive that it is fair. Watchel (2013) points to a study of fair process in business organizations where the central idea is that "...individuals are most likely to trust and cooperate freely with systems—whether they themselves win or lose by those systems—when fair process is observed" (p. 6). In the findings, all of the successors and predecessors had an understanding about their succession plan, whether the plan was formally documented or an informal agreement. They each talked about how their business's processes of succession planning were fair, and that the terms of agreement were understood

by all parties involved. The fundamental hypothesis of a restorative approach embodies fair processes, as the primary stakeholders have a say in how to prevent, manage, and address trust violations and how that process unfolds.

- **Communication skill building & addressing emotions**

The essence of a restorative approach is collaborative problem solving through communication. Open communication had a prominent role in the findings as instrumental in planning for succession. In restorative practices, such as circles, meetings, mediation, and conferences, communication is the main process that occurs (Carter, 2012, p. 43). These practices provide an opportunity for all stakeholders to come together to express their feelings, share their perspectives, and make a plan to work through an issue, which creates an opportunity to prevent harm. If a harm has occurred, for example, this goal of the meeting would be to promote reconciliation, which is the restoration of trust in a relationship through mutual trustworthy behaviour. Using mediation and negotiation techniques facilitated by a third party, participants take turns describing their situation, their feelings, and their underlying interests (Kidder, 2006, p. 9). People routinely move from negative affects through to neutral affects to positive affects (Watchel, 2013, p. 6). Open and transparent communication and information sharing allows potentially dysfunctional systems and relationships within the business to be exposed with a purpose to create a plan to move forward. Further, if a harm has occurred, a strategy can be developed to repair the harm done or prevent a reoccurrence in the future (McCold & Watchel, 2003, p. 2). Trust can be built or regained through acknowledgment of the harm, or expectation of the other, and through parties being accountable when necessary (McCold & Watchel, 2003, p. 2).

- **Mentorship: External advisors**

Utilizing advisors and consultants from outside the business was seen as key for succession planning to occur. Advisors or consultants for a family business consultant can strengthen trust within the family business by encouraging the family to create systems and processes to ensure competence on the part of family members, as well as develop processes that provide

family members with the tools to generate common goals, share information, and create shared expectations (Dyer, 2012, p. 165). Restorative practices require a facilitator to work with the parties to progress through the processes. Dyer (2012) notes that outside advisors can help to clarify what the family members believe is “fair”, as this concept can differ from person to person, and help them come to a consensus on this issue, so that expectations will not be violated (p. 165). Restorative practices are a process of learning together, which in the findings, changed the conversations about business issues, fostered the creation of structured plans, and helped foster a common vision for the future. The “togetherness” simultaneously builds competencies and aspects of the interpersonal relationship, which will foster more mutual respect and trust, and could assist in collaborative planning for succession. Finally, in the event of a conflict or trust violation, the greatest challenge for advisors or consultants is getting the family to actually work at resolving the conflicts and problems at hand (Fox et al., 1996). To repair trust at the various levels often requires the assistance of a third party (Dyer, 2012, p. 164).

5.4.2 Challenges

Conversely, there are foreseeable challenges with the integration of restorative justice theory into family business practices, including the time and commitment, the role of apology and forgiveness, and the voluntary nature of the process. However, these challenges could be present in any attempts to integrate governance mechanisms and processes that tackle the emotional dimension of succession. Finally, the theory has a specific focus on harm repair and faces an insufficient availability of resources regarding its application to the family business context. This could limit the use of restorative justice practices for a wider variety of issues in family businesses, such as succession planning.

- **Requires time and commitment**

The process of collaboration and reparation requires concentrated time and effort by participants. Implementing restorative practice in a business is no different than any other organizational change (Watchel, 1999B). It requires participation, sharing of strong emotions,

emotional maturity, and must be carefully managed. Further, it requires a commitment from leadership, as well as communicating to staff and training. Parties, which can include other family members in addition to the successor and predecessor, will be using interpersonal skills, including open communication, as well as analyzing emotions, perceptions, and history. Building these skills contributes to positive outcomes for family like positive relationships and cohesion (Sorenson, 1999, p. 239), however, not all family members will want to participate, or have the personal awareness or skills to contribute effectively. Finally, the processes themselves need to have the perspective of all parties that are directly with the situation, decision, issue, or trust violation (Kidder, 2006, p. 14). This means that participants would need to set time aside to get together, which could be challenging for scheduling multiple people with busy calendars. Interaction with participants in both the interviews and in other forums, lack of time and demanding schedules were a reality of day-to-day business. Implementation of a restorative process, scheduling primary stakeholders, and finding a third part or facilitator are all barriers that can be anticipated.

- **Voluntary participation**

Participation in restorative practices is required to be voluntary, and this participation is risky due to the emotional content. As the concept of trust is the willingness to take risk and be vulnerable, and the level of trust is an indication of the amount of risk that one is willing to take, participation in a restorative process is a risk in itself. Shoorman et al. (2009) found that when the risk, and willingness to take a risk, in a situation is greater than the trust, “a control system can bridge the difference by lowering the perceived risk to a level that can be managed by trust” (p. 346). Due to the facilitated nature of the restorative practices, the risk involved could be mitigated and lowered, especially if the practice, facilitator, and guidelines have been agreed upon. However, getting all parties to participate, such as those who want to prevent or address an emerging harm, who have been involved in a trust violation, play a role in the family dynamics, or are affected by an issue like succession, could prove to be a great challenge.

- **Apology and forgiveness**

Forgiveness is defined as a process involving affective, cognitive, and behavioural responses in which negative emotions towards and judgments about the person who has harmed are diminished by trying to view them with compassion, understanding, and perhaps even love (Goodstein & Aquino, 2009, p. 626). Research on restorative justice in the criminal justice context illustrates that the expression of remorse and communication of apology by the offender has an important influence on victim forgiveness (Braithwaite, 2003; Goodstein, 2009, p. 626). Evidence suggests that admitting wrongdoing decreases trust in a relationship, however, when the offender expressed regret and the intention to avoid future harmful behaviours, relationship trust would increase (Kidder, 2006, p. 12). Forgiveness can promote healing by motivating reconciliation, which is an attempt by all parties to restore any damage to a relationship. At the very least, it could create the psychological and emotional groundwork for moving people towards relationship restoration (Goodstein & Aquino, 2009, p. 626). However, apologizing is often difficult for individuals in our society; it entails making oneself defenseless and is a threat to one's self-concept (Kidder, 2006, p. 12). There is no framework that can determine if a person will forgive another in the business context, especially if the context is laden with interpersonal history. Forgiveness is an evolving area in organizational management and family business literature that holds promise for understanding how to create foundation of trust, trust building, and trust repair after a violation (Shoorman, 2007, p. 349). A further area of research related to trust is power dynamics, particularly between the successor and predecessor, and how that affects apology, forgiveness, and the different levels of trust.

5.4.4 Conclusion

Originally a response to crime, restorative justice includes goals and practices that offer an alternative method to resolve or address disputes, encourage collaborative problem-solving, and strengthen interpersonal relationships, which builds and repairs trust. Restorative justice approaches could generate important benefits for workplace or business settings and systematically support the themes of open communication, mutual respect, and mentorship. It is a process that can help address issues that occur in the unique overlap of the family and business spheres. These opportunities include mentorship, addressing emotions, building

communication skills, creating a fair process to building mutual respect through collaboration, managing relationships, as well as preventing and addressing harm. Challenges to using this process in the family business context include willingness and voluntarism to participate, the complexity of apology and forgiveness, and the time and commitment of implementation, scheduling, and using a facilitator. The overlap of some of the practices, as seen in Table 1, suggests that restorative justice offers useful practices and principles in building foundation of trust in a family business, as well as managing and repairing trust violations.

5.5 Chapter Summary

This chapter attempted to engage the findings in conjunction with the literature to answer the research questions: *How does trust influence the process of planning for family business succession? How can principals and processes of restorative justice be applied to the family business context to address succession planning?* The findings suggest that trust affects if and how predecessors and successors communicate, increases the presence of mutual respect, and trust is built and sustained through the experience of mentorship. Restorative justice is a trust-based mechanism that has the potential to address issues that occur in the overlap of the family and business spheres. Further, this theoretical exploration of restorative justice reveals some of the opportunities and challenges of applying the theory to the family business context. In the next chapter, recommendations will be presented that are drawn from the themes of the findings, the supporting literature, and observations from the researcher.

Chapter 6: Recommendations

This chapter recommends four actions for CAFE VI to support family businesses in building, sustaining, and repairing trust for improved succession planning processes. These recommendations have taken the vision, mission, and strategic goals of CAFE VI into considerations, and were purposefully kept general as to acknowledge the unique quality of every family business and the interpersonal relationships that exist within each organization. Recommendations have been grounded in the restorative justice framework.

6.1 Continue to Enhance Communication Skill Building for Members

This report recommends that CAFE VI continue to enhance basic communication skill building information or training for members to encourage open communication about succession between predecessor and successor, as well as all members of family businesses.

Open and ongoing communication was the most prominent theme in the research. The majority of the participants stated that open communication was both a key ingredient for successful succession planning, as well a known area that when deficient, can discourage succession planning. It is a key element in trust building and repair. It is a skill that requires practice and participation from all parties involved, and often requires assistance from outside advisors. However, knowing of its importance does not translate to possessing the skills to having open communication within a family business. Family businesses need to be committed to having conversations about succession. Making the time is key, as is determining how those conversations occur. This will vary between each firm, given the uniqueness of every family business. However, restorative approaches vary and offer a spectrum of practices, from informal affective statements to formal meeting with all stakeholders, that build individual and group communication skills, which could be effective in a family business model to build all levels of trust. The essence of restorative justice is collaborative problem solving through communication.

CAFE VI's Personal Advisory Groups (PAGs) are an important forum where communication skill building could be enhanced. Communication skills (such as active listening, reflective statements, and summarizing) can be practiced between facilitator and members, and between group members, both through modeling and/or actual exercises, or role-playing.

Communication can be advanced as an important basic skill for family businesses to navigate the issues that arise in the meetings, much as managing relationships or conversations about how and when the succession process will unfold. An annual workshop, entire program, annual retreat or addition onto the Family Council Facilitation Course could also be developed that focuses specifically on communication skills.

Also, CAFE VI can continue to mobilize partnerships already in place with organizations that focus on communication in family businesses. For example, the Business Families Centre at the BC Sauder School of Business has a program for entrepreneurial families to address communication and succession planning (Road Map, 2012). A intensive course on communication skills could be developed in partnership, and then linked to the PAGS for continued practice and application. Capitalizing on these existing programs will assist CAFE VI in both organizational relationship building and providing members with additional resources.

6.2 Expand Mentorship Opportunities Between Family Businesses

CAFE VI could consider the creation of a formal peer-to-peer mentor program to connect members, such as predecessor to predecessor. As illustrated in the findings, mentorship can provide personal and professional development that can contribute to a more successful succession process. The mentorship program would benefit members twofold: first, it would provide the mentor who has gone through the succession process an opportunity to discuss the successes and challenges they faced in both the family and business spheres; and second, it would provide the mentee with an opportunity to ask complex and personal questions about how to navigate the "soft side" of succession. Peers could be matched based on a list of criteria, including type of business, size of family, or business generation.

Family businesses have a wealth of information, of which only a fraction was recorded and shared in this report. Often, this wealth of information can only come from the experiences of working in family business, navigating succession, trial and error, and historical perspectives. Peer-to-peer support can offer predecessors and successors a different kind of learning experience. This type of relationship can provide opportunity for guidance, sharing private experiences about the “soft side” of succession, and suggest important resources that a business advisor or coach may not be privy to due to lack of personal knowledge.

Enhancing the opportunity for connection between members builds interpersonal skills, mobilizes knowledge, which fosters mutual respect and trust, and could assist in providing examples or ideas of how to navigate succession planning. Restorative practices are a process of learning together, which in the findings changed the conversations that successors and predecessors were having about business issues, the creation of structured plans, and fostering a common vision for the future. Prior research by Wang (2011) recognized the importance of “using a peer experiences approach” (p. 46), which is an approach rooted in sharing the expertise of those who have lived through the experience. This recommendation goes a step further to encourage CAFE VI to consider a formal mentor program that can occur in a regulated and confidential environment. A mentor program would support the organization’s vision of connecting peers to share experiences and improve the connections within the local family business community on Vancouver Island (CAFE VI Newsletter, 2014), and could share the commitment to confidentiality as seen in the PAGES, which are an important resource for many of the participants. An example that could be used as a model for CAFE VI is an internship program from the International Family Business Network (2014). A process of collaborative learning can be accomplished in a mentor-mentee relationship.

6.3 Continue to Connect Family Business Members with External Advisors

CAFE VI should continue to connect families with advisors that assist families in navigating family dynamics and the emotional side of succession. The findings presented in this report and the academic literature demonstrates that advisors who will assist with technical issues are consulted more often than those working to develop interpersonal relationships. Building a

network of advisors is a key aspect of family businesses in general, and especially helpful when planning for succession and dealing with the “soft side”.

Integration of advisors and members is already being enhanced at CAFE VI (e.g. “speed-networking” event at a workshop on business succession). Guaranteeing that advisors who work with the “soft-side” of succession are present is significant. An advisor or coach that would bring the often overlooked emotional dimensions of succession planning, trust building, and a situation and experiences of a participant to the forefront is valuable to a family firm. Fundamentally, finding a way to get troubled family members to use external advisors or facilitation more frequently would be a great benefit to family businesses overall (A. Spurling, personal communication, May 13, 2014).

6.4 Further Explore Restorative Approaches for Building Foundations of Trust and Repairing Trust

Restorative justice and its practices have been hypothetically explored and applied to family businesses in this project to address trust. The researcher believes that there is great potential for this theory and its practices to be considered as a way forward for families to build foundations of trust, have potentially difficult conversations about succession planning, as well as rebuild trust when there has been a harm or violation of trust. Restorative practices have the potential to address both the family and business spheres in a business. It offers the opportunity to manage relationships, build mutual respect through collaboration, create a fair process to address violations, build communication skills, address emotions, and mentorship. This research shows that many of these practices are already in use, and could be expanded through a restorative framework.

Restorative approaches could be used for decisions and trust violations related to succession planning that feel immovable or complicated, too personal, or risky. The facilitated goals of participation, reparation, and reintegration can help create stronger practices for the successor and predecessor when navigating succession planning, potential violations of trust, or issues

that arise between members of a family business. The practices could be used to create a forum or mechanism to address the main themes in the findings that build trust and influence the succession planning process.

This report recommends that CAFE VI further explore restorative approaches for building foundations of trust and repairing trust in the succession planning process. CAFE VI could partner with organizations across Vancouver Island and the mainland that have trained volunteers and professionals in practices of restorative justice. The approaches used in these organizations offer a great deal of potential for family businesses that are yet unexplored by researchers.

6.5 Directions for Further Research

Trust is an important resource for family firms and merits further study. There are many avenues of research that could stem from this research project. These include: what types of trust-building mechanisms are necessary at the different levels of trust violations; exploration of vulnerability and its link to trust building in the family business; expanding on personal character and its influence on trust and restorative practice participation; and, further exploration of the barriers to accessing support for the soft issues related to succession planning. Research on the application of restorative approaches, the role of emotion, and trust is new to family business literature. Further exploration and application of these topics for family businesses would be a logical and fruitful next step in future research.

In addition, there are many other topics, such as organizational vision and mechanisms of governance, which remain under-researched and would benefit CAFE VI and the family businesses they work with. Students can help recognize, record, and report on the wealth of expertise, innovation, and successful strategies for succession that exist in Victoria's family business community, as well as mobilize that knowledge so members of that community can benefit. CAFE VI should continue to work with graduate students to connect the family business field to academia.

6.6 Conclusion

Due to the uniqueness of every family business, more research into the preferences, perceptions, and experiences of successors and predecessors, as well as other family business members, may be needed to support these actions. The focus on predecessor and successors in family businesses could be seen as a limitation to how these recommendations can be definitively generalized for other family business members, however, recommendations were purposefully kept general as to acknowledge the unique quality of every family business and the interpersonal relationships that exist within each organization.

Chapter 7: Conclusion

7.1 Summary of Report

Planning for succession has been identified as one of the most important processes to increase the survival of family businesses into the next generation. The academic and professional literature demonstrates that trust is a foundational aspect of succession planning. Despite the reference to trust throughout the literature, there is a gap in the research about the mechanisms that build and repair trust in family businesses. This gap prompted this research project. This report sought to explore the lived experiences of family business predecessors and successors to discover how trust influences succession planning, as well as consider restorative justice as a trust-based framework to navigate this process. The findings suggested that trust influences communication, mutual respect, and mentorship. Trust affects if and how predecessors and successors communicate, increases the presence of mutual respect, and is built and sustained through the experience of mentorship. This report further explored the theory of restorative justice. The approaches could have potential benefits for family business settings that systematically support these themes. Restorative justice is a process that can help address issues that occur in the overlap of family and business, providing an opportunity to build communication skills, create a fair process to address harms, build mutual respect through collaboration, manage relationships, and address the “soft side” of succession planning. Finally, this research report has concluded with a short series of recommendations that CAFE VI may consider when looking to support family businesses build foundations of trust, repair trust, and plan for succession.

It is the *family* that will take you into the next generation. Without the family, there is no family business. It's the family that builds the foundation. And it's the family that makes it all worthwhile. This is your priority, and this is your opportunity (Irvine & Reger, 2013, p. 2).

Family businesses are unique organizations because of the family sphere. Finding methods to build foundations of trust and tools to repair trust at the interpersonal, competence, and system levels will only benefit a family business as a whole for generations to come.

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Appendix A: Letter of Invitation

CAFE Vancouver Island
Box 8482 - 706 Yates Street
Victoria, BC V8W 3S1

University of Victoria
3800 Finnerty Road
Victoria, BC V8P 5C2

Dear Member,

Are you a small and family business owner or successor with a recent experience in succession planning, business transition, or are thinking about planning for business succession? Are you a small and family business advisor? CAFE Vancouver Island is looking for business owners, successors, and advisors to participate in research related to succession planning and the role of trust.

Your involvement would include a time commitment of 1 to 2 hours for an individual interview with the independent researcher, Kalen Schick. This will either be conducted on the phone or in-person, at your convenience and location of choice. The interview will be recorded with an audio device. Be assured that all information collected will be non-identifiable.

In partnership with Kalen Schick, a graduate student at the University of Victoria, this research will look specifically at the role of trust and trust building between the successor and the predecessor as it relates to the succession process. The Principle Student Researcher, Kalen Schick, will be exploring the experiences and perspectives of small and family business community members relating to trust and its role in succession planning.

If you are interested in participating in this important research and/or have any questions, please contact the Principle Student Researcher, Kalen Schick, at (778) 679-4432 or kalenschick@gmail.com.

If you have any questions about your rights as a research participant, would like to verify the ethical approval of this study, or raise any concerns you might have, please contact the Human Research Ethics Office at the University of Victoria (250-472-4545 or ethics@uvic.ca).

Thank you!

Contact **Kalen Schick**, the Principle Student Researcher, at:

(778) 679-4432
kalenschick@gmail.com

Kalen Schick
MADR Candidate
School of Public Administration
Human & Social Development
University of Victoria

Appendix B: Interview Questions

Group 1: Business Owners/Incumbent (Predecessors)

- What is the name of your business and what is your role?
- Have you planned for succession?
- How will you/did you communicate the succession plan to your successor?
 - Who was involved?
 - What was done well?
 - What would you do differently?
- Describe the challenges and opportunities you have face as you anticipate/while succession planning?
- In an ideal world, what would a succession process/plan look like?
- What kind of actions and relationships will best support a successful succession?
- Is there any other aspect of your business, succession planning, or anything else you want to say in this interview?

Group 2: Business Successors

- What is the name of your business and what is your role?
- Tell me about how the succession plan has been/was communicated to you.
 - What was/is your role? Was it effective?
 - What would you have done different? What was done well?
- Describe the challenges and opportunities you have face as you anticipate/while succession planning?
- When the time comes to start planning to pass the business on to your successor, what would be your ideal plan for succession?
- What kind of actions and relationships will best support a successful succession?
- Is there any other aspect of your business, succession planning, or anything else you want to say in this interview?

Group 3: Small and Family Business Advisors

- State your name.
- Tell me about your role as an advisor for small and family businesses.
- How do you address trust, trust building, and trust repair with your clients?
- Tell me about a time that trust was a significant issue in a succession planning process.
 - How did you and your clients mitigate that situation? What approaches were used? How did things change for your client?
- What kind of actions and relationships will best support a successful succession?
- Is there any other aspect of your role as advisor, succession planning, trust or anything else you want to say in this interview?

Appendix C: Letter of Consent

The Role of Trust: Planning for Family Business Succession

You are invited to participate in a study entitled “The Role of Trust: Planning for Family Business Succession” that is being conducted by Kalen Schick. Kalen is a graduate student in the department of Human and Social Development at the University of Victoria and you may contact her directly if you have further questions by email at kalenschick@gmail.com or by phone at 778-679-4432.

As a graduate student, I am required to conduct research as part of the requirements for a master’s degree in Dispute Resolution. It is being conducted under the supervision of Lynne Siemens. You may contact my supervisor at 250-721-8069 or siemensl@uvic.ca.

Purpose and Objectives

The purpose of this research project is to provide a report to the Vancouver Island Chapter of the Canadian Association of Family Enterprise (CAFE VI) with a list of recommendations to assist CAFE VI in providing small and family businesses support for succession planning. This report will look specifically at the role of trust and trust building between the successor and the predecessor as it relates to the succession process.

Importance of this Research

Research of this type is important because small and family businesses are an integral part of Canada’s economy. Half of all family businesses will transition to the next generation within the next five years. Part of this transition includes succession planning. Succession planning is the process in which business owners plan when, how, and by what means they will exit their business that considers the business’s continued success. CAFE VI believes that proactive succession planning, or planning far in advance of retirement, is an essential business practice to ensure that personal, familial, and business needs are met once an owner exits the business. CAFE VI is facing challenges in encouraging its members to proactively plan for succession, suggesting only 10% of small businesses are succeeding to the 3rd generation. This research will provide recommendation of how CAFE VI can support their members through this important process, as well as add to the literature about the role of trust in succession planning.

Participants Selection

You are being asked to participate in this study because you are a member of a family businesses, are a business predecessor, successor, or small and family business advisor, and have had experienced with succession or will be experiencing succession soon.

What is Involved

If you consent to voluntarily participate in this research, your participation will include a one to two hour interview in which I, Kalen Schick, will meet you with in person in a neutral location of your choice, or over the phone. The interview will be conducted in a question and answer format, and will be recorded. I will transcribe the audio recording. Be assured, all information will be confidential and non identifiable.

Inconvenience

Participation in this study may cause some inconvenience to you, which will include a time commitment of one to two hours, as well as the possibility of travel time.

Risks

This research will be exploring trust and its role in business succession and succession planning. Minimal risk could include an emotional reaction or response to the information shared by participants about the subject matter, including trust, trust building, and trust repair as they relate to succession planning. Participation is voluntary and the participant can choose to withdraw at any time.

The following strategies will be in place to mitigate any emotional reactions or responses during the research. Before starting the interviews, participants will be informed that:

1. The participant can ask and receive a break, the chance to stop and reschedule the interview, and/or the chance to stop the interview/research activity altogether as their participation is fully voluntary;
2. The participant can debrief with me, or can call someone (e.g., a participant's friend, family member) and I will stay with the participant until that support person arrives; and
3. I have experience and training in counselling techniques.

Benefits

The potential benefits of your participation in this research the opportunity to contribute to research about barriers to succession planning that is currently unaddressed by business organizations and advisors. As members served by CAFE VI and other BC Chapters, or small and family business organizations, participants will have the opportunity to benefit from the recommendations CAFE VI will receive in the final report to assist small and family businesses navigate difficult conversations and address the emotional aspects of succession, specifically related to trust and trust building.

Society will benefit from this research because succession planning is key for the continued success of small and family business, which are an integral part of Canada's economy and communities, account for a large majority of all businesses in Canada, and represent the largest employer of Canadians. While many small and medium-sized Canadian business owners plan to exit their business within five years, less than a third are planning for their future succession. This research will add to the literature about how predecessors and successors can plan successfully for this important transition.

The knowledge gained from this project will enhance the small and family business industry by providing professional growth opportunities and resources for succession planning. Further, this research will fill gaps that exist in academic literature in regard to the role of trust and how it can be actively fostered in small and family businesses.

Voluntary Participation

Your participation in this research must be completely voluntary. If you do decide to participate, you may withdraw at any time without any consequences or any explanation. If you do withdraw from the study, data collected prior to the point of your withdrawal will not be used.

Anonymity

In terms of protecting the anonymity of the data collected, no personal names or business names, or any other identifiable information, will be in the final report.

Confidentiality

To protect the confidentiality of the participant's responses provided during the interview, I will ensure participant's responses remain anonymous by changing identifying information and features in the final report. Be assured names of businesses and roles of the participants will not be released in the results.

Data will always be stored in either a locked area or on a password-protected electronic device. My private residence will be the location of data storage and all non-electronic material will be kept in a locked filing cabinet. Data will be stored for 6 months after the completion of the project in case any person wants to dispute or clarify the findings of the research. Electronic and paper records will be securely wiped using approved tools or physically destroyed through shredding and proper disposal.

Dissemination of Results

It is anticipated that the results of this study will be shared with others in the following ways:

1. The proposed research will result in a final report that will fulfill partial requirements for the DR598 Master's Project course at the University of Victoria, as well as a final deliverable for the project client, the Canadian Association of Family Enterprise, Vancouver Island Chapter.
2. The Master's Project component will be written in conjunction with the Academic Supervisor (Dr. Lynne Siemens) and a second reader from the School of Public Administration. The Researcher will defend this report before a committee comprising of the Academic Supervisor, Second Reader, and Committee Chair. This report will be archived in the University of Victoria Theses and Dissertations online database (DSpace), and will be accessible to staff and students.
3. The client deliverable will be used as a resource for CAFE VI members.
4. The research project may be presented at a scholarly meeting or conference.
5. The final report could be published in an academic journal or book.

Disposal of Data

Electronic and paper records will be securely wiped using approved tools or physically destroyed through shredding and proper disposal.

Contacts

Individuals that may be contacted regarding this study include: the Researcher, Kalen Schick, and the Supervisor, Lynne Siemens. Please refer to the beginning of this document for contact information.

In addition, you may verify the ethical approval of this study, or raise any concerns you might have, by contacting the Human Research Ethics Office at the University of Victoria (250-472-4545 or ethics@uvic.ca).

Your signature below indicates that you understand the above conditions of participation in this study, that you have had the opportunity to have your questions answered by the researchers, and that you consent to participate in this research project.

Name of Participant

Signature

Date

A copy of this consent will be left with you, and a copy will be taken by the researcher.

Please retain a copy of this letter for your reference.

Appendix D: Client Approval

Gmail - CAFE Approval a Kalen Schick's Client for Master's Project

2013-06-25 10:06 AM



Kalen S <kalenschick@gmail.com>

CAFE Approval a Kalen Schick's Client for Master's Project

4 messages

CAFE Vancouver Island <vancouverisland@cafecanada.ca>
To: Kalen S <kalenschick@gmail.com>
Cc: Andy Spurling <andy@property-managers.net>

Mon, Jun 17, 2013 at 10:27 AM

Hi Kalen,

By now you have received the CAFE board's feedback on your questions to them about your Master's project.

Please accept this email as approval from the CAFE Vancouver Island's board of directors to proceed with your project and let me know how I can help.

Good luck and thanks for choosing CAFE VI as your client.

Bernadine



Bernadine Rudichuk
Managing Director
Canadian Association of Family Enterprise
Vancouver Island Chapter