Doctoral thesis

Developing Trust among Family Owners in Multiple Branches Family Firms

Isabelle Mari
Doctoral Thesis in Business Administration

Developing Trust among Family Owners in Multiple Branches Family Firms
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To my family

“Without the general trust that people have in each other, society itself would disintegrate” (Simmel 1990)
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Nice, 20 May 2018

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Abstract

This dissertation studies trust in Multiple Branches Family Firms. It focuses on a form of trust that has received little attention: collective trust (Kramer 2010). Drawing on self-categorization theory (Tajfel and Turner 1986; 1987), the relational models of procedural justice (Blader and Tyler 2015), and the Economies of Worth (Boltanski and Thévenot 1986, 1991), this dissertation provides a framework for understanding how collective trust evolves when groups branch out. It sheds light on the role of the leader(s) in this process. This study investigates how changes in identity perception – due to changes in group’s structure – can erode collective trust, and the procedures the leader(s) can create to maintain identification with the group, as well as collective trust.

Empirically, the study is based on in-depth and interpretive case studies of collective trust erosion and maintenance in four family firms. The evolution of the relationships between family members in the family and business contexts is apprehended through in-depth interviews. When the family branches out, family leaders tend to develop formalities to maintain collective trust. These formalities aim to reduce family members’ perception of vulnerability, and address the changes in identity that family members experience over time. As the family evolves, family members develop varying identifications, moving from Family to Branch identification. Over the years, Family identification tends to decline leading to Family collective trust erosion. Family leaders can create procedures to maintain superordinate group (SOG) identification, and collective trust. Three forms of identification emerged: The Family SOG, The Professionalized Family SOG, and The Family Owners SOG.

This study offers a new perspective on trust erosion and maintenance with a consideration for the group level as a source and object of trust. Two distinct forms of trust erosion emerged: one deriving from a perception of leaders’ unfair treatment towards group members, and the other one from gradual changes in group members’ identity perception of one another. In these processes of trust erosion, I identified two triggers: the denunciation of the familial nature of the family leaders’ procedures in business situations, and the denunciation of family leaders’ illegitimate ways of qualifying family members. They result from family members’ changes in identification when the family branches out. Family leaders can avoid that trust erodes through the generation of new salient superordinate group identifications that address family members’ changes in identity perception.
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PART I: INTRODUCTION TO THE STUDY
1. Introducing

“A notable feature of family firms is they are founded as ‘high trust’ organizations that benefit greatly from reduced agency costs. However, this trust is often replaced by conflict and strife as firms – and families – naturally evolve and grow,” Steier and Muethel (2014).

What is this story about?

A story about Family Firms

Family firms have been dominating the economic landscape throughout the world for many years (Morck and Yeung 2004; Chrisman, Chua and Sharma 2005; Sharma, Melin and Nordqvist 2014). They are recognized to play a significant role in the economies of nations (Schulze and Gedajlovic 2010; Amit and Villalonga 2014). Some research shows evidences that family firms outperform their non-family counterparts (Anderson and Reeb 2003; Villalonga and Amit 2006; Wagner, Block, Miller, Schwens, and Xi 2015). And, it is admitted that the interaction between the family and the business gives rise to idiosyncratic resources and capabilities referred to as ‘familiness’ which can be the source of a competitive advantage (Habbershon and Williams 1999, Chrisman, Chua and Steier 2005; Frank, Kessler, Rusch, Suess-Reyes and Weismeier-Sammer 2016).

Research on family businesses has flourished in the past 30 years (Sirmon 2014). Curiously, the family as a variable has been neglected in this research (Dyer 2003; Sharma, Melin and Nordqvist 2014). Overall, scholars agree to consider that the distinctiveness of family business studies originates from the reciprocal influence of family and business. However, the analysis of the business system has been overemphasized so far (Sharma et al. 2014, Schlippe and Schneewind 2014) and considerations of the family’s influence outside the family business’ definition remain rare.

In the recent years, the definitional debate has come to an agreement on a component and essence definitions of family businesses, both acknowledging the family influence in terms of family involvement in business and behavioral distinctiveness (with their non-family counterparts). This debate has spread to the identification of various categories of family firms (Chrisman, Chua and Sharma 2005; Westhead and Howorth 2007; Chua, Chrisman, Steier, and Rau, 2012; Sharma et al. 2014; Nordqvist, Sharma, and Chirico 2014). Surprisingly,
little research has gone above this definitional conversation; the family “variable” and its influence on the family business have been understudied and deserve more attention.

Though the notion of family invokes various meanings and structures in today’s society, and is subject to multiple variations (James, Jennings and Breitkruz 2012; Sharma et al. 2014), it is assumed to be uniform in most research on family businesses. However, our understanding of family businesses may vary significantly depending on whether the family is defined as nuclear, extended, or blended (Sharma and Salvato 2013).

In this research, I adopt Hoy and Sharma’s (2010) definition of the family: “a group of people affiliated through bonds of shared history and a commitment to share a future together while supporting the development and well-being of individual members” (as quoted in Sharma and Salvato 2013: 46). In the context of the family firm, this group of people may also support the development of the business (Steier 2003; Steier and Muethel 2014). I study families with multiple branches — and call these family firms Multiple Branches Family Firms — as the feeling of belonging to a same group of family members, willing to share a future together, may evolve when the family branches out, and influences the family business.

A story about Trust

Family firms are generally referred to as “high trust” organizations (Jones 1983; Herrero 2011; Steier and Muethel 2014) due to the close and affective ties that bind the family members (Gomez-Mejia, Nunez-Nickel and Gutierrez 2001) in the early stages of the family firm’s development. This familial trust naturally develops in family relationships and is extended to family-based business relationships (Steier 2001; Steier and Muethel 2014). It is identification-based (Lewicki and Bunker 1996). The family acts as a common identifying factor (Sundaramurthy 2008: 93). Shared history, experience, identity, rituals and realities make family members identify with the others’ desires and intentions and give rise to shared goals for the management of the family business. This identification-based trust allows family members to be confident that their interests are fully respected without monitoring each other.

This trust is difficult to replicate over generations, and may be replaced by an atmosphere of fragile trust or even distrust (Steier 2001; Sundaramurthy 2008; Steier and Muethel 2014). Such erosion of trust puts family firms under a considerable risk of conflicts (Levinson, 1971) leading to strategic inertia, negative performance, or even losing control of the family ownership.

When the family enlarges over time and generations, and expands in multiple branches, the family ownership may become a group of family blockholders with heterogeneous interests, goals and preferences, and the family may be prone to
family blockholders’ conflicts (Zellweger and Kammerlander 2015). This derives from family branches’ propensity to place their own interests ahead of the whole family’s interests (Gersick, Davis, McCollom Hampton and Lansberg 1997; Lubatkin, Schulze, Ling and Dino 2005). It also comes from the development of branches’ distinct identities over time, making it difficult for a shared family identity, and shared family interests to exist (Gersick et al. 1997). Thus, family members’ relationships may play out between family branches rather than among family members and take the form of intergroup relationships. When conflicts arise between family branches, they can erode trust, and lead to ownership breakup. No research in family firms has yet studied how trust (and even less identification-based trust) can develop, erode and be maintained at the group level. Nor has it studied the collective nature of trust that can follow from family members’ group identification. This is why it is important to discuss it in the context of Multiple Branches Family Firms.

Literature on identification-based trust (Lewicki and Bunker 1996) tends to assume that this trust generates at the interpersonal level and derives from knowledge and personal identification, developed through cumulative interactions. It also recognizes that identification-based trust “is linked with group membership and develops when individuals identify with the goals espoused by particular groups and organizations” (p122). In sum, identification-based trust can be built at the personal or group levels.

In family firms, it is likely that identification-based trust results from either family members’ identification with one another and/or with the family and its goals. This can be true as long as family members can interact directly with one another or identify with the family. When the family expands in multiple branches and family members’ relationships move from simple dyadic ones to more complex multi-branches interaction, in which not all family members may have the opportunity to interact directly, trust might not derive from historical and individualized interpersonal interaction. In such complex multi-actor or collective contexts, a more impersonal or indirect form of trust may develop; “a kind of generalized trust conferred on other organizational members” called collective trust (Kramer 2006, 2010: 82). This presumptive trust is a form of generalized expectation “predicated upon, and co-extensive with, shared membership in an organization” (Kramer 2010: 85).

In Multiple Branches Family Firms, the family constitutes a complex collective context in which collective trust can both develop and erode over time. The evolution of the family in multiple branches can threaten collective trust in the family as group membership can prevail at the branch level, and potential conflicting interests can characterize family branches. In this context of multiple potential conflicting interests, family leaders are challenged to sustain trust between branches to preserve ownership control.
Family leaders are the family members who have control of the family business. They represent the authority of the family business. Depending on the type of family business (Nordqvist et al. 2014), there can be different authority structures with either one family leader or several (siblings or cousins) family leaders. Family leaders can play an important role in maintaining collective trust as “the signals that organizational leaders send constitute a particularly potent source of such trust” (Kramer and Lewicki 2010: 266). They can ensure that family members entertain positive expectations about other family members in different ways. They vary from defining clear rules (rule systems), and roles (role-based trust) in the management of the family business, the existence of group membership (category-based trust), and because the trust that family members have in family leaders can be transferred to other family members (transitive trust), to enhancing family leaders’ trustworthiness. Rule system, role and category-based trust, and transitive trust are underpinnings of collective trust (Kramer 2010, Kramer et al. 2010, 2014) that family leaders can build. In the present study, I specifically address category-based (also called identity-based) trust as a source of collective trust (Kramer et al. 2010) as group membership is critical for generating collective trust in Multiple Branches Family Firms. I propose that by maintaining shared membership, and enhancing their trustworthiness, family leaders can create collective trust. Shared membership and family leaders’ trustworthiness provide family members information that constitutes sufficient grounds to trust other family members. In this perspective, the family leaders’ procedures, and how these are perceived by family members, are central to building and maintaining group membership and collective trust. Family leaders’ procedures refer to how they make decisions in the group and how they treat family members. Procedures communicate group members important identity information (Lind and Tyler 1988). First, they can infer from procedures whether they have a shared membership with the leader as they crystallize the features of the group prototype. Second, they can derive a sense of self-worth and self-esteem from the procedures which positively impacts group identification (Tyler and Blader 2003). Acknowledging the influence of the identity judgment on group identification, I propose that family leaders can provide family members identity information through their procedures that influences family identification and contributes to maintaining or creating collective trust. In Multiple Branches Family Firms, family identification is likely to change when the family expands in branches. The process through which family identification varies and how it influences collective trust is unknown. There is a need to delve into this process to investigate how group identification works and evolves when a group transforms into subgroups.
A story about Family Members’ Identification

Literature on social identity theory and self-categorization theory (Tajfel and Turner 1986; 1987) informs how group identification works in groups composed of subgroups. When groups transform into subgroups, multiple identifications can emerge, co-exist and conflict. Managing inter-subgroups relations requires maintaining subgroups and superordinate group identity simultaneously salient (Hogg and Terry 2000). In family firms, the evolution of the family in branches unfolds in a context of three embedded systems (Tagiuri and Davis 1996) that may also influence family members’ identifications.

It is widely acknowledged in family business research that membership plays out in three overlapping but potentially conflicting systems: the family, the ownership and the management (Tagiuri and Davis 1996). Systems’ overlap may plague the firm with conflicts as individuals derive roles, norms and obligations from their membership in each system (Gersick et al. 1997). When the family grows, the ownership can evolve in family blockholders or can be diluted between multiple family members. In such a case a vast majority of family members or branches cannot be involved in the business any longer. Important dilemmas faced by family businesses may originate from the distinction between the ownership and management systems.

Gersick et al. (1997) suggest that the distinction between memberships in the ownership and in the family needs to be clarified, and shared family identity outside the business also needs to be created. This would preserve the family from conflicts due to possible factional orientations of its branches. When the family branches out over time and generations, the extent to which branches’ identities differs from one another may greatly lessen the propensity of the family to act as a common identifying factor. If family identification wanes there is a risk that an important source of collective trust can be lost: membership in the family superordinate group. Maintaining a shared family identity can contribute to sustaining collective trust. This is true as long as family members feel a sense of belonging to the same family. Otherwise, a shared family identity might not be maintained. No research has yet explored how family identification evolves in the context of the three embedded systems, and how it influences trust. There is a need to explore it. In this research, I address this gap by drawing on the self-categorization theory (Turner, Hogg, Oakes, Reicher and Wetherell 1987) to understand how group membership works in a context of inter-subgroups’ relations. I bring the Economies of Worth (Boltanski and Thévenot 1986) to this framework to investigate how this process unfolds when it is embedded in multiple potentially conflicting memberships. The Economies of Worth enlightens the process of family members’ self-categorization which is revealed in their denunciations of the family leaders’ rules applied in the management of the business. It also provides an understanding of how new categorizations can emerge from the negotiation/creation of new rules in a context of conflicting
systems. Finally, it sheds new light on how family members engage in the management of the family business.

In the 3-circle model, rules and roles are attached to membership in the three systems and individuals’ belonging in systems guides the way they behave whatever the situation they are involved in. In contrast, in the Economies of Worth, the way individuals engage in different modes of conduct is linked to forms of generalization that Boltanshi and Thévenot (1986) call “worlds” (domestic, civic, etc.) but individuals are not associated with a specific state due to their belonging to a social group and their modes of conduct can vary from one situation or another. With this approach, I acknowledge that family members (whoever they are family members, owners, managers, or a mix of some or all of these identities at the same time), may not be determined by these identities in their modes of conduct. However it is possible to identify more general forms of identification that combine characteristics of the three systems and of the Economies of Worth’s worlds that guide family members’ understanding and expectations from one another in a specific situation. I identified two forms of generalization. They manifest a change in family members’ identification from a predominant feeling of belonging to the same family to a prevailed sense of belonging to a familial ownership.

Therefore, the Economies of Worth enriches our understanding of how memberships form and evolve in a context of multiple potentially conflicting memberships. Understanding how family members’ identification forms and varies in Multiple Branches Family Firms is important, and can provide insights into how collective trust is challenged and can be sustained over time and generations.

**Purpose**

Trust built in the early stages of the family firm development can erode over time. Several perspectives (Steier 2001, 2014; Sundaramurthy 2008) suggest that the development of formal governance complementing trust, or of other forms of trust (competence, system) can contribute to sustaining this trust. In this research, the peculiarity of Multiple Branches Family Firms or the collective trust that may characterize family members in this context are not addressed. Yet, the expansion of the family into multiple branches can be a serious threat to trust as shared family identity can decline (Gersick et al. 1997) and conflict can arise between family blockholders (Zellweger and Kammerlander 2015).

My general aim, in this research, is to understand how trust erodes and can be maintained when the family branches out. My intention is to advance a framework that addresses trust as a group phenomenon. I consider the group both as a source of trust — it is based on group identification —, and as an object of trust, which is in the collective.
I investigate how collective trust erodes and can be maintained over time and generations in *Multiple Branches Family Firms*. I propose that trust in the family (collective trust) is likely to erode as the family expands in branches, as identification with the branch can impede identification with the family. Here I join Gersick et al. (1997) who noted that shared family identity declined in the “Cousin Consortium”.

I acknowledge the central role of family leaders in maintaining collective trust and formalize the purpose in this research as: **Understanding how collective trust erodes, and how family leaders can maintain trust in Multiple Branches Family Firms over time and generations.**

This first involves investigating how family (group) identification evolves when the family branches out, and how this change in identification erodes collective trust. Second, it entails identifying the procedures that family leaders can create for developing a relationship with family members that helps them maintain group identification and trust. Here, changes in trust are linked to changes in identification and vice versa. Maintaining trust is perceived as an on-going process in which identification and trust are entangled (Möllering 2013). This perspective departs from the vast majority of trust research that has neglected studying trust as a process (Möllering 2013). The process of trust erosion in particular has received little attention in literature, apart from trust violation. This is why it is important to discuss it at the same time as the process of trust maintenance, in particular in *Multiple Branches Family Firms*.

This research opens up a distinct way of understanding how collective trust erodes when the family branches out, and how family leaders can maintain this trust over time and generations in *Multiple Branches Family Firms*.

**Intended contributions**

In this research, I wish to contribute to the understanding of trust, in general, and, of trust in the field of family businesses in particular.

Even though research on trust at the interpersonal, organizational and institutional levels abounds in trust literature, the vast majority concerns interpersonal trust (Fulmer and Gelfand 2012). When we move from simple dyadic relationships to more complexe multi-actors collective contexts, trust can develop in collective entities (McEvily, Weber, Bicchieri and Ho 2006; Kramer 2010; Kramer et al. 2010). Studies on collective trust are rare. They do not account for the evolution of collective trust when groups transform into subgroups. I wish to contribute to the understanding of trust erosion and trust maintenance when groups branch out, in different ways. First, research on trust erosion has mainly analyzed the actions taken to repair the trust that has been violated (Lewicki and Bunker 1996; Kim, Ferrin, Cooper and Dirks 2004). In this
research, I observed that erosion can also derive from gradual changes in group members’ identity perception of one another. Second, the process of trust erosion has received scant attention in trust research. I identified how the denunciations of leaders’ procedures influence superordinate group identification and collective trust erosion. Finally, I wish to provide new insights into how leaders can maintain collective trust through formalities and fair treatment.

Since this research takes place in the context of family firms, I also wish to contribute to understanding trust in family firms by addressing the lack of consideration that the family variable has received on family businesses research so far (Jaskiewicz, Combs, Shanine, Kacmar 2017). I have studied how families can branch out over time and generations, and how this evolution can influence familial trust (Steier 2001). The role of group identification appears central to understanding this phenomenon. With this research I wish to complement research on trust in family businesses that has developed in the last few years, by emphasizing the collective trust that can characterize Multiple Branches Family Firms, and highlighting the role that family leaders can play in maintaining this trust. This involves developing procedures that fit with family members’ expectations about the management of the family business, as well as preserving family members’ self-esteem.

Structure of the thesis

This thesis is organized in five parts. 
Part I introduces to the study. Chapter 1 gives a glimpse of the main topics covered in the dissertation.
Part II presents the theoretical framework. I brings two main concepts to the framework to understand trust erosion and maintenance in Multiple Branches Family Firms: collective trust and group identification. In Chapters 2 and 3, I review the main selected perspectives related to these concepts that came up in the data analysis.
Part III presents the field study. Starting off with the ontological and methodological approaches of this study in Chapter 4, I introduce in Chapters 5, 6, 7 and 8 the four cases of the empirical analysis.
Part IV is devoted to the analysis of the empirical material. In Chapters 9 and 10, the processes of trust erosion and trust maintenance are delineated and a theoretical model is proposed for each process.
Part V concludes this research with, in Chapter 11, a short summary of the study, the contributions of the research, its limitations and suggestions for future research.
PART II: THEORETICAL FRAMEWORK
2. Trusting in Family Firms

“Agents only become aware of trust when it is problematic,”


In this chapter, I present how I conceptualize trust in this research. Studying trust in the context of Multiple Branches Family Firms, I develop a collective and processual perspective of trust and call trusting the on-going process of trust that unfolds as family members’ identification with the family evolves when the family branches out.

Trust

Researchers are unanimous in recognizing that trust is important in organizations. They are less consensual when it comes to conceptualizing trust (Hosmer 1995). The aim of this section is to clarify what trust is, and how it can develop and evolve over time, and be generated through control. Finally, interpersonal trust is distinguished from collective trust which is the focus of this research.

Trust matters

As Möllering (2004) says, “trust is something that we feel we need to discuss, perhaps in order to understand it better, but probably also with a view to increasing the chances of maintaining and repairing it wherever it is essential, or at least, desirable, in relationships within and between organizations” (557). There is little doubt that trust has become a central topic in management research since the late 1980s and has generated extensive debates among an increasing number of scholars in psychology, sociology, management, economics, political and other social sciences (Dirks and Ferrin 2001; Tyler 2003; Möllering 2004; Bachmann and Zaheer 2006; Kramer et al. 2010; Kramer et al. 2014; Lewicki and Brinsfield 2017).

Notwithstanding these different views, there is agreement that trust is important across disciplines (Tyler and Kramer 1996; Rousseau, Sitkin, Burt, and Camerer 1998; Lewicki, McAllister and Bies 1998; Fulmer and Gelfand 2012; Lewicki 2018; Searle, Nienaber and Sitkin 2018). It enables cooperation, improves
decision making, overcomes harmful conflicts (Deutsch 1973), and reduces transaction costs (Cummings and Bromiley 1996) within and between organizations (Lewicki Tomlinson and Gillespie 2006; McEvily 2011; Lewicki 2018).

There has been a significant amount of research since the development of trust research. Questions like: What does it mean to trust? What conditions are necessary to trust? What characterizes trustors and trustees? Do we differ in how we trust each other? Does it worth to trust? How to measure trust? How trust develops over time? How can it be repaired? have been raised and have received varying responses.

Trust is recognized as a complex concept (Rousseau et al. 1998; Lewicki et al. 1998; McEvily 2011; Nooteboom 2002). It has been studied from multiple disciplinary perspectives and has been attributed multiple causal roles (cause, outcome, and moderator) (Dirks and Ferrin 2001). Trust is also a multireferent and multilevel concept (McEvily, Weber, Bicchieri and Ho 2006; Fulmer et al. 2012). It has been acknowledged to have different objects (leaders, teams and organizations, within or between organizations) and to operating at different levels (individual, group, firm and institutional). As a consequence, Rousseau et al. (1998) conclude that the study of trust within and between firms involves riding the organizational elevator up and down a variety of conceptual levels.

Studying trust in Multiple Branches Family Firms, I propose to move the elevator from the interpersonal to the group level and regard these levels as being embedded in the institutional level. In doing so, I acknowledge that relationships in family firms play out at the individual, family branch (intra and inter-family branches), and family levels, in three institutions that may overlap: the family, the business and the ownership. In this research, I adhere to a view on trust as both a result and a condition of social interaction processes, which calls for a conceptualization of trust as a continuous process (Möllering 2013). The process of trust has received little attention in trust research so far. In this chapter, I present the perspective that I develop in the context of Multiple Branches Family Firms.

Trust is often used in a variety of distinct ways in organizational research (Kramer 1999). I present some of them, in the next sections, and also precise the collective perspective of trust that I focus on in this research.

What is trust?

A Leap of faith

Researchers across disciplines have reached a consensus on what it means to trust another party. A social actor, the trustor, selects a specific positive assumption from
among a large number of others about the future behavior of another social actor, the **trustee**. Based on this assumption, the trustor decides to behave favorably towards the trustee. Without any guarantees and despite his limited knowledge of the trustee’s motives, abilities and possible future behavior, the trustor makes a **pre-commitment** presuming that the other party will not behave opportunistically and take advantage of his vulnerability (Bachmann 2006: 59). This pre-commitment involves a positive extrapolation of the available information and an ability to bear a certain amount of risk on the part of the trustor (Bachmann 2006). Trust also invokes a certain kind of faith from the trustor as it generates from weak inductive knowledge, “intermediate between knowledge and ignorance about a man” (1950 in Möllering 2006: 109). This antecedent or subsequent form of knowledge combined with some mysterious, unaccountable faith manifests the unique nature of trust that Simmel expresses in the notion of **leap of faith** (Simmel 1989; 1992 in Möllering 2001). It characterizes the unique psychological state that defines trust.

### A psychological state

During the last decades, researchers have intensively debated on the definitions of trust. They have come to the agreement that trust is a **psychological state comprising the willingness to accept vulnerability based upon positive expectations of the intentions or behaviors of another party under conditions of interdependence and risk** (Mayer, Davis and Schoorman 1995; Rousseau et al. 1998; Lewicki, Tomlinson and Gillespie 2006). In this definition, risk is the possibility of loss (Luhmann 1988; Gulati 1995; Rousseau et al. 1998; Nooteboom 2002). It occurs when there is **uncertainty** about the other’s intention or action. Uncertainty is the source of risk. Without uncertainty, there would be no need to trust. As Rousseau et al. (1998: 395) note it, “uncertainty and risk creates an opportunity for trust, which leads to risk-taking”. It is this **willingness to take risk**, based on “the feeling that others will not take advantage of me” (Porter et al. 1975: 497 in McAllister et al. 1995) that defines trust.

Trust does not necessarily entail blind trust. Before deciding to trust someone, the trustor can roughly assess that the risk s/he is buying into will not exceed certain more or less acceptable limits (Bachmann 2006; Schoorman, Mayer and Davis 2007). When the perceived probability of loss (perceived risk) is low enough to enable trust, risk-taking can occur (Mayer et al. 1995; Rousseau et al. 1998).

Besides risk, **interdependence** is the second necessary condition for trust. Interdependence means that an individual needs to rely upon another to achieve his interests. In this perspective of trust, the trustor does not have the ability to monitor or control the other party (Mayer et al. 1995; 2007).
Therefore, trust is about vulnerability, perception, positive expectation, risk and interdependence (Rousseau et al. 1998). All these elements play an important role in trust relationships as they are necessary conditions for trust to exist. Research has acknowledged the existence of plural forms of trust that I present in the following section.

**Different forms of trust**

Two different traditions have emerged in trust research: the *rational-choice* and the *social/relational* traditions (Tyler and Kramer 1996; Rousseau et al. 1998; Kramer 1999). In the former, trust is viewed as a calculation of the likelihood of future cooperation (Williamson 1993). It is inferred from the observation of cooperative behavior. For this reason, it is also called the behavioral approach (Lewicki et al. 2006). In the later, “trust is conceptualized as an orientation towards society and towards others that has social meaning beyond rational calculations” (Tyler et al. 1996: 5). The relational tradition has emerged to overcome the limits of calculative trust in terms of bounded rationality and cognitive overemphasis. With sociological (Granovetter 1985), psychological (Shapiro, Sheppard and Cheraskin 1992) and sociopsychological underpinnings (Kramer et al. 1996; Tyler and Degoe 1996; Kramer 1999), it considers emotional and social influences on trust decisions (Kramer 1999). Trust is linked to the social context that influences trusting behavior.

**Relational** trust can be considered close to affect-based trust. It is now widely acknowledged that trust has both cognitive and affective foundations (McAllister 1995). For McAllister (1995), *cognition-based* trust means “we choose whom we will trust in which respects and under what circumstances, and we base the choice on what we take to be “good reasons,” constituting evidence of trustworthiness” (Lewis and Wiegert 1985: 970)” (McAllister 1995: 26). In contrast, *affect-based* trust derives from the emotional bonds that characterize a relationship between two parties and gives insights into their motives towards one another. Through this distinction, McAllister (1995) points out two different kinds of behavior: *role-prescribed* and *personally chosen*. Antecedents of cognition-based trust are the success of past interaction, the extent of social similarity between individuals and the organizational context considerations, and they serve as clear signals of role preparedness (McAllister 1995: 28). Affect-based trust is associated with organizational citizenship behavior, seen as providing help and assistance (outside an individual’s work role) and with altruistic behavior. Few studies have empirically investigated this distinction between cognition- and affect-based trust. Those which do report that they are indistinguishable (Lewicki et al. 2006). Furthermore, this distinction seems of little interest when it comes to understanding how trust develops in a relationship over time. More useful is the distinction proposed by Shapiro et al. (1992) and Lewicki et al. (1996), as it suggests the existence of different forms of trust and a transformation of the
nature of trust itself as relationships develop beyond simple transactional exchanges to other relationship forms (Lewicki et al. 2006: 1006).

**Trust development**

For Shapiro et al. (1992) and Lewicki et al. (1996), trust development is composed of three stages where trust develops gradually as the parties move from one stage to the next. Achieving trust at one level is necessary for developing trust at the next level. This entails different activities to nurture trust and significant changes in the relationship over stages.

**Calculus-based trust** (Rousseau et al. 1998) is often the first stage of the trust that develops between two parties in a new relationship (Shapiro et al. 1992; Lewicki and Bunker 1996). It is also called “deterrence-based trust” (Shapiro et al. 1992), when it derives from a threat of punishment that enables one to believe that another party will be trustworthy. It appears through the form of “calculus-based trust” (Lewicki and Bunker 1996) when it is a result of a choice between a fear of punishment for violating trust and the rewards associated with preserving it. Calculus-based trust can develop as long as the punishment is clear, possible and likely to happen, and the rewards of being trusted exist. This first stage of trust becomes stable when the trustee is perceived to be consistent and punishment is not or no longer required. These interactions provide the trustor with information about the trustee. Then, the two parties can move into **knowledge-based trust** which constitutes a different form of trust as it no longer relies on deterrence; instead information collected through regular communication and courtship is the basis for trust. Courtship means that the trustor interviews the trustee, watches him/her perform in social situations, experiences him/her in a variety of emotional states, and learns how others view this behavior (Lewicki et al.1996: 121).

This second stage of trust is grounded in the ability to know the other sufficiently well so as to be able to predict his/her behavior. It entails that the parties have a history of interaction important enough to be able to anticipate what the other will do. This evolution from the first to the second stage of trust involves a shift in the relationship. A **perceptual sensitivity to contrasts** between the self and the other is replaced by a **perceptual sensitivity to assimilation**. When the relationship moves from knowledge-based trust to **identification-based trust**, a shift also occurs between simply extending one’s knowledge about the other to a more **personal identification** with that other (Lewicki and Bunker 1996: 125). This happens when the parties have learned more about each other and start “to identify strongly with others’ needs, preferences, and priorities and come to see them as their own” (p125). The development of a collective identity, proximity through regular interactions, joint goals and a commitment to commonly shared values contributes to the development of this personal
identification. This closest nature of trust “permits a party to serve as the other’s agent and substitute for the other in interpersonal transactions (Deutsch 1949: 122)” (Lewicki and Bunker 1996). It constitutes the last and most rare stage of trust that a relationship between two parties can reach. Figure 1 below presents how trust develops through these three stages.

Therefore, individuals can develop different kinds of trust relationships through their interaction. The stage model presents the different steps through which a relationship can move from calculus-based to identification-based trust. Understandably, not all relationships transform into identification-based trust and neither do they remain stable over time. Individuals’ relationships may also face a decline in trust. This often derives from the trustor’s perception of a violation of the trust placed in a trustee (Lewicki and Bunker 1996; Kim et al. 2004; Dirks, Lewicki and Zaheer 2009; Kim, Dirks and Cooper 2009; Lewicki and Brinsfield. 2017; Kim 2018). In this instance, trust decline can follow from a single trust violation that is so severe that it eliminates all trust, or there can also be a more gradual erosion of trust (Lewicki and Bunker 1996). When violations of trust occur, the relationship is reconsidered, and either restored on new grounds or terminated.

In the context of identification-based trust, a breach in trust refers to actions that go against the trustor’s interests, “they tap into values that underlie the relationship and create a sense of moral violation” (Lewicki and Bunker 1996: 127). Such violation may be difficult to repair as trust is intimately connected to the fundamental nature of the relationship. Actually, violation of identification-
based trust may signal that the relationship itself is in trouble and might need to be repaired (Lewicki and Bunker 1996). Trust can evolve in different forms over time. In the past 15 years, the idea that trust can also generate between individuals through the development of control mechanisms has emerged. I now present this perspective below.

**Trust and control**

Traditionally, trust and control have mostly been dealt with as separate concepts. For several years, after a long focus on control as a governance mechanism, trust has been acknowledged as a powerful means of coordinating intra- and inter-organizational relationships (Bijlsma-Frankema and Costa 2005) and of dealing with risk in relationships (Schoorman et al. 2007).

Recently, the idea that trust and control may be closely related has come to the fore. Trust is the “willingness to take risk” (Schoorman et al. 2007) whereas control makes it possible to manage risk by making one’s behavior more predictable (Bijlsma-Frankema and Costa 2005). When a situation presents a perceived risk that is higher than the willingness to take a risk (trust), control mechanisms can help reduce this perceived risk to a level that can be managed by trust (Schoorman et al. 2007). Trust and control can then be recognized as interlinked processes (Bijlsma-Frankema and Costa 2005; Möllering 2005; Costa and Bijlsma-Frankema 2007) that can help actors reach positive expectations of the behavior of other actors by which they may be positively or negatively affected (Möllering 2005).

There is evidence that the introduction of control mechanisms can impede the process of trust formation, since trustworthy behavior is less likely to be attributed to the actor than to the control mechanisms (Strickland 1958; Malhotra and Murnighan 2002, Puranam and Vanneste 2009). In the absence of control mechanisms, trustworthy behaviors are recognized as such, and lead to renewed and increased level of trust in the relationship (Puranam and Vanneste 2009: 16). For Sitkin and Roth (1993a), the extent to which control mechanisms can create trust depends on the situation and whether it is characterized by value congruence, meaning that individuals have the same key values or share a common worldview. Sitkin and Bies (1993) observed that organizations tend to adopt highly formalized organizational policies and procedures when interpersonal trust is low. They call legalistic remedies, these particular control mechanisms that “mimic the decision-making procedures, criteria and language used in legal settings,” mimicry that gives them institutional legitimacy (Sitkin and Bies 1993: 345) and create trust (Zucker 1986, Sitkin and Roth 1993a). Actually, these legal remedies are ineffective in creating trust when there is value incongruence as their specificity and explicitness do not address the value incongruence that underlies the lack of trust. Formalization leads to explicit
tacitly accepted beliefs and practices and to questioning whether this is an appropriate way to formalize beliefs or values (Sitkin and Roth 1993a). Therefore, control mechanisms can reinforce low trust or distrust when it exists instead of creating trust. In this perspective, the development of informal and personal processes (rather than highly legalistic ones) can contribute to the attainment of value congruence and to creating trust (Van Maanen and Schein 1979, Sitkin and Roth 1993a).

For Weibel (2007) formal control can enhance trustworthiness and lead to trust when it influences value internalization. This context of value congruence constitutes a basis for mutually positive expectations and promotes reliable trustworthy behaviors. Strong value internalization can suggest that the interests of both the parties are intertwined. Later Weibel, Den Hartog, Gillespie, Searle, Six and Skinner (2016) have identified three types of control that can generate trust: output, process and normative. Therefore, control mechanisms in conjunction with trust can provide a basis for mutually positive expectations which will lead to collaborative behaviors.

Most of the trust research treats trust as a dyadic relationship while interaction may also take place in wider interpersonal contexts such as groups, organizations, networks, and institutions (Kramer 1999, 2010; Sztompa 2011; Fulmer and Gelfand 2012). In this context, trust may be placed in a collective entity instead of in an individual. It is important to clearly distinguish both objects of trust and their functioning.

**Interpersonal versus collective trust**

**Interpersonal trust**

Different perspectives have flourished across disciplines to give a better understanding of the functioning of trust between two parties. In 1995, Mayer et al. integrated the main knowledge developed until the mid-1990s to model how trust generates in dyadic relationships. This model encompasses factors about the trustor and the trustee and clearly specifies the characteristics of these two individuals. By introducing the antecedents and outcomes of trust, it clarifies the reason why a trustor is prone to trust a trustee.

In this perceptive, the antecedents of trust are taken into consideration in terms of a trustor’s propensity to trust and a trustee’s characteristics. Acknowledging that trust may vary within persons and across relationships (Schoorman et al. 2007), the authors have also delineated specific characteristics of the trustor and the trustee. Trustors differ one from one another in their propensity to trust. Their willingness to accept vulnerability depends on their perception of the other party. Trustees have specific characteristics because of which they are perceived
more or less trustworthy. These characteristics underlie beliefs about another’s trustworthiness:

- **Ability**: a “group of skills, competencies, and characteristics that enable a party to have influence within some specific domain”.
- **Benevolence**: “the extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive”.
- **Integrity**: “the trustor’s perception that the trustee adheres to a set of principles that the trustor finds acceptable” (Mayer et al. 1995: 717-719).

This perspective is illustrated in the figure 2.

![Figure 2: Model of trust (Mayer, Davis and Schoorman 1995: 175)](image)

In this conceptualization, the trustor derives from information about the trustee’s behavior whether he or she is trustworthy. The trustor decides to trust and to take risks in a relationship to the extent that the trustee is perceived trustworthy and the risk of the situation is acceptable. Trust will therefore lead to outcomes like collaborative behavior. This provides additional information on the trustee and new basis for trust.

This framework is now widely accepted for explaining how trust develops between two parties. It has been used in multiple areas such as psychology, sociology, marketing, and accounting, etc. (Schoorman et al. 2007) and has “received support in numerous studies across a number of different types of interactions” (Ferrin, Dirks and Shah 2006: 870).

However, individuals rarely have interaction that is limited to dyadic relationships. Relationships can also take place in collective contexts. Then, trust may not only develop at the individual level but also at the group level, and the object of trust can be a collective.
Collective trust

A collective context such as groups, networks, and organizations often involves multiple actors and display higher complexity than dyadic relationships. Frequent interaction, knowledge and familiarity may not develop easily among individuals and interpersonal trust may be replaced by collective trust (Kramer, Brewer and Hanna 1996, Kramer 2010, Kramer et al. 2010). Collective trust is the trust that an individual has in the organization and its collective membership taken as a whole (Kramer 2010).

Most literature on trust considers trust in a collective entity as a function of trust in its individual members. In contrast, McEvily et al. (2006: 53) investigate whether we can find any “aspect of trust in a collective entity that exists apart from trust in the members of a collective entity.” In a nutshell, can groups be trusted? The authors give clear evidence that two types of trust exist that are related but distinct. In both types, the source is an individual, but the object differs depending on whether trust is placed in an individual or in a collective entity. In the former, it is a specific individual and in the latter it is an aggregate social system comprised of several individuals.

Before, McEvily et al. (2006), Kramer et al. (1996) recognized the existence of collective trust when they studied the decision to trust in collective settings. Several years later, Kramer (2010) has conceptualized this trust as “a kind of generalized trust” that is conferred on other organizational members when individualized knowledge is absent. In organizational contexts, individuals often have difficulties to cumulating knowledge about all the members with whom they interact and depend on to build interpersonal trust. They use proxies or substitutes for direct personalized knowledge as a basis for a more impersonal form of trust (Kramer 1999, 2010). Trust in collective is a presumptive trust, a sort of diffuse cognitive and bounded positive expectation that is conferred on a collective and applies only to the in-group members of this collective (Kramer 2010).

Individuals can derive positive expectations about other organizational members from the information they attend to accept to engage in trusting behaviors. When they perceive that sufficient reassuring factors are in place, they can develop trust in the collective (Kramer 2010). In this perspective, the trustor is “a vigilant social auditor” who makes judgments about others’ trustworthiness (Kramer 2010: 87). There are different kinds of underpinnings of presumptive trust: rule-based trust, role-based trust, identity-based trust and leader-based trust (Kramer 2010, Kramer et al. 2010).

- Rule-based trust

Organizational rules constitute a valuable source of diagnostic information for making judgments about others’ potential trustworthiness. Rule system refers to
“a set of formal and informal understandings that govern how individuals within the organization interact” (Kramer 2010: 87). These rules are normative or institutionalized expectations about others’ behavior. However, “rule-based trust is not predicated on members’ ability to predict specific others’ trust related behaviors, but rather on their understandings — regarding the normatively binding structure of rules guiding — and constraining — both their own and others’ conduct” (Kramer et al. 2010: 264).

- Role-based trust

Role-based trust is very close to rule-based trust. It also constitutes a form of impersonal trust, in which roles serve as proxies for personal knowledge about other organizational members. In role-based trust, expectations are predicated on the knowledge that individuals have particular roles in the organization. Trust is derived from information about role occupant’s trust-related intentions and capabilities. As for rule-based trust, it is important to mention that “it is not the person in the role that is trusted so much as the system of expertise that produces and ensures the role-appropriate behavior of role occupants” (Kramer et al. 2010: 263).

- Identity-based trust

Identity-based trust (Kramer et al. 2010) also called category-based trust (Kramer 1999) is predicated on information regarding a trustee’s membership. Membership in a social category provides a basis for trust (Brewer 1981) as information about a trustee’s membership in a social or organizational category, “when salient, often unknowingly influences others’ judgments about their trustworthiness” (Kramer 1999: 577). This presumptive trust follows from the positive associations that individuals make with social categories. When individuals have a shared membership, they tend to attribute positive characteristics such as honesty, cooperativeness and trustworthiness to in-group members (Brewer 1996 in Kramer 1999). As a consequence, individuals tend to confer “a sort of depersonalized trust” (Kramer 1999) to other in-group members. For Foddy, Platow and Yamagishi (2009), there are two mechanisms at work here: stereotypes of in-group members are more positive than those of out-group members, and there is an expectation of generalized reciprocity within the boundaries of a shared identity. Therefore, the extent to which individuals identify with an organization increases their “propensity to confer trust on others and their willingness to engage in trust behavior themselves” (Kramer et al. 1996: 359).

Trust can also develop when individuals have dissimilar group memberships (Williams 2001). Obviously, developing trust across group boundaries is difficult. Often, individuals from dissimilar groups perceive each other as potential
adversaries with conflicting goals, beliefs and styles of interacting. This unfolds when individuals interact with each other as if they were representatives of their respective groups. However, research provides contrasting results of the effect of dissimilar group membership on trust. **Dissimilar group membership can be associated with either trust or distrust.** These can lead to distrust, suspicion and animosity, and also signal trustworthiness. For this reason, “a similar-trust, dissimilar-distrust paradigm does not adequately capture the effects of dissimilar group membership on interpersonal trust” (Williams 2001: 377). In fact, dissimilar professional group membership can lead to trust when individuals associate positive beliefs about competence and “good will” with the other professional groups (Williams 2001: 378). **These positive beliefs derive from institutional bases of trust enacted by the context** (Williams 2001). When individuals have dissimilar group membership and lack information about group members’ trustworthiness, these institutional bases of trust can generate positive beliefs about a group’s trustworthiness and engender trust.

- **Leader-based trust**

The signals that leaders send to organizational members constitute a particularly potent source of presumptive trust. Leader-based trust is a transitive trust (Kramer 2010) in which trust derives from the transfer of positive expectations from a known person (third-party (Burt and Knez 1996) to another lesser or unknown person. Different mechanisms can contribute to the building of presumptive trust. Among them, Kramer (2010) emphasizes the role of the leader attribution error and the management of meanings. First, leaders can use the causal credit they are often granted for things that happen in organizations to heighten a sense that trust is reasonable. They need to ensure that the requisite grounds for trustworthiness exist. Second, leaders can instill the importance of trust within the organization through sense-making (Weick 1995).

These four underpinnings of collective trust described above constitute formal structures or procedures that provide organizational members with a basis for inferring that others are likely to behave in a trustworthy way. They contribute to the creation of a diffuse expectation, a general belief that there are sufficient grounds for collective trust.

In the same line of thinking, McEvily et al. (2006) have developed a slightly different perspective of trust that combines identity-based and leader-based trust. Collective trust has its basis in group identification. From their membership in a collective entity, individuals derive the trustworthiness of members about whom they have no prior information or relationship. This process occurs as individuals extend their experience with a representative of a collective entity beyond that relationship and transfer it to transactions with other members of this collective entity. The initial experience with the representative of the collective entity is
translated into a stereotypical judgment about the whole group and extended to relationships with other group members.

The contribution of this previous research to the understanding of trust in collective settings is important. When interpersonal trust relationships are difficult to develop between members of a collective entity, group membership can serve as a signal for trustworthiness and counterbalance individuals’ inability to exhibit their trustworthiness to all other parties.

This brief overview of trust clarifies its meaning and gives some insights into what this research is going to be about. However, this overview did not address the particular case of family firms. Recently, a claim for greater consideration of context in management (Bamberger 2008) and trust (Schoorman et al. 2007; FINT Singapore Workshop 2013) research has gained salience. Greater attention to the context can contribute to an appreciation of the complexity of a social reality. Due to their embeddedness in three overlapping systems, family firms clearly evidence an interesting context in which to study trust. They provide a unique opportunity to improve our understanding of trust’s evolution in a context of multiple and potentially conflicting systems.

Trust in the context of family firms

Acknowledging the importance of context in theory building, I now present the characteristics of the context of family firms. I then briefly summarize the research on trust that has been developed so far in studies on family businesses.

Context counts

Context refers to the factors that are “associated with units of analysis above those expressly under investigation” (Cappelli and Sherer (1991) in Bamberger 2008: 839). Context highlights the potential situational and temporal boundary conditions of a theory (Bamberger 2008). For this reason, context should be given greater theoretical consideration. Bamberger (2008: 841) recommends developing context theories that “specify how surrounding phenomena or temporal conditions directly influence lower-level phenomena, condition relations between one or more variables at different levels of analysis, or are influenced by the phenomena nested within them”. This research contributes to the development of a context theory: that of trust development in multiple branches family firms.

Despite the prominent research devoted to trust, it has been underexplored in the context of family firms. However, family firms have specific characteristics due to their embeddedness in three distinct overlapping institutional systems (the
family, business and ownership). These systems influence how trust develops over time. The study of how trust is maintained in family firms when the family branches out can contribute to expanding our knowledge about trust development at the group level across institutional systems. Yet, family firms portray different realities and require to be clearly defined.

**The context of family firms**

**Defining the family firm**

Defining what constitutes a family firm is necessary but problematic as it cannot be captured by a “monolithic concept” (Holland and Boulton 1984: 16). Family firms have been defined in different ways, sometimes emphasizing their uniqueness compared to their non-family counterparts and sometimes their heterogeneity.

Scholars have engaged in long debates to identify the uniqueness of family firms. Various definitions have emerged that emphasize a comparison of family and non-family firms (Daily and Dollinger 1991, 1992, 1993; Molly and Laveren 2007). These perspectives have given rise to a component-based definition of family firms which measures the extent of family involvement in the ownership, management and governance. However, for many authors, these demographic criteria are not sufficient for understanding the distinctiveness of the family firm. Hence, they propose an essence-based definition (Chua, Chrisman and Sharma 1999; Astrachan, Klein and Smyrnios 2002; Lumpkin, Martin, and Vaughn 2008) to direct our attention to the behavioral consequences of family involvement (Westhead and Cowling 1999; Chua, Chrisman and Sharma 1999; Sharma and Nordqvist 2007). After considerable debates (Lumpkin, Martin and Vaughn 2008; Molly, Laveren 2007; Litz 2008), scholars have reached a consensus on factors such as intention, involvement, influence and vision (Chua, Chrisman and Sharma 1999, 2005; Steier, Chrisman and Chua 2004; Lumpkin, Martin and Vaughn 2008) to capture the essence of the family businesses.

Component and essence-based definitions are now commonly used in research. However, there is still no consensus on a single definition which conciliates the two perspectives (Sharma et al. 2014, Sirmon 2014).

In the recent years, scholars have admitted that it is too simplistic to view family businesses as a homogeneous entity (Chrisman, Chua and Sharma 2005; Westhead and Howorth 2007; Nordqvist et al. 2014). They have shifted the focus on the existence of various kinds of family firms, and consider equally important to explore their heterogeneity (Westhead and Howorth 2007; Sharma and Nordqvist 2007; Sharma et al. 2014). Numerous studies have identified different types of family firms (Molly and Laveren 2007; Distelberg and Sorenson
2009; Sharma and Nordqvist 2007; Nordqvist et al. 2014)) with regard to the family and business dimensions (Sharma, 2004; Westhead and Howorth, 2007; Litz 2008; Distelberg and Sorenson 2009). Most of them draw on the classic distinction between family first and business first (Ward 1987; Carlock and Ward 2001).

All this research illustrates the definitional debate in which scholars have engaged and their various attempts to develop a shared definition. It also suggests that a consensual definition has not been found as yet. However, it is now assumed that researchers can subscribe to slightly different working definitions of a family firm (Steier, Chrisman and Chua 2004: 296; Sharma et al. 2014; Sirmon 2014) but have to clearly present it and justify it, in their research. In doing so, scholars allow comparison with other research using the same definition (Westhead and Cowling 1998) and ensure the results are related to the aim of the research and the characteristics of the family firms studied empirically. It also takes into consideration the heterogeneity of family firms and retains the distinctiveness of family businesses research (Sirmon 2014).

In this research, family businesses are those where ownership and management are concentrated within a family unit, and where its members work to achieve and or maintain intra-organizational family-based relatedness (Litz 1995). This integrative definition (Litz 2008) combines component and essence approaches of family involvement by considering two different kinds of dimensions: an objective dimension — the concentration of the ownership within a family unit — and a perceived dimension — the desire of organizational members for a firm to become a family business or not and their efforts to achieve and/or maintain intra-organizational family based relatedness to do so. These dimensions can be operationalized in various ways. Family businesses can be observed both when one or several family members are present within the firm’s ownership and/or management and also in the various strategies that organization’s members formulate to increase the likelihood of succeeding generations participating in the family firm (Litz 1995: 103). In this definition, intention is a central element to differentiate family firms from non-family firms, as well as different types of family firms. It signals the aim of the family members for a firm to be a family firm. However, intentions among family firms vary and are manifested in different developments of family-based relatedness in the management and the ownership. This results in different governance structures as the same governing structure cannot fit all the types of family firms (Sharma and Nordqvist 2007). These varied intentions manifest differing emphasis on the family or the business systems and interactions between the two systems.

Curiously, most research on family businesses regards the family business as a result of the overlap of the family and the business. However, Tagiuri and Davis (1996) have acknowledged the existence of a third system: the ownership. These three systems constitute the context in which family firms are embedded.
The embeddedness of the family firm in three systems

Traditionally family firms are depicted as three independent but overlapping groups: the family, the owners and the management (Tagiuri and Davis 1996). Individuals belong to at least one of these three groups and derive from their membership in each group three distinct roles: relatives, owners, and managers (Tagiuri and Davis 1996). These roles imply different values, beliefs and norms of behavior as each group has its own values, norms of behavior, rules, and organizational structures (Gersick 1997):

- **The family**: family members are primarily concerned with the welfare and unity of the family. Value is given to internal unity and rivalry among members is repressed or denied. The family system is emotional (Ward 1987). Family members often have a conservative vision of the firm.
- **The management**: managers have a strategy-oriented vision of the firm. They will work towards operational effectiveness (Tagiuri and Davis 1996). The business system is objective (Ward 1987). Internal competition is encouraged.
- **The ownership**: owners are interested in return on investment and in the survival of the firm. They have a profit-oriented vision of the firm. Moreover, owners must provide equity.

Gersick, Davis, McCollom, Hampton and Landsberg, (1997) call this representation of the family firm, the 3-circle model. Their perspective is the same as Tagiuri and Davis’ previous work but emphasizes the family business as a system; in fact, they see it as three interdependent and overlapping sub-systems: the family, the business and the ownership. The focus is still on individuals, their
simultaneous roles, their motivation and perspectives. These depend on individuals’ location in the overall system. Here, the notion of group is replaced by the notion of system.

Since then, this characterization of the family business in term of system has expanded and constitutes a strong foundation of the field (Distelberg and Sorenson 2009). In their representation, Distelberg and Sorenson (2009) distinguish three levels of analysis: the individual, the group and the family business levels that are dependent on each other. Until now research has mainly focused on how each system influences the other systems or the individuals. No research has studied how systems influence trust development in family firms.

**Trust in family business research**

Trust has been acknowledged as an important feature of family firms (Tagiuri and Davis 1996; Dollinger 1992; Allouche and Amann 1998; Steier 2001; Steier and Muethel 2014). It is also recognized as a crucial competitive advantage (Steier 2001; Sundaramurthy 2008; Eddleston, Chrisman, Steier and Chua 2010; Steier and Muethel 2014). It often reduces relational risks, represents a basis of cooperation (Steier 2001), and may also contribute to improving the quality of strategic decisions (Mustakallio et al. 2002). Trust can also be crucial in entrepreneurial settings, providing resources in the venture creation process or the ability to develop international activities sooner (Karra, Tracey and Phillips 2006; Steier 2007; Welter 2012).

Trust might not be typical of all family enterprises, “It seems (rather) likely that family businesses that survive long enough to be academically scrutinized typically rely on existing relational contracts as a source of competitive advantage” (Steier 2001: 364). These relational contracts consist in close relationships that go beyond the business relationships and depart from a utilitarian logic (Steier 2001; Gomez-Mejia 2001; Mustakallio et al. 2002). Family members are bound by emotions and sentiments, particularly in the early stages of a firm’s development. These are antecedents to relational or affective trust, that are manifested in a set of mutual expectations among family members (Gomez-Mejia et al. 2001; Steier 2001; Sundaramurthy 2008). As a result, these family firms are often depicted as “high trust” organizations (Jones 1983; Allouche et al. 1998; Herrero 2011).

Despite the importance and relevance of trust in family businesses, there was little research that focused mainly on trust for several years (Allouche and Amann 1998; Steier 2001; Sundaramurthy 2008; Welter 2012). Literature on family firms has concentrated its attention on stewardship theory (e.g. Corbetta and Salvato 2004; Davis, Allen and Hayes 2010), social capital (e.g. Arregle, Hitt, Sirmon and Very 2007, Salvato and Melin 2008; Morris, Allen, Kuratko, and Brannon 2010; Steier and Muethel 2014), agency theory (Schulze, Lubatkin and Dino 2000, 2003;
Schulze, Lubatkin, Dino and Buckholtz 2001; Chua, Chrisman and Sharma 2003; Chrisman, Chua and Litz 2004, Davis et al. 2010), and transaction cost theory (Gedajlovic and Carney 2010; Verbeke and Kano 2010). In all these perspectives trust plays a more or less significant role, but they do not specifically focus on trust.

It is only recently that trust has gotten increased attention in literature on family firms (Sundaramurthy 2008; Eddleston et al. 2010; ETP special issue in 2010; Welter 2012; Steier and Muethel 2014). Researchers have studied trust at different levels: individual, interpersonal, intra-organizational, and inter-organizational (Eddleston et al. 2010), and covered various topics ranging from the role of trust in employees’ perceptions of the leader’s stewardship (Davis et al. 2010), the founder’s imprint on trust (Morris et al. 2010), the family’s power to influence the CEO’s compensation as a mean of creating trust (Gedajlovic and Carney 2010) to the effect of CEO’s perceptions of TMT benevolence on the features of TMT contracts (Cruz, Gómez-Mejia, Becerra 2010).

However, the understanding of trust in family businesses remains far from complete. Gagné, Sharma and De Massis (2014) suggest several directions in which trust and justice are studied in tandem in family businesses. Steier and Muethel (2014) have also advanced several avenues for future research. These encompass an analysis of trustworthiness and of the relationship between organizational evolution and trust, the mechanisms that contribute to the longevity of some of the world’s oldest and largest high trust family dominated organizations, and distrust in family firms. Researchers also suggest investigating the disintegration of trust as a direction for future research.

Steier (2001) observed that the familial trust that is indigenous in most family relationships and often present in the early stages of family firms development (Steier 2001; Sundaramurthy 2008; Steier and Muethel 2014), can erode when the family enlarges over time and generations. Familial interpersonal trust can be replaced by conflict when families grow. This is due to the gradual evolution of familial ties which become less strong from one generation to the next. This dilution of trust may be a naturally occurring process. Hence Steier (2001) recommended family firms should reinvest in trust and trust building activities or develop plural forms of governance. Steier (2001) and Steier and Muethel (2014) acknowledge that the role of trust in a firm’s governance can change over time. There is still limited understanding of the processes through which familial trust is built and maintained (Steier 2001).

Drawing on trust literature, Sundaramurthy (2008) proposes a model for sustaining trust. In his perspective, the familial trust that is inherent in the early stages of trust development is interpersonal, and knowledge and identification-based. Over time this trust can evolve into competence and system trust. The former relates to entrusted parties’ ability to perform a job effectively. The latter is the trust that is placed in systems and processes, and follows from the development of transparent rules and policies. Further, trust is sustained over
time through communication that permits the development of a new basis for interpersonal trust, i.e. “new degrees of shared beliefs through … renegotiation between generations, family members who are active in the business and those that are not” (Sundaramurthy 2008: 97).

In this body of research, trust is interpersonal and identity-based. It is nurtured through competence and system trust. The revitalization of collective identity contributes to the rebuilding of interpersonal trust. However, nothing is said on how it unfolds. And collective trust, “the ability to rely on the family” (Steier and Muethel 2014) is ignored. Trust can play a major role in *Multiple Branches Family Firms* where the family ownership may become a group of family blockholders with heterogeneous interests. Finally, nothing is said on how a decline in trust occurs. There is a need to further understand the evolution of the family when it branches out and to analyze its influence on trust. A clear understanding of this evolution necessitates understanding how the context (of family firms) affects trust (Mayer et al. 1995). This speaks in favor of a process perspective of trust. Process research helps understand how a phenomenon unfolds, as well as how this unfolding process may itself be situation-contingent (Bamberger 2008).

**Trusting**

This section suggests a processual approach for the study of trust evolution in the context of *Multiple Branches Family Firms*. It starts with a presentation of different approaches to the trust process. I call trusting the on-going process of trust that unfolds when the family members identify with the family (group). And I study how it evolves when the family branches out. In this process, trusting is part of the trustor's continuous becoming (Möllering 2013).

**A process perspective of trust**

Research has predominantly treated trust as a static phenomenon though it is recognized to be dynamic, continuously reproduced, and in fact the result of a process (Nooteboom 1996, Möllering 2013). To date, trust as a process has received little attention, and only a handful of researchers have recommended developing more process-based trust research (Möllering 2013). Among them, Möllering (2013) suggests different avenues for future research. They contrast with the traditional approach of trust which considers trust as a choice, an attitude, a predisposition that is fairly stable over time and a measurable outcome. They question how the outcome of trust is produced and used. In these perspectives, trust is perceived as an on-going process, meaning “the “product” of trust is always unfinished and needs to be worked upon continuously”
(Möllering 2013: 286). This invokes a conceptual shift that Möllering (2013) undertakes by using the term trusting instead of trust, emphasizing that “trust is ‘always in process’ and is even a process in itself” (Möllering 2013: 287).

Trusting goes beyond the perspective that trust evolves over time into different forms of trust (Shapiro et al. 1992; Lewicki and Bunker 1996). In fact, Möllering (2013) identifies five process views which portray different mechanisms in trusting and develop from relatively moderate to more pronounced notions of process: continuing, processing, learning, becoming and constituting.

Trusting as continuing is the starting point for analyzing how trust changes over time. It connects different states of trust at different points in time. It remains descriptive and still focuses on trust as an outcome, as does processing. Trusting as processing refers to how actors process information and links the antecedents of trust to its outcome. Trusting as learning is a more pronounced process perspective as both the quantity and quality of trust change. Forms and degrees of trust are the outcome of trust but they also play a role in this learning process. Then, comes trusting as becoming which focuses on the actors’ identity and social identification. Here, trusting is not a predisposition or “a kind of end-state shaped by the identity (and social identification)” of an actor as in the traditional perspective of trust. Trusting as becoming means that changes in trust are linked to changes in identity and identification, and make trusting “part of the actor’s continuous becoming” (Möllering 2013: 293). Becoming then refers to “a developmental project of the self that is never finished” (Möllering 2013: 293). The “trustee and (the) trustor keep on constructing their identities together in the process of trusting” (Möllering 2013: 294). For the trustee, trusting involves opening out to the others and accepting his or her vulnerability. This vulnerability refers to potential emotional losses and damage to the trustee’s self-esteem and self-image. For the trustee it entails signaling his or her intentions through self-presentation. As Luhmann (1979 in Möllering 2013: 294) suggests, “whoever wants to win trust must take part in social life and be in a position to build the expectations of others into his own self-presentation”. Trusting as becoming means the “actor’s identity and trust are not just connected but entangled in process” (Möllering 2013: 295). In this on-going process, trustors and trustees perform an “active work” on “trust-in-the-making” (Möllering 2006: 102) and “reflexively work on themselves all the time” (Möllering 2013: 294). Becoming is at the center of this research, and differs from constituting which is the most pronounced process approach for trust. Constituting is built on the idea of social constitution as Giddens developed it in his structuration theory (1979, 1984 in Möllering 2013). It involves an emphasis on “practice”, meaning that trusting is not simply dependent on the social context but it also reproduces the rules and resources in which it is embedded (2013: 295). For Möllering (2013), the emphasis on practice of this perspective makes it distinct from trusting as becoming.
I analyze how trust evolves when the family branches out, i.e. when family members' identification with the family changes. Trusting is this on-going process that unfolds when family members' identification with the family group changes. I develop this perspective in the following sections.

**Trusting as identifying**

Trusting, as a process of identification, means that individuals identify with one another. In *Multiple Branches Family Firms*, this may also mean that individuals identify with the others as a group.

**Identifying with one another**

When two individuals identify with the other's desires and intentions, it can generate identification-based trust (Lewicki and Bunker 1996). Identification-based trust is the last stage of Lewicki and Bunker (1996)'s sequential process of development, presented earlier (made up of three stages: calculus, knowledge and identification-based trust). Identification-based trust develops when one “both knows and predicts the other’s needs, choices, and preferences and also shares some of those same needs, choices, and preferences as one’s own” (1996: 123). It also derives from empathizing with the other, i.e. thinking, feeling and responding like the other (Lewicki and Bunker 1996). In a nutshell, it is strong personal identification with the other. Not surprisingly, all relationships cannot develop fully and reach this stage. It only characterizes a few relationships. Such strong personal identification seldom exists in work relationships, and trust relationships at work are more often knowledge-based (Lewicki and Bunker 1996). In contrast, strong personal identification can characterize family members’ relationships.

Families constitute naturally occurring settings for the development of trust (Eddleston et al. 2010; Steier and Muethel 2014). Strong and affective bonds develop during childhood through repeated interactions and shared upbringing (Steier 2001). Familiarity, common history and personal characteristics can lead to the development of strong personal identification and nurture trust. Family members can easily know and predict each other’s needs, choices and preferences. They can understand the others’ desires and wants and have their goals aligned, at least in the management of the family business. All these characteristics engender a greater level of faith in the intentions of the other party (Gomez-Mejia et al. 2001; Sundaramurthy 2008) and create the conditions for the development of personal identification-based trust between family members. This is especially true in the nuclear family where children have been brought up.
together, have shared family values, and common life experiences within the family (family diners, vacations, activities). However, not all family members’ relationships look like the same in nuclear families. Family members may not trust each other in the same way or strongly identify with each other. In *Multiple Branches Family Firms* too it may be difficult to develop personal identification.

**Is there any personal identification in *Multiple Branches Family Firms***?

Like any other kind of trust, personal identification-based trust is idiosyncratic to a particular relationship. It can hardly be replicated over generations. This makes it difficult to maintain trust over time and generations. As Steier (2001: 365) says it, the fact that two brothers have an extraordinary level of trust between them, does not mean that they will feel the same way about each other’s children. It is unlikely that next-generation relationships will be similar to first generation relationships (Steier 2001; Sundaramurthy 2008) or that strong personal identification characterizes all family members’ relationships. Next-generations relationships may play out in a context of multiple branches with little interaction, distinct family values and varying goals for the family business. Hence, as the family gets larger and expands into multiple branches it means fewer opportunities for family members to nurture personal identification-based trust:

- **Proximity**: natural occasions to see each other may reduce. Family members may live in different places or no longer have the opportunity to get together.

- **Joint goals**: social interaction is an opportunity for family members to develop joint goals. As this decreases when the family grows, family members may develop various and potentially diverging interests.

- **Shared values**: family members are no longer bound by a shared upbringing and values (Gersick et al. 1997; Steier 2001; Sundaramurthy 2008).

- **Collective identity**: Gersick et al. (1997) notes a decline in family collective identity in large families composed of multiple cousins.

In family settings, personal identification may be difficult to develop, particularly when the family branches out. However, personal identification may not be the unique driver of identification-based trust. Identification with the family as a group can also generate identification-based trust.
Identifying with the family group

Identification-based trust is similar to “a certain form of group-based trust that is linked with group membership and develops when individuals identify with the goals espoused by particular groups and organizations” (Lewicki and Bunker 1996: 122). In family firms, familial trust can also be group identification-based. The family acts as an identification factor and often makes family members behave in each other’s best interests (Sundaramurthy 2008). Family members “are willing to commit “even to the point of self-sacrifice” in the name of the general family welfare” (Gersick et al. 1997 in Sundaramurthy 2008: 91). Kinship and collective family identity (Gomez-Mejia et al. 2001; Steier 2001; Mustakallio et al. 2002; Sundaramurthy 2008; Welter 2012) which play an important role in the development of personal identification-based trust are also characteristics of family members’ identification with the family (perceived as a group of family members). Therefore, in family firms identification-based trust may have more to do with group rather than personal identification and may generate when family members identify with the family.

In this research, I explore the perspective that group identification can provide a better explanation of identification-based trust that can characterize family members when the family diversifies into multiple branches. I propose that family members can derive their trust in one another from a sense of belonging to the same group (for instance, the family). This perspective involves trust developing at the group level, and family members trusting the collective (family).

Trusting the (collective) family

I propose that the trust that characterizes family members in Multiple Branches Family Firms is collective. Family members derive the trustworthiness of other family members, especially with whom they have no prior or little information or relationships from their membership in the family. This collective trust follows from the positive association family members make with the social category family member. Based on their experiences with a family member, they can develop a stereotypical judgment about the family and extend it to other family relationships. Here, the family leader plays an important role as positive expectations from the family leader may be transferred to lesser or unknown family members.

Therefore, trusting in Multiple Branches Family Firms means identifying with the family as a group. This perspective is process-based. I extend Möllering’s (2013) approach of trusting as becoming to the group level and I study the on-going process of identification (of family members) with the family group; that unfolds over time and influences collective trust.
Trusting as becoming: When the family branches out

Trusting as becoming is the process through which trust evolves as the identification with the family changes. When the family branches out, identification with the family transforms as siblings become adults, have children, and start acting as mothers and fathers or heads of family branches themselves. Gersick et al. (1997: 46) note the propensity of siblings or cousins when they become parents to “act as if their responsibility is to represent their own family branch as opposed to the company or the shareholder group as a whole.” Branches may primarily serve (or be perceived to) the interests of their branch over that of the family as a whole. The extent to which branches are involved in the business influences their priorities in the management of the business. Differences between branches may lead to potentially diverging goals and interests for the business and create boundaries for the branches that sometimes cannot be easily overcome. In this context of potentially conflicting branches characteristics, it may be difficult to develop positive expectations about other family members.

In addition, the more the family enlarges over time, the more its members become distant relatives. Relationships between family members may be diluted and family members may no longer know each other. Family members’ attachment to the family business may decrease and differ from one family member to another. Then family members may have little in common except their financial interest in the family business. Undoubtedly changes in the family structure may influence family members’ identification with the family and collective trust.

The aim of this research is to highlight the process through which family identification influences trust when the family branches out. This focus on process means that I investigate the evolving phenomenon (Langley, Smallman, Tsoukas and Van de Ven 2013) of collective trust in which group identification and trust are entangled. I study how group identification and trust unfold, change over time, and interact with each other. In this perspective, trust is continually in a state of becoming (Tsoukas and Chia 2002) and the “context is not something that is held constant and outside the changes being analyzed but is itself continually reconstituted within and by processes of interaction over time” (Langley, Smallman, Tsoukas and Van de Ven 2013: 5). In my research, the family is the context and its evolution is embedded in the family, business and ownership systems.

Little is known on how change in collective trust unfolds when family identification evolves as the family branches out. There is a need to investigate this in detail.
What makes a family member identify with the family group? Can family members simultaneously identify with the family and the branch? How do these changes in identification influence collective trust over time?
In this context, it is important to understand how identification forms. In the next chapter, I present how identification works in a context of multiple memberships.
Summary

Trust is important and deserves attention as it can help in keeping family members involved in the family ownership and also remain committed to the development of the family business over time.

In this research, I espouse the perspective that trust is identification-based (Sundaramurthy 2008). Following Steier and Muethel (2014), I also propose that trust in family firms can be individual and collective. I focus on this trust that characterizes family firms in the early stages of a firm’s development (Steier 2001) and propose that this trust is collective and based on family identification. Collective trust is a presumptive trust, a sort of diffused cognitive and bounded positive expectation that is conferred on a collective and applies only to the in-group members of this collective (Kramer 2010). In family firms, it is based on family identification.

Family members use their membership in the family to derive the trustworthiness of other family members, especially about whom they have no prior or little information or relationship. Based on their experiences with a family member or the positive association they make with the social category family member, they can develop a stereotypical judgment about the family and extend it to other family relationships. Positive beliefs emerge from institutional bases of trust that are enacted by the context. In the family firm, the context is made up of multiple overlapping systems (family, business and ownership).

The context of the family firm is particularly interesting in the study of collective trust. It can help expand our knowledge on the development of collective trust across institutional systems when groups branch out.

This perspective of trust is process-based. I extend Möllering’s (2013) approach of trusting as becoming to the group level, and I study the on-going process of identification (of family members) with the family which unfolds over time and influences collective trust. In this new becoming, trusting is the process through which trust evolves as the identification with the family changes as it branches out.
3. Understanding How Group Identification Works

“A man has as many social selves as there are individuals who recognize him and carry an image of him in their mind,”


In this chapter, I draw on the social identity theory and the self-categorization theory (Tajfel and Turner 1986; 1987) to present how group identification forms and how it functions. I bring in this framework the Economies of Worth’s conventional approach to understand how identification works in a context of multiple potentially conflicting memberships.

Investigating the group identification phenomena

Investigating how group identification forms, involves understanding how individuals transform into a social group. Tajfel and Turner (1986; 1987) provide a framework for understanding the psychological processes through which membership forms and influences intergroup behavior. I present it in this section.

When individuals transform into a social group

Group identification occurs when an individual emphasizes his social self. This happens through a process of self-categorization. Social category salience informs on the membership that determines the individual’s behavior in a particular context.

An emphasis on the (collective) social self

In the social psychological literature, individuals are conceptualized in terms of self-concept. Self-concept designates “the cognitive component of the
psychological system or process referred to as the self” (Turner et al. 1987: 44). Individuals are recognized as having a set of available cognitive representations of the self. In theories of the self (e.g. Brewer 1996, Turner et al. 1987), the self is characterized in terms of personal and social identities. Personal identity refers to unique attributes of an individual such as physical appearance, intellectual qualities and idiosyncratic tastes. These cognitive representations (Turner et al. 1987) differentiate the self from all others (Brewer 1996: 83). In contrast, different conceptualizations of social identity exist which correspond to distinct levels of social selves.

For Brewer (1996: 83), interpersonal and group levels lead to interpersonal and collective social identities. In interpersonal identities, social connections are personalized bonds of attachments and interdependent relationships with specific others. Collective social identities are impersonal bonds “derived from common identification with some symbolic group or social category.” A collective identity reflects assimilation to others (Brewer 1996). This distinction between personalized and impersonal bonds shows that personal relationships among group members are not necessary for developing collective social identities.

For Thoits and Virshup (1997), these different levels are individual and collective. The former emanates from sociologists such as McCall and Simons or Stryker (Thoits and Virshup 1997) who consider that at the individual-level, Me’s, “are identifications of the self as a certain kind of person, using broad social categories to describe ‘who I am’”, through the social roles I play. The latter originates in psychologists such as Tajfel and Turner (e.g. 1986; Turner et al. 1987) who consider that at the collective-level, We’s, “are identifications of the self with a group as a whole, using broad social categories to describe “who we are”” (Thoits and Virshup 1997: 106).

I focus on this collective approach of social identity which reflects assimilation with others (Tajfel and Turner 1986 and Turner et al. 1987). I consider social identity as this sense of “who we are” which is associated with any internalized group membership that an individual develops when he identifies with the members of a group. This “ability to think in terms of ‘we’ and ‘us’, not just ‘I’ and ‘me’, [that] enables people to engage in meaningful, integrated and collaborative organizational behavior” (Haslam 2001: 26).

From this perspective it follows that a conceptualization of group behavior is “the behavior of individuals acting on the basis of a categorization of self and others at a social, more ‘inclusive’ or ‘higher order’ level of abstraction than that involved in the categorization of people as distinct, individual persons” (Turner et al. 1987: 2).

Brewer (1991) represents this conceptualization of social behavior through concentric circles. At the center is the personal identity that is the individuated self. Beyond the individual’s level are categorizations of the self into more
inclusive social units: the individual’s social identities as an extension of the individuated self (Figure 4).

![Figure 4: Personal and social identities (Brewer 1991)](image)

Figure 4 represents the discrete category memberships that compose an individual’s self-concept (Hogg and Terry 2001). It clearly shows that cognitive representations of the self function at different levels of abstraction and how the self is “expendable and contractable across different levels of social identity with associated transformations in the definition of self and the basis for self-evaluation. When the definition of self changes, the meaning of self-interest and self-serving motivation also changes accordingly” (Brewer 1991: 476).

As the self can refer to individual or group behavior, it is important to understand the process through which I becomes We. For Turner et al. (1987), this happens through self (or social) categorization.

**A process of self-categorization**

Self-categorization is the psychological process through which group identification forms. It derives from two processes: depersonalization of the self and comparison with the social field.

**A process of depersonalization**

For Turner et al. (1987) social identity needs to be “switched on” for group identification to form. This transformation of the self into a social self occurs through a process of depersonalization. For these authors, depersonalization does not mean a loss of identity or a de-individuation but a gain in identity. Depersonalization is “a change from the personal to the social level of identity, a change in the nature and content of the self-concept corresponding to
the functioning of self-perception at a more inclusive level of abstraction” (Turner et al. 1987: 51). Depersonalization involves “self-stereotyping” with members of a group. In this process, individuals “come to perceive themselves more as the interchangeable exemplars of a social category than as unique personalities” defined by their idiosyncratic characteristics (Turner et al. 1987: 50) (see Figure 5).

This transformation of the self can take place at different levels. In fact, the conceptualization of the self-concept distinguishes three levels of abstraction of self-categorization with higher levels being more inclusive:

- **Superordinate human** level: human being
- **Intermediate social** level: in-group member
- **Personal** level: unique individual

Figure 5: Variation in self-categorization as a function of depersonalization (Haslam 2001)

Within these three broad levels of inclusiveness, there can be finer gradations of self-categorization. Each level of abstraction can be characterized by numerous specific self-categorizations. On the one hand, individuals, across and within cultures, can give different meanings to being a human and belonging to a social group. On the other hand, individuals can consider different dimensions of interpersonal comparison according to the context in which they are involved in (Turner et al. 1987). Hence, how individuals self-categorize depends on their
characteristics as well as those of the situation, and lead to different self-categorizations (group identifications).

Depersonalization of the self is the basic process underlying self-categorization. In addition, self-categorization involves a process of comparison.

**A process of comparison (meta-contrast)**

Individuals are used to comparing themselves with others. They use social categories (e.g. nationality, organization, work group and gender, etc.) to compare and identify themselves with others, and define themselves as similar or different, “better” or “worse” than members of other groups (Tajfel and Turner 1986). Through this process of comparison, they recognize a sense of belonging to a same/different group(s) according to like/unlike stimuli.

Categorization or category formation is the process through which the self is recognized as a member of a particular class or category of stimuli. This process follows a principle of meta-contrast and is relative to a frame of reference. It entails a comparison between one stimulus and another (or several other stimuli) (the meta-contrast principle). This latter stimulus acts as an external standard for classifying the initial stimuli as similar or different (frame of reference) (Turner et al. 1987). A comparison of stimuli perceived as identical at some level leads to the identification of subgroups at the next lower level based on perceived differences. This process unfolds ‘ad infinitum’ up to the point that the self is perceived as a member of a particular class or category of stimuli (Turner et al. 1987). This happens when the self is perceived as being more or less equivalent to other stimuli in that category or more or less distinct from stimuli in other categories. Consequently, group identification depends on relative similarities and not just on “similarities” between stimuli and derives from the existence of more similarity (or less difference) between certain stimuli than between those and others” (Turner et al 1987: 47).

Figure 6 gives Haslam’s (2001) representation of several self-categorizations of an individual according to the context in which comparisons with others take place. This results in several self-categorizations as an individual, as a member of a team, as a member of an organization, and as a human being.
In figure 6, the self is represented by the dark shaded regions. It is compared with others who are represented by the light shaded regions. The self becomes more inclusive at higher levels of abstraction. At the highest level of abstraction, it includes other parts of the self that are excluded at lower levels. This representation highlights that self-categorization not only occurs at different levels but is also context-dependent. The extent to which a comparison occurs with people from Sam’s team, organization or other organizations, will influence Sam’s categorization as an individual, a team member, and a member of an organization. Therefore, the extent to which the self identifies with the others depends on the social context within which the categorization takes place. However, nothing is said on how the context influences social categorization.

How do individuals come to define themselves in terms of one group membership rather than another? This process lies at the heart of the production of salient social categories.

**Which membership counts?**

**Social category salience**

Social category salience refers to “the conditions under which some specific group membership becomes cognitively prepotent in self-perception to act as the immediate influence on perception and behavior” (Turner et al. 1987: 54).
Understanding How Group Identification Works

These conditions are category accessibility and fit. Individuals “draw on accessible categories and investigate how well they fit the social field” (Hogg and Terry 2000: 125). The category that best fits the field, in a particular context, becomes salient.

Accessibility can be defined as “the readiness with which a stimulus input with given properties will be coded or identified in terms of a category” (Turner et al. 1987: 55). Two kinds of accessibilities can be distinguished: chronic and situational. A category is chronically accessible when it is valued, important and frequently used (Turner et al. 1987; Hogg and Terry 2000). It is situationally accessible when it is perceptually salient. Turner et al. (1987: 55) illustrates accessibility through the example of “people [who] would be more ready to perceive somebody as ‘French’ if they were in Paris and were looking for a French person.” Therefore, chronic accessibility is defined by internal preferences; in contrast, situational accessibility is defined by external norms. Chronic accessibility tends to be stable while situational accessibility may fluctuate greatly (Ashforth and Johnson 2001).

Fit is “the degree to which reality actually matches the criteria which define the category” (Turner et al. 1987: 55). Fit also has two components: comparative or structural and normative. Comparative fit relates to the principle of meta-contrast. From this it follows that a category needs to be salient to account for situationally relevant similarities and differences among people. Therefore, a categorical representation of exactly the same social stimuli can vary as a function of comparative context. Inversely, changes in context can have a profound impact on the meaning of any particular category.

Fit is comparative but it is also normative. These similarities/differences or actions need to correlate with some classification. Categories are assumed to have an internally graded structure so that some features of a category (particular behavior, attributes or individuals) define it better than others. Normative fit means that the behavior must be consistent with the stereotypical norms that define the category (Turner et al. 1987). The category finally constitutes a “way of organizing and making sense of social stimuli” (Haslam 2001: 50). Therefore, category accessibility and fit make the individual’s cognitive system match social categories to properties of the social context and “brings into active use (i.e., makes salient)” the relevant category. In doing so, social categorization salience makes “the social context and one’s place within it subjectively most meaningful” (Hogg and Terry 2000: 125).

When one level of self-categorization becomes more salient, self-categorization at other levels should become less salient. In addition, the salience of a self-categorization has two consequences: it accentuates perceptions of intra-class similarities and inter-class differences and reduces perceptions of intra-class differences and inter-class similarities. I later show how these characteristics influence intra- inter-group relations.
Therefore, in social identity and self-sategorization theories, group membership does not simply mean “a group which one is objectively in, but one which is subjectively important in determining one’s action” (Turner et al. 1987: 2). Understood in this sense, what defines a group is not simply its structure, function or size; but it is its social reality (Thoits and Virshup 1997). For Tajfel and Turner (1986: 15), the social group is “a collection of individuals who perceive themselves to be members of the same social category, share some emotional involvement in this common definition of themselves, and achieve some degree of social consensus about the evaluation of their group and of their membership in it.”

However, individuals can differ from one another in their propensity to identify with the characteristics of the group, i.e., with the group prototype.

**The group prototype**

Individuals cognitively represent the attributes of a group in the form of a prototype. Prototypes are “fuzzy-sets that capture the context-dependent features of group membership” and “embody all attributes that characterize groups and distinguish them from other groups, including beliefs, attitudes, feelings, and behaviors” (Hogg and Terry 2000: 123). Prototypes can hardly be defined in terms of checklists of attributes and often take the form of representations of exemplary members (group members that best embody the group) or ideal types (an abstraction of group characteristics). In-group members can differ in the extent to which they are perceived prototypical or representative of a group. They can share a certain degree of prototypicality, but their relative prototypicality varies (Hogg and Terry 2000, 2012).

Prototypes are context dependent. They can transform when changes in context occur. Though prototypes are stored in memory, they “are constructed, maintained, and modified by features of the immediate or more enduring social interactive context” (Hogg and Terry 2001: 5). In particular, when the relevant comparison out-group modifies, enduring changes arise in prototypes, and thus in self-conception (Hogg and Terry 2000, 2001). These changes are linked to the group that is salient in the immediate social context.

Social identity and self-categorization theories give insights on how group identification unfolds. They also provide information on how group membership shapes an individual’s behavior and helps him/her maintain a positive sense of self.

**Why is social identification essential?**

Social categorization serves two purposes. It helps reduce uncertainty about appropriate forms of behavior and it contributes to enhancing self-esteem.
Uncertainty reduction

Uncertainty reduction constitutes a strong driver of social identity processes. Reducing uncertainty is a core human motivation, particularly when it concerns self-conception (Hogg and Terry 2000). Assimilation of the self with the group prototype reduces uncertainty as the group prototype describes and provides guidance on the perceptions, attitudes, feelings, and behaviors that are appropriate in a context (Hogg and Terry 2000). The prototype also provides moral support and consensual validation for one’s self-concept as usually prototypes are usually relatively consensual (Hogg and Terry 2000). Consequently, prototypes that are “simple, clear, highly focused, and consensual” are those that best reduce uncertainty (Hogg and Terry 2000: 124). A second trigger for social identity processes is self-enhancement.

Self-enhancement

Social categorizations represent cognitive tools that segment, classify and order the social environment. They help individuals identify their own place in society by providing a system of orientation for self-reference (Tajfel and Turner 1986: 16). Individuals derive different aspects of their self-image from the social categories to which they belong. It is these aspects of an individual’s self-image that Tajfel and Turner (1986) call social identities. Social identities carry different positive and negative values for the self as social categories can be differentially valued within culture. As a result, social identities can contribute to making individuals experience positive self-esteem. Further, individuals can derive self-esteem and a sense of personal value from positive and distinctive group identities. These can come in a variety of forms, for instance, when an individual conforms to the group prototype and is perceived as a valued member by the other group members. It also derives from in-group favoritism as the group has valued attributes which are associated with each member (Tajfel and Turner 1986).

Uncertainty reduction and self-enhancement play an important role in processes of self-categorization but group identification can take place in a context of groups nested in larger groups. This context influences the social categorization’s salience and intergroups relations.

Groups nested in larger groups

It is widely acknowledged that individuals may have multiple identities related to many spheres of their lives (professional, familial, political, religious, etc.). For Feldman (1979), individuals may also have multiple identities within one sphere of life as certain identities can be nested or embedded within others (Ashforth and Mael 1989). Therefore, in large groups identities can be nested or cross-
cutting. In the former, subgroups are wholly nested within a superordinate group (formal categories that are institutionalized in the organization’s structure), and in the latter, they are crosscut by the superordinate group (Ashforth and Johnson 2001). Therefore, individuals, in large groups, can situate themselves within the organization in different ways. The question of which identity is salient is critical. Because lower order identities (nested identities) are more exclusive, concrete (“they represent the local means or action levers by which higher order identities are put into play”) and proximal (“their impact is more direct and immediate”) than higher order identities (at the top of the organization, such as a superordinate group), they are often more salient (Ashforth and Johnson: 2012: 34). First, as lower order identities are more exclusive and concrete, they are more likely to be perceived as being similar. It stems from the metacontrast principle that individuals are more likely to self-categorize at lower order identities than higher order. Nested groups tend to be more homogeneous than the superordinate group. Second, lower order identities will tend to be more salient as they may constitute the group with which an individual interacts most frequently. Therefore, the propensity that nested identities prevail is important. Cross-cutting identities are similar (relatively exclusive, concrete and proximal) to lower order identities and also tend to be relatively salient (Ashforth and Johnson 2001).

To avoid losing the superordinate group’s salience, or to effectively manage inter-subgroups’ relations, superordinate groups often attempt “to dissolve subgroup boundaries and merge them into one large group” (Hogg and Terry 2000: 131). However, they frequently face resistance from subgroups that perceive it as a threat to their identity – particularly when the superordinate group is very large, amorphous and impersonal – as members of subgroups might be afraid of losing their distinctiveness.

Distinctiveness is an important characteristic of groups (Brewer 1991). For Brewer (1991), individuals have opposite needs for assimilation and distinctiveness from others. An optimal level of distinctiveness is finding a level of inclusiveness that equally satisfies the need for differentiation and for assimilation. In intergroup relations, individuals may resolve this tension between assimilation and differentiation through de-individuation within the in-group and through inter-group comparisons respectively. Therefore, ensuring a subgroup’s differentiation from other groups is important. This involves maintaining clear boundaries between the subgroups (Brewer 1991).

An effective strategy of managing inter-subgroups relations within a larger group is to make subgroups and the superordinate group identity simultaneously salient (Hogg and Terry. 2000). Harmonious and cooperative relations can be ensured among subgroups by balancing “loyalty to and identification with the subunit with loyalty to and identification with the superordinate organization, and not overemphasize either one to the detriment of the other” (Hogg and Terry 2000: 131).
Substantive and symbolic management can help maintain higher order identities (Ashforth et al. 2001: 39). Substantive management involves changing practices in order to make individuals feel that they are in the same boat. Symbolic management entails that the management portrays the organization to members and is focused on what is “central, distinctive, and relatively enduring about the organization”. Both types of management play a role in creating subjective importance and situational awareness (accessibility) of higher order identities. Hence, social identity and self-categorization theories inform how group identification works and influences intergroup relations. In the same line of thinking, the group-value model of procedural justice (Lind and Tyler 1988; Tyler and Lind 1992) proposes that the quality of relationship that an individual has with his authorities and other group members can influence group identification. I present this perspective below.

**When authorities’ fair procedures influence group identification**

Positive relationships with authorities help in strengthening identification with the group. This happens when authorities manifest fair treatment towards the group members. Fair treatment is revealed in the procedures that the authorities use. Three factors help evaluate the fairness of these procedures. In superordinate/subgroups relationships, fair treatment can contribute to fostering superordinate group identification.

**A focus on the relationship with authorities**

Lind and Tyler (1988) developed the group-value model of procedural justice (Lind and Tyler 1988; Tyler and Lind 1992) as they observed that in reacting to procedures people are primarily concerned about their relationship with the authority that employs these procedures, and with the group members. This perspective contrasts with instrumental models of procedural justice which consider that people are motivated to maximize their self-interest when they interact with each other (Tyler et al. 1996: 913). Group authorities reflect the norms and values of the group. In the group-value model, individuals care more about the way they are treated by the authorities than about the outcomes resulting from their procedures.

If individuals are more concerned with the quality of their relationship with the authorities and group members than by instrumental issues, it is due to the sense of self-worth that they derive from group membership (Huo, Smith, Tyler and Lind 1996). Groups provide individuals with information about the propriety of their behavior, attitudes, and values, and a source of self-validation (Tyler and
Lind 1992: 141). Through the quality treatment of important group representatives, such as authorities, they assess their status in the group (Huo, Smith, Tyler and Lind 1996). High quality treatment from the group’s authorities communicates individuals that they are respected and valued members of the group. Such treatment bolsters individuals’ self-worth and reaffirms their attachment to the group. Inversely, low quality treatment communicates individuals their marginal status within the group (Tyler et al. 1998).

Tyler, Degoey and Smith (1996) note that people who are treated fairly by a group’s authorities are more willing to remain group members, engage in activities that benefit the group, and comply with the group’s rules and laws (Tyler, Huo, Ortiz and Lind 1998). Drawing on the group-value model of procedural justice (Lind and Tyler 1988; Tyler and Lind 1992), they proposed that authorities’ fair procedures and treatment communicate identity-relevant information to the individuals who are affected by these procedures and lead to group-oriented behaviors and attitudes.

Judgments about the quality of the relationship between individuals and decision makers have a great influence on group identification. In the construction of these relational judgments, procedures play an important role.

**Fair procedures: Symbols of authorities’ fair treatment**

Procedures are important. They inform individuals about their social connection to groups and group authorities. Individuals evaluate procedures “in terms of their implications for group values and for what they seem to say about how one is viewed by the group using the procedures” (Tyler and Lind 1992: 140). In fact, procedures communicate to individuals two symbolic messages about group membership: their **position within the group** and the **position of the group as a whole**. The former indicates whether the group member is respected by the authority and perceived as a valued member. The latter indicates whether group members can feel pride in their group membership. This second point reminds us of social identity theorists’ perspective who suggested that individuals can derive positive self-esteem from belonging to a valued group. Actually, the group-value model “draws heavily from social identity theory” (Tyler et al. 1996: 926). It emphasizes, and shares with it, an individual’s interest in learning about his or her own social identity through the groups that s/he belongs to. However, it departs from this perspective by focusing on **intragroup dynamics** instead of intergroup relations. While social identity theory provides information on the position of one’s group vis-à-vis other groups, the group-value model tells individuals about their position within a group (Tyler and Lind 1992: 143). Therefore, when people react to procedures, they primarily manifest their concern about their long-term social relationship with the group or its authority.
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(p140) as it informs them about their self-identity and self-worth. Individuals derive from authorities’ procedures whether they are being treated fairly (Tyler et al. 1996). The extent to which “a procedure is seen as indicating a positive, full-status relationship, it is judged to be fair.” Fair procedures communicate pride and respect to group members which increase self-esteem (Tyler et al. 1996: 914). The extent to which “a procedure appears to imply that one’s relationship with the authority or institution is negative or that one occupies a low-status position, the procedure is viewed as unfair” (p140).

Fair judgments about authorities are particularly important in group identification phenomena. They involve paying attention to the dimensions that characterize the quality of the treatment.

**Relational judgments about authorities’ fairness**

Three aspects of the relationship with authorities are especially important in the formation of fair judgments: standing, neutrality, and trust (Tyler 1989 in Tyler and Lind 1992: 141). **Standing** refers to status recognition i.e an individual’s perception that s/he is valued by the group. Status recognition is manifested in the way individuals are treated by authorities. While politely, dignity and respect for an individual’s rights and opinions demonstrate high status in the group and lead to feelings of positive social standing, opposite treatments reveal that the authorities do not consider the individual as a full member of the group and leads to feelings of negative social standing. **Neutrality** refers to the degree to which procedures are unbiased, honest, and promote decisions based on evidence. Neutrality of an authority is important as prejudice would imply that one is viewed “somehow less worthy than those who receive more favored treatment, and this implication has extremely powerful consequences for feelings of self-worth (Tyler and Lind 1992: 142). **Trustworthiness** concerns the motives of the authorities, their intention and the extent to which they are trying to be fair and ethical. It refers to judgments about their benevolence and concern for the needs of those with whom they deal.

Therefore, relationships with authorities can contribute to maintaining group membership when they are judged to be fair. This relation between authorities’ fair treatment and individuals’ self-worth and self-esteem is important since the authority represents a valued in-group. When it represents an out-group with which an individual feels little or no attachment, relational judgments become less relevant (Huo et al. 1996). This may happen in the context of groups nested in larger groups.
In the context of subgroups/superordinate group

Huo et al. (1996) studied authorities’ treatment of individuals in a context of subgroups/superordinate groups relationships. Their results evidence that perceptions of fairness of the superordinate group’s authorities is based on relational judgment when individuals identify more with the superordinate group and less with the subgroup. When identification with the subgroup prevails, the evaluation of the fairness of an authority, who is perceived to represent a different subgroup, is based on instrumental procedural justice.

In a context of competing values and interests, conflicts can occur due to competition for resources or differences in values, interests and beliefs (Huo et al. 1996). Consequently, a relational evaluation of authority involves individuals identifying strongly with the superordinate group. A strong identification with the superordinate group does not mean that individuals should decrease their loyalty to their subgroups. Research shows that individuals “who identified strongly with the superordinate group were especially sensitive to relational issues regardless of the strength of their subgroup identification” (Huo et al. 1996:45).

Social identity and self-categorization theories give insights into how group identification forms and influences intergroup relations. In the context of groups nested in larger groups, identification may develop at the subgroup and superordinate group levels or it may no longer form at the superordinate group level. In such a situation, harmonious subgroups relationships are threatened. An effective way of addressing this issue is to ensure that both superordinate and subgroups identities are salient.

Drawing partly on the social identity framework, the group-value model suggests that authorities’ fair treatment can contribute to strengthening group identification. This is true since the authority represents a valued in-group. In superordinate/subgroups relationships, it involves maintaining both identities salient.

Therefore, it is possible to infer from social identity and self-categorization theories as well as from the group-value model that harmonious superordinate/subgroups relationships involve maintaining both identities salient.

However, Multiple Branches Family Firms are embedded in a context of potentially conflicting institutional systems that may influence branches’ identities and result into inter-branches conflict. Neither social identity nor self-categorization theory informs on how to deal with conflicting identities. There is a need to understand how to maintain salient superordinate and subgroups identities in the context of conflicting memberships. The Economies of Worth can help understand how to overcome conflicting identifications.
Dealing with multiple identifications

This section presents the Economies of Worth approach. This perspective contributes to the understanding of inter-subgroups relations in a context of multiple potentially conflicting identifications. It also proposes a convention perspective of categorization in such a context.

The Economies of Worth

A convention perspective

The Economies of Worth is a body of work from the French sociologist and economist, Boltanski and Thévenot (1987, 1991). It is part of the French Conventions School, called Economics of Convention (e.g. Lewis 1969, Orléan 1994), which, in the 1970-1980’s, developed a framework to cope with coordination in a context of uncertainty.

Uncertainty poses a question of individuals’ action and coordination. If we consider human action as the pure product of rational calculation, “a calculating, self-interested actor cannot be said to act rationally, because he lacks sufficient means of evaluating a priori whether the reasoning behind the action is valid” (Gomez and Jones 2000: 697). Under uncertainty, it is impossible to know precisely how a future event will unfold or whether it will occur or, to make predictions about the action of others. It is impossible to calculate action ex ante. As a result, uncertainty can inhibit individuals’ action and/or collaboration.

The French Convention School introduced the notion of convention to eliminate uncertainty and make decision-making possible. Individuals have the ability to make decisions when they are able to ‘rationalize’ them “by providing a reason for it to themselves and others” (Gomez et al. 2000: 698). Through this process of rationalization, called “justification”, individuals are able to justify their behavior and appear reasonable to others. In this approach, dealing with uncertainty does not raise an issue of rationality but that of rationalization, in fact justification. Convention is about justifications. Gomez and Jones (2000) depict how convention works and eliminates uncertainty.

Uncertainty can be overcome when individuals refer to the same system of rationalization/justification. This happens because systems of beliefs exist and are shared among individuals. Gomez et al. (2000) labelled these systems of beliefs “rational voids”, in doing so emphasized that they are not irrational but that their rationalization is not expressed. These systems of beliefs (rational voids) are considered as de facto justified, i.e. taken for granted. They “give meaning to individual choices by proposing criteria for rationalization which
need no justification in themselves, and through which an action can be justified” (Gomez et al. 2000: 698). Rational voids are “surrounded by a screen of information which both provides individuals with signals that they share the same assumptions, and also distract their attention from questioning it” (Gomez et al. 2000: 699).

As a result, a convention can be defined as “a social mechanism that associates a rational void, i.e., a set of nonjustified norms, with a screen of symbols, i.e. an interrelation between objects, discourses and behaviors” (Gomez et al. 2000: 700). When people act according to a given convention, they refer to the same non-justified criteria and take for granted the symbolic meaning of the signals that they receive.

Conventions are stable patterns, prone to routinization. Routinization occurs as conventions provide individuals with a set of conformism behaviors that may be reproduced in a stable environment. Conformism means “that an individual in a given situation acts in accordance with the behavior that he or she believes to be acceptable, by convention, to other people and therefore ‘normal’” (Gomez et al. 2000: 702).

However, conventions are not necessarily static. They can compete with each other and evolve, modify or disappear. This happens when several conventions are in contention. Individuals receive several signals that lack coherence (they do not allow the same type of rationalization for a given behavior). Dissonant signals question the right conformist behavior that should be adopted. In such circumstances, individuals will adopt the convention that provides the more coherent signals. When signals are dissonant and individuals no longer associate the same symbols and behavior with a convention, the convention changes.

The Economics of Convention provides an interesting framework for understanding how coordination among individuals occurs in a context of uncertainty. Within this framework, the Economies of Worth (Boltanski and Thévenot 1987, 1991) offer an original perspective for understanding how conventions are reproduced or created in a context of multiple rationalizations. This perspective is of great interest for this research as it describes how conventions are used and created in processes of social categorizations in a context of multiple identifications.

The Economies of Worth departs from traditional sociological perspectives that believe that an individual’s behavior derives from a program inscribed in a person in advance (this program manifests his/her identity). In contrast, it views human action as being uncertain and seeks to preserve uncertainty about people’s action in order to account for human behaviors (Boltanski and Thévenot 2006: 216).

**A discomfiting perspective**

Boltanski and Thévenot’s framework is slightly disturbing as it makes no reference to groups, social classes, or individuals and persons (1991: 11). For the
authors, it is just as likely that this cast of characters that we are familiar with in economic and sociological literature, more generally in social sciences, did not exist. Instead, the authors refer to “beings” which can be humans or things. They explain this by the emphasis they put on their object of study: the situation. The situation refers to the relation that exists between beings. In a situation, beings, whatever they are humans or things, have always their state qualified. The focus is on the relation between person-states and thing-states. This relation gives insights into how individuals engage with the world in a situation.

For these two authors, the ‘same’ human beings can “engage in different modes of conduct which vary from one situation to another” (Thévenot 2001b: 406). This view contrasts with other sociological works which associate individuals with a specific state, due to their individual characteristics and belonging to a social group. Individuals derive their identity and behavior from this belonging which remains the same whatever the situation they are involved in. The Economies of Worth’s framework differs from this deterministic view and believes that individuals’ action can be uncertain and can vary from one situation to another.

In addition, in traditional sociological perspectives, human beings are categorized in terms of identities, interest groups, habitus, etc. For Thévenot (2001b), these categorizations represent reductions of practices and local situations. Although, he recognizes that organizations “are devised to generalize, both in terms of temporal and spatial validity, certain forms of relation between human beings and their environment”, these forms of generalization need to be conceived out of any localized and personalized relationships (Thévenot 2001b: 407).

Boltanski and Thévenot (2006) draw on the notion of “investment in forms” to build their forms of generalization. This notion goes beyond the traditional economic definition of investment to include other kinds of investments that give objects some form of generality (Thévenot 1986, Boltanski and Thévenot 2006: 7). Investments of form as well as objects play an important role in Boltanski and Thévenot’s forms of generalization. These are not a way of expressing one’s belonging to groups or of manifesting one’s distinction. In a context of uncertainty, individuals use objects “to establish orders and, conversely, [how they] consolidate objects by attaching them to the orders constructed” (Boltanski and Thévenot 2006: 17). Both investments in form and objects contribute to defining modes of coordination that make “people and things more similar and more general across contexts” (Thévenot 2001b: 407).

In these forms of coordination, cognition is linked to action. Cognitive forms are no longer related to the collectivity of a social group but to a “certain mode of coordination which involves a certain ‘format’ of information” (Thévenot 2001b: 407). It is this cognitive format that informs on how individuals engage with the world.

In the Economies of Worth, Boltanski and Thévenot (1987, 1991) identified different ways of engaging with the world (that they called “worlds”). These are
different social modes of conduct, and contain a moral dimension which reflects individuals’ preoccupation with a common good. This common good differs from one mode of conduct to another. Therefore, “worlds” are pragmatic regimes that both drive the agent in his conduct and determine the way other agents take hold of this conduct (Thévenot 2001b: 59). In a nutshell, they help in making sense of individuals’ conduct. Making sense here encompasses meaning, language and understanding but it goes beyond as it also refers to intention in terms of common good. Consequently, the particularity of this approach is to take into account figures of action which, beyond showing habit, value, norm, belief, and interest, also “point towards intentions and plans, or towards forms of activity that require reflective argumentation” (Thévenot 2001b: 57). They play an important role in the process of attributing a state (to beings), in a situation, in fact in operations of qualification.

A focus on operations of qualification

In the Economies of Worth, Boltanski and Thévenot devote all their attention to operations of qualification. They decided to center their analysis on these basic operations of social interaction as they observed that “social coordination requires a continuous effort of comparison, agreement on common terms, and identification.”

Operations of qualification are the process through which a person is categorized. Qualification can be similar to a certain form of self-categorization. Although qualification also involves individuals’ social categorization by others. Operations of qualification consist of assessing one another in everyday situations. Because individuals are plural, meaning that different situations typically lead to different reactions or modes of conduct (and these modes of conduct are not attached to collectivities but to situations), an individual’s worth is evaluated in the context of a situation and varies from one situation to another, but is never be attached to the individual in a fixed way.

Consequently, the process through which qualification unfolds differs from the process of self-categorization (Turner 1987). In the Economies of Worth, an individual’s worth results from a process of negotiation between several qualifications. Individuals are motivated to evaluate their worth and enhancing it when it does not fit with their self-evaluation: in fact, when they are not assigned a legitimate qualification. Actually, Boltanski and Thévenot (1987, 1991) developed this perspective from their research on social classification. They observed that individuals tended to resist experts’ classification in a category by justifying their worth, when they felt demoted. Through the process of negotiation, one is assigned a legitimate qualification that is created through justifications.
A focus on justification

Achieving a legitimate qualification relies on justifiable principles. These are forms of generality (a form of institution) that ensure that people are treated fairly. Boltanski and Thévenot observed that individuals who complained about illegitimate qualifications invoked a sense of injustice. Their demand of justice was accepted when the evidences they provided illustrated that their situation was an exemplary case of a collective cause and not a singular case. From this the authors concluded the necessity of relying on forms of generality to sustain arguments. An agreement between individuals “presupposes a reference to a principle that extends beyond themselves” and allows legitimate generalizations. In addition, they noted that the congruence between an association of the pieces of evidence was essential for building credible judgments. Hence, they developed a model of justice in which the idea of justice was reached in an uncustomary way: “Instead of applying a transcendental rule, as is traditionally done, one follows pragmatic dictates that determine the appropriateness, or what we might call the fitness, of a set of arrangements.” (Boltanski and Thévenot 2006: 7). This model encompasses several forms of generality that take into account various ways to specify the common good and, consider the diversity of human beings. These different forms of generality manifest different ways in which the sense of fitness is expressed. Each constitutes a form of worth that can be used for justifying an action.

In addition, Boltanski and Thévenot also presented their model as a model of competence. In their analyses of disputes, they observed that “the way disputes develop, when violence is avoided, brings to light powerful constraints in the search for well-founded arguments based on solid proofs, a search that thus manifest efforts toward convergence at the very heart of a disagreement” (2006: 13). For individuals, the requirement for justifications involves a practical capability to justify their judgments in response to critics. As a result, the model accounts “for the way the members of a complex society criticize, challenge institutions, argue with one another, or converge toward agreement” (Boltanski and Thévenot 2006:15).

The development of a legitimate qualification is inscribed in this model of justice and relies on the individuals’ ability to agree on a qualification through justifications.

Justifications can be described as operations of association between an individual’s characteristics and a form of generality. Behavior is qualified and evaluated through these operations. In this process of classification, the person assessed is judged or attributed a state of worth. Here humans and objects play a central role. Individuals measure themselves and others, and determine their own or other’s worth in relation to subjects and objects. The fitness of the qualification is assessed through justifications and a legitimate qualification can be achieved.

Boltanski and Thévenot also identified different modes of justification (forms of generality) that they called “orders of worth” or “worlds”. In the next section, I
Agreeing on a shared qualification

Boltanski and Thévenot (1987, 1991) identified six worlds that guide the operations of qualification. In their model, they describe how agreement on a qualification is reached when these worlds conflict.

Six potentially conflicting worlds

The six worlds are historical constructions, drawn from classics in the field of political philosophy. They constitute a model of political orders that allows individuals to assess one another in everyday acts. Boltanski and Thévenot (1987, 1991) highlighted the six general principles underlying the six worlds. Each reflects a specific representation of the common good:

- **The Inspired World**: giving value to creation and inspiration
- **The Domestic World**: giving value to tradition and hierarchy
- **The World of Fame**: giving value to reputation, recognition and success
- **The Civic World**: giving value to collective beings and general will
- **The Market World**: giving value to rivalry and competitors
- **The Industrial World**: giving value to performance and the future

The model proposes an order of states among which individuals can be distributed. In each world, the natural order is described via categories in terms of subjects, objects, qualifiers (state of worthiness) and relations (among beings). These characteristics are used to describe and identify the worlds in a situation. These criteria indicate how people from each world think, behave, and act according to its specific characteristics.

The model of legitimate orders of worth is drawn from the hypothesis that the members of a world share a common humanity. This presupposition means that a fundamental equivalence exists among the members of a polity (world), which involves an identical power to access to all the states. From this common humanity, it derives the possibility of identifying, specific physical faculties, for each world, that can transform into a capability. This capability helps getting access to a state of worth.

In this model, beings can reach two possible states: the state of worthiness and the state of deficiency (the fall). The latter state can be defined negatively, i.e. lacking the quality of worthiness, or by indicating that the person enjoys only its
private happiness which is associated with this state of lesser worthiness. For each order of worth, the scale ranks beings from the general to the particular. Worthy beings are characterized by their high level of generality and the less worthy beings by their high level of particular. Worthy beings serve as reference points and are guarantors of the higher common principle. This higher common principle is a principle of coordination. It is the convention through which equivalence among beings is established. In this framework, the access to the state of worthiness entails sacrificing private pleasures. Such a state can be reached through an investment formula. The equilibrium of each world is based on this investment formula. It entails that worth benefits to the worthier as well as to the less worthy who “find in the worthy the possibility of increasing their own worth in keeping with their own dignity” (Boltanski and Thévenot 2006: 142). This derives from a relation of worth that exists among the states of order. This relation specifies how the state of worthiness which contributes to the common good encompasses the state of deficiency. In conformity with the investment formula, it is possible to distribute the states of worth for each world and get the harmonious figures of the natural order. This distribution of states derives from the assessment of individuals. Each world is characterized by a list of subjects, objects and natural relations among them, that take part in this assessment and sustain the operations of qualifications through justifications. This assessment derives from a test in which individuals assess one another’s worth which results in a judgment. The mode of expression of this judgment reveals the form in which the higher common principle is manifested. The judgement needs to be sustained to be based on evidence.

The six worlds and their specific characteristics are presented in Table 1.
<table>
<thead>
<tr>
<th>Higher common principle of worthiness</th>
<th>Inspired world</th>
<th>Domestic world</th>
<th>World of Fame</th>
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<td>Engenderment according to tradition</td>
<td>The reality of public opinion</td>
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<tr>
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<tr>
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<tr>
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<tr>
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</tr>
<tr>
<td>Relation of worth</td>
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<tr>
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</tbody>
</table>
When worlds conflict: Denunciations of operations of qualification

At the heart of the Economies of Worth model are the notions of agreement and discord. The model was conceived both to “analyze the critical operations that people carry out when they want to show their disagreement without resorting to violence, and the ways they construct, display, and conclude more or less lasting agreements” (Boltanski and Thévenot 2006: 25). The result is a framework that proposes a process to reach a legitimate agreement on a qualification through justifications.

Unlike the traditional sociological perspective, in this approach, worlds are no longer attached to groups. Instead, they “are attached to arrangements of objects that qualify the various situations in which persons are acting when they attribute value to the objects” (Boltanski and Thévenot 2006: 216). Individuals can manifest themselves in different worlds. What does happen when these worlds conflict? Since the principles of justice of the six worlds are not compatible, they can lead to tensions when they are invoked in a same situation.

When worlds conflict, agreeing on a qualification may be difficult and people may enter into conflict. Reaching agreements means that these agreements must be considered legitimate by those in conflict. How can individuals agree on a legitimate agreement if they draw their judgment from different modes of justification? Even though the six worlds are governed by potentially conflicting ways of engaging the world (modes of conduct) that can lead to feelings of injustice, the Economies of Worth model sheds light on the process whereby legitimate agreements (i.e. qualifications) can be reached.

Boltanski and Thévenot distinguish between different kinds of disagreements: those in which the outcome of the assessment (qualification) and the distribution of the states of worth are contested, and those in which the principle that governs the establishment of a state of worth is objected to.

In the first situation, the outcome is perceived to be unfair as the qualification was not carried out properly. Objects that belonged to a different world were unjustly taken into consideration in the evaluation. When a person’s worth has been unjustly overvalued, the authors call it a transport of worth, while they call it a transport of deficiency, when the person has been unjustly demoted. To resolve the conflict and reach an agreement, the situation needs to be clarified. To eliminate privileges and neutralize handicaps, the objects that relate to foreign worlds should not been considered while establishing the qualification.

In the second situation, it is not only the fairness of the qualification that is questioned but it is also the principle of justification that is denounced. The individuals in conflict disagree about the world in which the attribution of worth should be carried out for it to be legitimate. Here the dispute evolves into a clash.
over the very nature of the common good and constitutes an unstable moment as the resolution of the clash can take place in different worlds. Boltanski and Thévenot called this second kind of disagreement “a critique”, as beings from foreign worlds are not only revealed (as in the first situation) but they are also perceived to be legitimate. The situation is reversed as false worth conceals deficiency. The clash can be resolved by disentangling the conflicting elements and going back to achieving an agreement within a single world or by agreeing to come to terms in a compromise.

Therefore, different kinds of agreements can be achieved when worlds conflict. Some are sustainable while others are momentary. Some are reached within one world, while others result from trade-offs between several worlds. People refer to different higher principles drawn from different worlds. Agreements can be reached in a variety of ways:

- One world is favored: Several worlds are present and an agreement is reached by referring to one of these worlds.
- Arrangement: In this situation, each person stays in his or her world, but a local agreement is reached. As this agreement does not relate to a higher principle, it cannot be applied generally. Arrangements are momentary and can change when people or situations change.
- Compromise is a more sustainable agreement. Compromises emerge from the association of different characteristics of different worlds.

Compromises are specific kinds of agreements as individuals agree to suspend the clash without clarifying the principle of their agreement. Instead, they are focused on achieving the general interest. The compromise involves establishing a principle that makes it possible to get compatible objects from different worlds. Hence, the common good transcends the different forms of worth by including them. However, because the compromise is a composite situation that cannot be related to a world, it remains fragile. The beings gathered together continue to belong to their worlds of origin and can reactivate the clash by relaunching the controversy over the nature of the objects that need to be taken into account (2006: 278). Therefore, the authors suggest solidifying the compromise through the use of “objects composed of elements stemming from different worlds at the service of the common good and endow them with their own identity in such a way that their form will no longer be recognizable if one of the disparate elements of which they are formed is removed” (2006: 278). A new world emerges as such objects are multiplied and stabilized. In addition, compromise can be worked out more easily when it is composed of beings that are ambiguous, meaning that they may refer, depending on how they are understood, to more than one world. Creating objects of compromise requires specific formulations and designations that refer to the worlds of origin in a single utterance.
In their model, Boltanski and Thévenot suggest that it is possible to prevent clashes by setting up situations in a way that favors the expression of a single world. To ensure that the situation develops properly, the use of natural objects can contribute to stabilizing individuals by attaching them to the world involved. However, in the Economies of Worth, the reference to a world is not a mechanical effect of the situation. It is not determined by the situation. Even though it may demand “on the part of the persons involved an effort to eliminate the traces, in mind and body, in memories, thoughts, and feelings, of what has been experienced in a previous situation” (Boltanski and Thévenot 2006: 234).

The dynamic perspective of the Economies of Worth constitutes an interesting framework for understanding how social identification works in *Multiple Branches Family Firms* as family members experience changes in identification over time. In the data analysis, four worlds appeared particularly relevant in understanding this phenomenon. I briefly describe them below.

## Four relevant worlds

### The Domestic World

Boltanski and Thévenot (2006) use the familial analogy to describe the domestic world. This analogy does not mean that “the domestic world unfolds inside the circle of family relationships alone” (p164) or that blood ties are the most important characteristic that qualifies beings. Instead the familial analogy expresses that the nature of these personal relationships counts. They revolve around the notions of **generation and reproduction**.

In the domestic world, personal relationships involve that individuals cannot be dissociated from their belongingness to a corporate body, conceived as a person characterized by his/her rank (Boltanski and Thévenot 2006: 90). Each one is considered to be a father for his/her subordinates and a son/daughter for his/her superior and manifests his/her belonging to a same household. In this representation, the emphasis is put on individuals’ belonging to a same lineage. It stresses the importance of considering relationships in relation to the household. A clear distinction is made between relationships that unfold inside and outside the household.

Boltanski and Thévenot (2006) use the domestic versus wild animals’ metaphor, to illustrate whether individuals belong to a house or not. This metaphor suggests that individuals who belong to a same household share good manners and behaviors. Individuals are distributed, inside the household, according to the role they play in the reproduction of the family line. They are bound in a hierarchical relationship whose principle of subordination is engenderment.

In this world, individuals constitute a “great chain of beings” in which each one is a link between the superiors from whom s/he receives power of access to worth and inferiors whom s/he encompasses and embodies. From this
description, it is possible to derive the following subjects, objects, the investment formula and relation of worth:

Subjects are fathers, ancestors, parents, and leaders for the more worthy and children, foreigners, members of the surroundings, and a third party for the less worthy.

Objects such as upbringing and good manners are of great importance as they support and maintain generational relationships among persons. They reveal where one comes from. Upbringing which counts among the most important objects in the domestic world guarantees that tradition and continuity are ensured.

Relationships among beings (subjects and objects) are personal, contiguous. Each individual is known in person. They consist of giving, reproducing, and training, receiving and returning.

The investment formula is the rejection of selfishness; it promotes consideration for others, as well as the development of harmonious relationships. The worthier have duties and responsibilities over the less worthy that they include as if they had created them.

The relation of worth is based on authority which originates from the primacy of the elder over the younger in the generational chain. It may be the father or the mother towards children, or the founders towards their successors.

The Civic World

The civic world fundamentally contrasts with the domestic world. Relationships do not unfold in direct concrete interactions. They are mediated by a relationship to a totality situated at a second — collective — level. Relationships do not give priority to being loyal to hierarchical personal dependencies. Individuals are detached from hierarchical relations and subjected to possible natural transcendence. Access to worth does not depend on the position one occupies in a hierarchical chain of dependencies. Instead it derives from one’s ability to favor collective interest. Neither is the authority perceived as a sovereign “incarnated in the physical body of a Prince legitimated by his bloodlines” (Boltanski and Thévenot (2006: 108). In the civic world, this sovereign is disembodied and transferred into the general will. It “is created by the convergence of human wills that comes about when citizens give up their singularity and distance themselves from their private interests to take only the common good into account” (Boltanski and Thévenot (2006: 108). The nature of the civic world revolves around the notion of a collective that transcends individuals.

In the civic world, persons are characterized by two distinct states: the individual, selfish state, in which persons are concerned with their own interest, and the general, in which persons renounce the satisfaction of their private interests and are concerned with the interest of all. Individuals are seen as having multiple affiliations and interests that may be antagonistic. But they are endowed with the
ability to surmount the singularities that divide them to bring about the union of all. This union of all is not a totality of individuals, considered in their first state. It is the will of the individuals taken in their general state as “citizens”. General is formed when persons are capable of “distancing themselves from individual cases and rising above their private existence to embrace things in general” (Boltanski and Thévenot 2006: 111). It is concerned only with the common interest.

Individuals manifest their general will through voting. The law, which goes above private interests, expresses the will of this disembodied sovereign.

In the civic world, individuals can act as individuals and as citizens. They can also take part in the ruling body and act as magistrates. From this description, it is possible to derive the following subjects, objects, investment formula and relation of worth:

**Subjects** are collective persons and their representatives. Worthy persons are militants, representatives, elected officers who achieve solidarity and represent the aspirations of the collective masses. They get access to rights and obligations, and have authorization through an act in which the will of all was expressed.

**Objects** are legal forms such as legislations, formalities, procedures, codes, policies, statements among others.

**Relationships** among beings are about gathering for collective action, unifying, joining, supporting, debating democratically, informing, codifying, and legalizing. The **investment formula** is the renunciation of the particular which is the condition of solidarity, the struggle for a cause.

The **relation of worth** is a relation of delegation. Worth derives from membership in a collective through representation. “The power of representation granted to a person who benefits from a mandate is what authorizes him to encompass others, to speak in their name, to be their spokesperson” (Boltanski and Thévenot 2006: 191). Representatives express the will of the masses.

In the Economies of Worth, Boltanski and Thévenot distinguish two kinds of economic relations according to their respective forms of coordination: the marketplace and the industrial order, with a specific way to set up a test for both of them. This analytical distinction is supported by empirical observations. In the empirical analysis, these two worlds appear relevant in understanding the basis of social identification between family members in *Multiple Branches Family Firms*.

### The Market World

In the market world, a market bond unites the people. It “is achieved through the arrangement of a marketplace in which individuals well disposed to one another but governed by their own personal interests enter into competition in order to acquire rare goods, in such a way that their wealth endows them with worth, since it is the expression of the unsatisfied desires of the others” (Boltanski and Thévenot 2006: 46). Market exchanges are free from the personal dependencies that characterize domestic bonds. Instead, subordination is
expressed in the **possession of rare and expensive goods that constitute a form of expression of the others’ desire.** *Possession* is the essence of the market world. Objects mediate the relationships between persons. They manifest the desire for the approval of others which is measured in terms of wealth. Individuals are motivated by the desire to possess the same objects, rare and expensive goods whose ownership is inalienable. Access to worth is linked to the possession of these desired objects.

Beings are placed in a state of rivalry and conflicts derive from their interest for the same objects. Interest is the main motivation in the market world. It is the property of individuals’ self “that makes them be themselves by wanting to obtain satisfaction. One succeeds through the strength of this desire, because one loves. Real life is what people want to acquire” (Boltanski and Thévenot 2006: 197). From this description, it is possible to derive the following subjects, objects, the investment formula and relation of worth:

**Subjects** are individuals who are seeking to satisfy their desires and enter in relation with one another: buyers, sellers, competitors, businessmen. Worthy persons are rich people whose wealth allows them to own what they want. Their wealth is proportionate to their own value which expresses their success. Unworthy people are those who fail, stagnate, and lose out.

**Objects** are things towards which competing desires for possession converge. They are inalienable property. Worthy objects are desirable, salable goods such as wealth, and luxury goods.

**Relationships** among beings are about buying, getting, negotiating, and competing. Individuals do business and at least two individuals are involved in a relation which consists of a transaction (purchase/sale) of an object which is detached enough to allow the play of competition with others. Individuals find their worth in relation to the object that is being negotiated.

The **investment formula** is about opportunism. Individuals are detached from one another, especially from the chains of belonging. They are liberated from the weight of hierarchies and can “lend themselves willingly to every opportunity to engage in a transaction” (Boltanski and Thévenot 2006: 200).

The **relation of worth** is a hierarchical relation of possession. The worthiest (wealthiest) encompasses the others by possessing the desire of those who are less worthy (wealthy) and deprived of goods.

**The Industrial World**

Boltanski and Thévenot propose, in the industrial world, a representation of the society as “an ‘organized machine’ whose parts are ‘organs’ that fulfill different ‘functions’”. The authors see this industrial polity as “established in the objectivity of things that are formed naturally: ‘One does not create a system of social organization, one perceives the new linkage of ideas and interests that has been formed, and one points it out, that is all. A social system is a fact, or it is nothing’ (Org., 179-180)” (p119). Therefore, the industrial world revolves around
utility, efficiency, and the efficiency of beings, their performance, productivity, and capacity to respond usefully to needs. Efficiency is understood in terms of the relation it has between cause and effect. In this perspective, efficiency ensures predictability and reliability. “The proper functioning of beings extends the present into a future, opening up the possibility of prediction” (p205). From this description, it is possible to derive the following subjects, objects, the investment formula and relation of worth:

Subjects are professionals, experts, and specialists. Their qualifications are related to their capabilities. The order of worth relies on a scale of qualification which establishes a hierarchy based on competencies and responsibilities. Worthy people are professionals, experts who have demonstrated competencies and responsibilities. Unworthy people are those who produce nothing, who are unproductive, inefficient, and unqualified.

Objects are valued for their efficiency, and their functional character. Worthy objects are resources and methods, technological objects, tools, goals, criteria, and plans, or all instruments that favor optimization and progress.

Relationships among beings are related to the regular functioning of beings. They depend on the qualities of the objects and are about functioning, interacting, integrating, organizing, controlling, formalizing, measuring, and optimizing.

The investment formula is about progress. It is directly linked to the notion of investment which will lead to new developments and avoid obsolescence.

The relation of worth is a relation of control. Control is linked to the notion of responsibility. Responsibility in the industrial world differs from its meaning in the domestic world (which implies a power over the unworthy people who owe respect to the worthy people). Responsibility means a control that worthy people exercise over unworthy people based on their ability to predict less complex actions and integrating them in a larger overall plan. It is based on their ability to determine the future accurately and controlling it.
Summary

Self-identity and self-categorization are important theories for understanding how membership forms and functions. Self-categorization is the process through which individuals categorize themselves as members of a group and act in terms of this membership. Individuals have multiple potential social identities. Social category salience refers to the conditions under which a specific membership becomes predominant in a situation. A specific category becomes salient when it is accessible and best fits the field.

Social categorization serves two purposes: it helps reduce uncertainty and provides individuals guidance on appropriate perceptions, attitudes feelings and behaviors in a particular context. It also enhances self-esteem as individuals derive positive value for the self when it is associated with valued in-group membership. Self-esteem enhancement is a strong driver of individuals’ behavior and intergroup relations. Individuals will develop strategies in order to achieve positive social identity.

When groups are nested into a larger group, superordinate group identification may decline. Maintaining it requires developing simultaneous salient identification with the superordinate group and the subgroups. In the group-value perspective, group membership can be strengthened through authorities’ fair treatment since they represent a valued in-group. Authorities’ procedures symbolize how they treat individuals (Tyler et al. 1996).

However, these theories say nothing on how to deal with multiple potentially conflicting memberships. The Economies of worth provide insights into this phenomenon by focusing on operations of qualification. Qualification results from a process of negotiation between different, potentially conflicting, qualifications (categorizations) that manifest different ways of engaging with the world (worlds). In this perspective, qualification is not attached to the person but changes from one situation to another.

To justify their actions, people identify the worlds in conflict. Then, they must decide on a common principle of equivalence to justify their views, take stock of what they have in common with each other and support a judgment based on their relative worth. When people refer to common criteria to define a situation, an agreement (qualification) can be reached by referring to a common higher principle.

Throughout the analysis of the empirical material, four worlds appeared relevant for the analysis of these situations: the domestic, industrial, market and civic worlds. I closed this chapter with a short description of these worlds.
PART III: EMPIRICAL STUDY
4. Interpreting Collective Trust in Family Firms

"The little girl had the making of a poet in her who, being told to be sure of her meaning before she spoke, said: 'How can I know what I think till I see what I say?" Wallas (1926: 106, in Weick 1995:12)

This chapter presents the methodological approach through which I developed my interpretation of trust erosion and maintenance in Multiple Branches Family Firms over time. It starts with the ontological and epistemological assumptions (Morgan and Smircich 1980) of this thesis to clarify how I see the world that I want to study, and what is the nature of the knowledge that I build. Adopting an interpretive lens, I present my reasons for conducting case studies as a research strategy, and how I built my interpretation throughout the analysis of the data. I conclude this chapter with the proposition of criteria for evaluating the quality of this research.

An interpretive approach

The question of the adequacy of research methods in social sciences has been the source of longstanding debates in the past. The essence of these debates is on the existence of different perspectives about social reality which are alternatively viewed as objective or subjective (Burrell and Morgan 1979). Is there an objective or subjective reality? Does this reality exist independently of the processes through which knowledge is reached or created? Since the 1980s, it has been recognized that different methods can coexist, and contribute to improving our knowledge of organizational phenomena (Morgan and Smircich 1980, Gioia and Pitre 1990). Over the years, multiparadigm perspectives have emerged (Gioia and Pitre 1990) and flourished to reconcile scholars of the two disparate views of reality. These perspectives are no longer subsumed in an objective-subjective dichotomy, and propose multiple ways of building theories.

In the same way, over the years, the interpretive paradigm (Burrell and Morgan 1979) has evolved and given rise to different interpretive approaches (Prasad and Prasad 2002). Among them, social constructionism considers that reality is socially constructed. It depicts how I see the world and the nature of knowledge that I produced in this research.
A socially constructed world

Since the 20th century, different interpretive approaches (Schwandt 2000; Cunliffe 2008; Prasad and Prasad 2002) have been developed in social sciences in reaction to the dominant philosophy of positivism. They all share a profound concern for understanding (verständen) — instead of explaining (erklären) — social phenomena, even if they address this in different ways. Understanding means social action is meaningful and the aim of the inquirer is to understand what particular action means (Schwandt 2000). Understanding results from a process of interpretation and perspectives differ on how it unfolds.

I share with the tradition of interpretivism the idea that “all of us in our everyday life interpret the meaning of our own actions and those of others with whom we interact” (Bernstein, 1976, p.139)” (Schwandt 2000: 193). In this process, I do not see the interpreter as someone who has the ability — to understand human action — as stepping outside his/her historical frame of reference (interpretivism) and objectifying what s/he observes to reproduce the meaning or the intention of the actor (hermeneutics). I believe that our traditions and preunderstanding condition our interpretations (Gallagher 1992) but that they are not necessarily reenacted in our interpretations (Schwandt 2000). Understanding starts from our preconceptions which are critically reflected upon. Sub-interpretations are continually formulated and they transform our preconceptions or common-sense level of interpretation (Alvesson and Sköldberg 2000). “We invent concepts, models, and schemes to make sense of experience, and we continually test and modify these constructions in the light of new experience” (Schwandt 2000: 197).

We socially construct our reality of everyday life through a process of externalization, objectivation and internalization (Berger and Luckmann 1966). The social world is humanly produced (externalization) in on-going activity. Externalized products of human activity are objectified through institutionalization and legitimation of subjective meaning (internalized social reality). In the course of the individual’s socialization, the objectivated social world is retrojected into the consciousness (internalization).

Therefore, internalization is the basis for understanding and apprehending the world as a meaningful and social reality. “I apprehend the reality of everyday life as an ordered reality. Its phenomena are prearranged in patterns that seem to be independent of my apprehension of them and that impose themselves upon the latter. The reality of everyday life appears already objectified, that is, constituted by an order of objects that have been designated as objects before my appearance on the scene” (Berger and Luckmann 1966: 35).

Language plays an important role in social construction of reality, “The language used in everyday life continuously provides me with the necessary objectifications and posits the order within which these make sense and within which everyday life has meaning for me. (…) In this manner language marks the coordinates of
Interpreting Collective Trust in Family Firms

my life in society and fills that life with meaningful objects” (Berger et Luckmann 1966: 35). It is also through language that individuals confront their intersubjectivities in conversations and maintain or modify them. Language has the capacity to transcend the 'here and now', to bridge different zones within the reality of everyday life and to integrate them into a meaningful whole. “The transcencences have spatial, temporal and social dimensions. Through language I can transcend the gap between my manipulatory zone and that of the other; I can synchronize my biographical time sequence with his; and I can converse with him about individuals and collectivities with whom we are not at present in face-to-face interaction. As a result of these transcendences language is capable of 'making present' a variety of objects that are spatially, temporally and socially absent from the 'here and now'.” (Berger et Luckmann 1966: 54).

The meaning we give to objects in social interaction contributes to our interpretation of social reality (Blumer 1969). Human beings live in “worlds” composed of objects which are the product of a symbolic interaction. An object is “anything that can be indicated or referred to. The nature of an object — of any and every object — consist of the meaning that it has for the person for whom it is an object. This meaning sets the way in which he sees the object, the way in which he is ready to talk about it” (Blumer 1969: 11). Three categories of objects can be distinguished: physical, social and abstract. Examples of these categories of objects are chairs, friends, and moral principles respectively. Objects get meanings in social interaction and, out of the way they are defined by those who interact with one another. “Out of a process of mutual indications common objects emerge — objects that have the same meaning for a given set of people and are seen in the same manner by them.” (Blumer 1969: 11). Therefore the meaning of objects are brought or modified in the interpretative process. Meaning can vary from one situation to another. In symbolic interactionism, “the actor (...) is seen as one who is confronted with a situation in which he has to act. In this situation, he notes, interprets, and assesses things with which he has to deal in order to act” (Blumer 1969: 55). In this conceptualization, social action refers to acts that “are built up by people through their interpretation of the situations in which they are placed” (Blumer 1969: 84). Interpretive philosophy can contribute to deepening our understanding of trust erosion and maintenance in family businesses.

The case for an interpretive approach

In the last decades, the field of family businesses has increased in theoretical sophistication and empirical robustness (Sharma, Chrisman and Gersick 2012). The implementation of a diversity of methodological perspectives has deepened our understanding of the family business phenomena (Sharma et al. 2014). Surprisingly, interpretive inquiry has still not been developed.
With an explosion in qualitative studies, interpretive research has considerably increased both in number and relevance in management and organization studies (Prasad and Prasad 2002). Research in the field of family businesses is still dominated by quantitative empirical analyses (Sharma et al. 2012; Fletcher, De Massis and Nordqvist 2015). Interpretive research is relevant for rendering comprehensible many of the aspects of family businesses which make them unique (Nordqvist, Hall and Melin 2009). For instance, “we still do not capture the complexities that family involvement in business provides” (Sirmon 2014: 645). In interpretive research, the researcher enters the world of the actors who are directly involved in the social phenomena under study. S/he seeks knowledge through their individual experiences and focuses on “the ‘fine-grained details’ and ‘complex processes’ by which human actors interpret the meaning of their own and others actions” (Nordqvist et al. 2009).

Interpretive research not only captures the micro details of social interaction but also the context within which they take place. In this perspective, interpretive approaches address recent calls made in family businesses (Sharma et al. 2014) and more generally in organizational research (Bamberger 2008) for incorporating context in research.

In trust research as well interpretive research has received little attention. Recently, Bijlsma-Frankema and Rousseau (2015) regretted that “inductive methods are seldom represented as indispensable to define trust-related concepts, and to build understandings of relations between these concepts” (p 320). They proposed incorporating Blumer’s (1969) symbolic interactionism in trust research practices to improve the quality of the research, particularly its evidences and understandings. Blumer (1969)’s approach of research ensures that research questions address real-world problems. “Mental accounts can bring understanding of the nature of a problem in the empirical world, about the meaning of the concepts that figure in the problem formulation and the nature of relations as respondents perceive them, all very important matters in evaluating the validity of a problem statement, a research design, or measures used” (Bijlsma-Frankema and Rousseau 2015: 322).

In this stream of research, an interpretive approach allows the reformulation of the research question throughout the interaction with the actors under study, to detect when the data does not fit the concepts or relationships between the concepts found in the literature, to stay true to the data and develop our understanding of trust erosion and maintenance in **Multiple Branches Family Firms**. It also allows analyzing the process of trust in itself. Möllering calls for more research on trust process that emphasizes “that trust is always ‘in process’ and is even a process in itself” (2013: 287).

Interpretivism in this research was appropriate for understanding the influence of the family and its evolution on trust in the context of the family businesses. It offered an opportunity to know what meaning the actors gave to trust, how they perceived their relationships with one another, and their nature and influence on
trust. The cultural context of family businesses played an important role in an understanding of the nature of group identification as a basis of collective trust. The nature of identification evolved as the structure of the family changed. Continuous changes in the actors’ identity and identification influenced their trust in the group and group authorities, and led to interpret trusting as following from a developmental project of the actors’ self. In this process, group identification, as an antecedent to trust, could lead to trust or trust erosion. A fine-grained data analysis gave an opportunity to understand the process through which trust could erode or be maintained.

Interpretive approaches have implications for research strategy and design. In this research, I adopted an in-depth cases study research to understand trust erosion and its maintenance in *Multiple Branches Family Firms*.

A case study research

Interpretive research requires methodologies that allow the researcher to conduct his/her studies in the natural world (Denzin and Lincon 2000), to analyze the phenomena from within the subject of the study (Morgan and Smircich 1980) and to have access to the interpretations made by the acting unit. Then the researcher can see the action from the position of whoever is forming the action and “trace the formation of the action in the way in which it is actually formed” (Blumer 1969: 56).

A qualitative methodology allows the researcher to “study things in their natural settings, attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to them” (Denzin and Lincoln 2000: 3). It locates the researcher in the world and turns the world into a series of representations (field notes, interviews, etc.) This methodology is well suited for studying processes and social phenomena that need to be theoretically developed or elaborated (Creswell 1998). It is also appropriate for an analysis of the complex and tacit processes that characterize family firms (Nordqvist et al. 2009; Fletcher et al. 2015).

In-depth case studies are commonly used in qualitative research (Eisenhardt 1989). Case studies are the most used qualitative method in family business research (De Massis, Sharma, Chua, Chrisman and Kotlar 2012). They constitute a valuable method to study “a complex phenomena, develop new theory or refine and extend existing theories” and to generate managerially relevant knowledge (De Massis et al. 2012; De Massis and Kotlar 2014).
In-depth case studies

A case study methodology is a particular research strategy for studying phenomena in their real-life contexts (Stake 1995; Yin 2003; De Massis and Kotlar 2014) which “focuses on understanding the dynamics present within single settings” (Eisenhardt 1989: 534). Case studies are especially suitable when interest is shown in developing a holistic understanding of a phenomenon as, in this type of research, “the number of variables of interest far outstrips the number of datapoints” (Yin 2003: 13). A case study can be respectively exploratory, explanatory and descriptive depending on the objective of the research (that is, to understand how or why a phenomenon takes place, or to convince that the phenomenon is relevant) (De Massis and Kotlar 2014). My intention was to build a new insight into how collective trust erodes, and how family leaders can maintain it as the family branches out. Thus, I adopted an exploratory approach, in my research, and studied how family leaders can maintain collective trust among family members over time and generations in Multiple Branches Family Firms.

Over the years, different approaches to case studies have been developed (Eisenhardt 1989; Stake 1995; Yin 2003; Langley and Abdallah 2011; De Massis, 2014; Gehman, Glaser, Eisenhardt, Gioia, Langley and Corley 2017). Their differences mainly derive from their epistemological perspectives. For instance, Eisenhardt (1989) and Yin (2003) are commonly viewed as subscribing to a positivist position (Gibbert and Ruigrok 2010, Langley and Abdallah 2011) and Gioia to interpretivism (Corley and Gioia 2004; Langley and Abdallah 2011). Stake’s approach to case study is also interpretive. It is drawn “from naturalistic, holistic, ethnographic, phenomenological, and biographic research methods” (1995: xi), and devotes particular attention to the single case, and what in particular can be learned about the case (Stake 2000).

For Stake (1995), the case is a bounded system, and whether the case is simple or complex, it is the prime referent in the case study and involves examining how things get done (Stake 2000). I espoused Stake’s perspective in this research. I started with a main concern for the case “family business” as I knew little about family businesses’ reality, how they experienced their embeddedness in the three overlapping systems (family, business and ownership). I was interested in understanding this particular — case — organization in its context. Stake (1995) calls this intrinsic interest for the case intrinsic case study – which he distinguishes from instrumental case studies. In an instrumental case study, the case is of secondary interest and the focus is for instance on understanding a generic phenomenon, or on building theory. Finally, Stake (1995) refers to collective case study when several cases are used to investigate a phenomenon. In this research, I combined these three types of case study.
At the beginning of this research, my intrinsic interest for the family business (case) drove my analysis. I noticed that in family businesses high trust characterized family members and influenced strategy decision-making. Family members demonstrated higher willingness to take risks in strategy making. I also observed declining trust over generations, and the actions that family leaders took to ensure that family members remained in the ownership. My interest in family businesses gradually transformed into an interest in this phenomenon. I wanted to understand how and why trust declined and how family leaders acted in order to maintain it. As I developed my first interpretations, my interest in this phenomenon increased. I wanted to know more about the nature of trust that the family leaders developed and the actions they took to maintain it. This interest led me to an analysis of collective cases.

My analysis of multiple cases was not pursued with the aim to permit replication (Eisenhardt 1989) nor was it done to test my interpretations (Bitektine 2008). My aim was to get a deeper understanding of the phenomena I was studying (Stake 1995) and to conceptualize it.

**Selecting the cases**

Case selection is important. In inductive case studies, it is driven by the opportunity to learn (Eisenhardt 1989; Yin 2003; Stake 2000; Eisenhardt, Graebner and Sonenshein 2016). Cases are selected — through theoretical sampling — for their ability to illuminate a phenomenon and extend relationships among constructs or to develop deeper understanding of processes (Eisenhardt 1989; Eisenhardt and Graebner 2007; Eisenhardt et al. 2016).

I analyzed four cases as multiple case studies allow the collection of detailed, rich, and longitudinal data (Yin 2003; Eisenhardt et al. 2016), and provide inspiration for new ideas, or opportunities to sharpen existing theories by pointing to gap and starting filling them (Siggelkow 2007).

I started with the selection of the business Wheels as it is a third generation family firm that has developed successfully over time. Second generation members of this nuclear family are tied by closed relationships and high trust. With the involvement of the third generation in the business, and the growth in family ownership, this trust was challenged. However, the second generation family leaders succeeded in maintaining the unity in the family, and retain a shared desire to develop the family business in the future. This case was an opportunity to learn how and why trust had been challenged — particularly with regard to important decisions —, and how the family leaders had managed to maintain it over time.

My intention to increase my understanding of how trust was maintained oriented my selection of the other cases in different ways. Even if I balanced between
similarity and dissimilarity, redundancy and variety (Yin 2003), the most important was the opportunity to learn (Stake 2000).

I first looked for a similar case in terms of size of the family ownership and of the firm, involvement of the family in management, and development of the corporate governance. So the family had to be at least a second (of cousins) or third generation with several family members involved in the business, some of them being in the top management or the governance. In Wheels, it appeared that trust had started declining among the family members with the involvement of the third generation in the business. In literature on family businesses, Steier (2001) stresses the challenge that family businesses face to maintain trust over generations when the structure of the ownership becomes composed of cousins’ relationships.

I also wanted to study a family business large enough to have a formalized governance structure as I had observed in Wheels that it played a role in maintaining trust. The Loisau family business met these criteria — though the family and company were larger. In addition, this case presented interesting differences with Wheels that would contribute to enriching my understanding of trust maintenance. The Loisau family business had gone public but the family retained control over the running of the business. As a consequence, the ownership was composed of different kinds of family shareholders whose relations to the business were laid down in the legal structure. The family — operating and supervising — the business was a cousin consortium (Nordqvist et al. 2014).

In the course of selecting the cases — and in order to facilitate the emergence of contrasting patterns — I searched for extreme or polar cases (Eisenhardt et al. 2016). I first requested the participation of a family business — the Green case — that presented dissimilarities with the two former cases. Though it was a fourth generation family firm, the size of the family, and of the business, was quite smaller. Over generations the business has been split among the successors. As a consequence, the family ownership of Green is small in number, and the family business could be defined as a controlling owner–family supervisor organizing its transition to a sibling partnership (Nordqvist et al. 2014). However, the incumbent CEO expected it to grow over generations, and had started developing the governance of the family business for this. I anticipated that this case would increase my understanding of the process of trust erosion and maintenance for several reasons. First, as compared to Wheels and Loisau, the evolution of the relationships between family members was at an earlier stage in Green. Second, the family leader was working towards his leadership succession to his children and some of them had expressed their disagreements. This situation might challenge trust. Third, despite differences in family relationships in Wheels and Loisau, the Green family leader had developed several identical governance committees (board of directors, family committee, ownership committee). Comparing the process of development of the governance
committees of the three cases could enrich my understanding of the role of these formalities in maintaining trust. Finally, as I had selected two cases in which trust had been maintained — through the development of the governance structure — and one in which it could be challenged, I searched for a case in which trust had been challenged, for instance a family facing conflicts. While identifying and accessing such a case was a lengthy process, I selected a family firm — the Yellow case — similar to Wheels and Loisau — a sibling partnership or cousin consortium family supervisor (Nordqvist et al. 2014) — that faced trust challenges and difficulties in implementing changes to its governance structure. Comparisons between these four cases would make the observation of contrasting patterns more visible. Particularly, the fact that the four cases presented similarities along the dimension of family involvement in business — all had the family supervising the management — but dissimilarities along the dimension of family involvement in ownership — controlling owner, sibling partnership and cousin consortium — would enrich my understanding of trust erosion and maintenance over generation.

I took the decision to include the four cases in my research considering the consequences of studying four cases. In case study research, the number of cases is important as it involves balancing between the breadth and depth. An in-depth analysis of the four cases might have been difficult as it required spending extensive periods of time in the field. At the same time, the last two cases presented intrinsic characteristics that allowed me to further analyze the trust maintenance and might extend my understanding of this phenomenon. I expected that in this configuration (of the cases selected) I would have a greater opportunity to deepen my analysis with a wider range of cases. In the next section, I present the methods I used to generate data.

Generating empirical material

Interviewing

Trust is a psychological state that cannot be observed easily. It lies in the trustor’s unique experience and involves getting access to people’s perceptions. The interview is important for understanding phenomena that we do not experience ourselves. It gives access to what we cannot observe for ourselves (Stake 1995). Trust maintenance may take time to develop, and it may derive from different actions which give rise to varying perceptions. Qualitative interviews allow the researcher to get closer to the actor’s perspective (Denzin and Lincon 2000). They attempt “to understand the world from the subject’s points of view, to
unfold the meaning of their experiences, to uncover their lived world prior to scientific explanations” (Kvale and Brinkmann 2009: 1).

I decided to interview family members and non-family members involved in business and governance decisions. The aim was to understand the evolution of trust and how family members acted in order to maintain that trust. Some family members were from the second and third generations. Some were involved in the business and/or the board of directors and others were non-involved family members. I also considered important to interview non-family members from the executive and board committees as they might have a role in maintaining trust. I interviewed these different kinds of people in all the cases. For each case, the first persons that I interviewed were the (or one of the) family leaders. Depending on the cases, he was the CEO and/or Chairman.

I carried 60 interviews that lasted between 1 to 5 hours each, except one that lasted 8 hours. The geographical distances covered explain the duration of these interviews. Appendix 1 contains a table that includes the interviews I conducted. I taped-recorded all the interviews. One exception concerns an interviewee who did not give permission for the interview to be taped. During all interviews I took notes and, in this latter situation, my notes were more detailed.

I did semi-structured and open-ended interviews which were suitable “to understand themes of the lived everyday world from the subjects’ own perspectives” (Kvale et al. 2009: 27). These interviews are conversations with a structure and a purpose” (Kvale et al. 2009). I had interview guides which evolved throughout the research and were adapted to each case during the interviews. I started with an interview guide composed of specific themes about the context of the family business, strategic decision-making, and trust. As soon as I became more familiar with the family business and as my interpretation formed, I oriented my questions to deepen my understanding.

Kvale et al. conceive the inter–view, as they write it, as an “inter-change of views between two persons conversing about a theme of mutual interest” (2009: 2). In this inter–view, “knowledge is constructed in the inter-action between the interviewer and the interviewee”. During the first few interviews, my aim was to familiarize myself with the family business, the family members, their relations, the evolution of the relations within the family, strategy decision-making, and its evolution with the involvement of the next generations. Then the conversations moved to a second stage in which I was able to more “critically follow up on the subject’s answers” to my questions (Kvale et al. 2009: 3).

To create in-depth knowledge, interviews require a greater involvement of the interviewer’s self in comparison with other forms of interviews. For Johnson (2002), “to progressively and incrementally build mutual sense of cooperative self disclosure and trust the interviewer must offer some form of strict or complementary reciprocit y” (2002: 109). This can take the form of the interviewer disclosing personal-biographical-emotional experiences when it is relevant. Undoubtedly, it entails demonstrating empathy and trustworthiness.
In these interviews, generally, the actors talked openly. Some did not hesitate despite the tape-recorder to express their feelings, and answered my questions authentically. Some of them expressed they did not want me to mention some aspects or refer to them in the research. In addition, to interviews, I also used different archival materials.

**Archival material**

Archival materials of any sort also contributed to developing my interpretations at different moments in the research process. Newspaper articles, annual reports, public interviews, websites, and books published about the anniversaries (for example, 60th, 70th) of the firms helped document the firms, before and throughout the research. I examined minutes from the board meetings about strategic decision-making during interviews, articles of incorporation of the companies, and shareholders’ agreements, and I included them as secondary sources. Documents written by the family members during their family shareholders’ workshops, presentations of business consultants who advised them in their corporate governance changes, family charts, and shareholders’ charts were also considered. They not only objectified the reality constructed through language during the interviews but also revealed the increased formalization of the relations between family members over generations.

**Analyzing the material**

My data analysis started with data collection. My interpretation of trust erosion and maintenance developed throughout data collection and considerably evolved, after it was completed. As it happens often in inductive research (Charmaz 2006), when I started this study, my primary research question was fairly broad: Understanding how trust can be maintained over time in family firms. In the course of inductively investigating this trust maintenance process, this question became: How can family leaders maintain trust among family members in *Multiple Branches Family Firms* over time and generations. To understand this process, I also addressed a second question: How does trust erode when the family branches out in *Multiple Branches Family Firms*?

Though data collection started in 2004 for Wheels, it was mainly done in 2008 and 2009. During data collection, after each interview, I wrote field notes that I used for documenting main themes and reoccurring topics. As soon as I had transcribed my first interviews, I started coding them to analyze what was going on in the case. Starting with an open coding logic, I identified in-vivo codes,
least 80. Looking for recurrences and patterns, I identified plausible whys (Miles and Huberman 1994) from this first coding analysis (Corbin and Strauss 2008, Gioia, Corley and Hamilton 2013) in the form of patterns about trust maintenance. For example, I recognized the key roles of family leaders through their development of formalities: the development of a corporate governance structure, the role of specific governance mechanisms such as the board of directors, and the family meetings and activities, and the role of external family members. I iterated between the literature on trust, with a particular focus on trust and control, and these emerging categories to understand how family leaders maintained trust among family members over time. After completing the data collection, I finished transcribing all the interviews and kept on coding them. I then started a new phase of data analysis. I did within-case analysis (Miles and Huberman 1994), and tried to figure out what was actually happening in each case. How was trust evolving over generations? How and why — and what kinds of — formalities were developed to maintain trust? What were the family leaders and members doing? What was their main concern? Were there key events in trust evolution? What were they? I tried to make sense of the complexities of each case as Stake described it: “I seek to make sense of certain observations of the case by watching as closely as I can and by thinking about it as deeply as I can” (Stake 1995: 76-77). I constantly iterated between theory and data with the idea to explore which frameworks would best capture what I found in the data (Gioia et al. 2013; Smets, Jarzabkowski, Burke and Spee 2014). During these iterations, as I had different codes related to a family logic, the development of an ownership logic, etc…, I explored many theoretical frameworks to try to better understand what was going on in the field: trust and control, trust development, leader’s trustworthiness, and institutional logics.

I wrote thick descriptions of the cases which contributed to constructing a first-level of interpretation. These descriptions recounted how the relations between family members evolved over time both in business and family contexts. Each case description revolved around the ways in which family members’ relationships had evolved as the family developed over generations, and how it had influenced their relation with the business (strategy decision-making, involvement of various generations, governance development). During the within-case analysis, I enriched my previous list of codes. In this process, some codes evolved and others were given up. This perspective was abductive. I started with identifying in-vivo codes. Then, throughout the iteration process between data and theory, I moved to existing theoretical codes, when I encountered them in the literature, in order to avoid denying or reinventing concepts (Denis et al. 2001).

I later moved to cross-case analysis to deepen my understanding of the trust maintenance process I saw emerging in each case. Cross-case analysis consists in comparing patterns in each case to identify differences and similarities to start forming more general interpretations (Miles and Huberman 1994). The aim is to
let the “more general understanding of generic processes that occur across cases” (Miles and Huberman 1994: 173) emerge. At this time, I identified an important pattern: the change in identification of family members — from family members to family owners — over time. I used the temporal bracketing strategy (Langley 1999; Denis, Lamothe and Langley 2001) to investigate the general process of trust maintenance that unfolded over time. This research strategy consisted of decomposing “the chronological data for each case into successive discrete time periods or "phases" that become comparative units of analysis” (Denis et al. 2001: 815). I used this strategy as I perceived a process emerging from the cases that I had difficulties identifying and formalizing clearly. On the one hand, I observed that — as soon as trust was challenged — family leaders attempted to develop control mechanisms to reduce their risk of vulnerability to family conflicts and, as a consequence, to strategic inertia or ownership breakup. These mechanisms contributed to maintaining trust. On the other hand, I noticed that family leaders — over generations — tended to perceive the family members as family owners. However, I did not understand how this evolution unfolded and the relation between these two patterns. Temporal bracketing strategy helped me understand this evolution and the interrelation between these two processes (Langley 1999; Denis et al. 2001). This technique is relevant to theorize process data (Langley 1999; Langley, Smallman, Tsoukas and Van de Ven 2013), and to explore the recurrence of phenomena over time (Gehman et al. 2017). Process research recognizes that “everything we do has multiple rippling consequences that spread over time. There are short-term effects and there are long-term effects” (Gehman et al. 2017: 6). With temporal bracketing, it was possible for me to capture how things evolved over time, to explore theoretical ideas — within phases — that could be replicated, and to identify the movement through which one phase moved to another (Langley 1999; Denis et al. 2001; Gehman et al. 2017). The definition of phases entails “that there is continuity in the context and actions being pursued within them, but discontinuities at their frontiers” (Denis et al. 2001: 815). When I organized data into phases, I first used the categories (controlling owner, sibling partnership, and cousin consortium) of the developmental model (Gersick et al. 1997) to determine phases, as I had observed that the development of formalities was linked to changes in characteristics of the family ownership. I soon realized that it did not capture what I was observing in the field in entirety. The characteristics of the boundaries differed. In my research, the boundaries of each phase were defined in terms of changes in the family ownership structure, and also changes in leadership, changes in family members’ expectations towards family leaders in business situations. I identified three phases that I labelled: The family, Enlarging the family and Refocusing the family ownership. Later in the analysis, I (re)labelled them the Family, the Professionalized Family and the Family Owners. These phases “do not represent "stages" in the sense of a predictable sequential process, and they do not in any
way imply the type of progressive life cycle logic found in many normative process theories of change” (Van de Ven & Poole, 1995: Denis et al. 2001: 815). Instead they reflect different possible phases that emerge as changes occur in the family ownership structure, in family leadership and in family members’ expectations of family leaders in business situations. The categories that I used for comparing each phase within and between cases were: the nature of the rules underlying each business situation (management of family members, business decisions, and leadership succession), the risk of conflicts for each business situations, and the formalities developed for each business situations. The cross-case analysis through temporal bracketing led to considerable changes in my interpretation. With the identification of these three phases, I identified the specific nature of trust — based on identification — that characterized family members. Throughout the analysis, I realized that identification-based trust developed at the group level, and concerned the (collective) family more than interpersonal relationships among family members. I re-analyzed the data and relations between categories through this lens. The aggregate theoretical dimensions that emerged were: Reducing perceptions of vulnerability, Creating new procedures, Changing family members’ identity perception, Generating new identifications, and Building positive expectations. This framework made sense of the reality I was understanding in the cases, and brought consistency to the interpretation of the whole phenomenon. In addition to the process of trust maintenance, I also identified a process of trust erosion. I could then identify the trigger of trust erosion, and how trust erosion unfolded. In this process, the aggregate theoretical dimensions were: Denouncing the family leaders’ procedures in business situations, Changes in family members’ identity perception, Family members’ changes in identification, and Family collective trust erosion. I present the data structure of trust erosion in figure 7, and of trust maintenance in figure 8. Temporal bracketing allowed me to identify the driving forces that underlied and produced the pattern — the evolution of family members’ identity into family owners over time — that I had observed empirically (Gehman et al. 2017). I identified that the process of trust erosion and trust maintenance within phases unfolded through: Denunciation of family leaders’ procedures, Changes in family members’ identity perception and identification, Perception of vulnerability — for the process of trust erosion —, and the Development of new procedures, the Changes in family members’ identity perception and identification, and the Building of positive expectation, — for the process of trust maintenance. However, in each phase, the nature of the denunciations and of the procedures created to maintain trust differed. For the Family phase, the unfairness of the family leaders was denounced, but not the nature of the procedures. For the Professionalized phase, the familial nature of the procedures and the unfairness of the family leaders were denounced for a lack of professionalism. Finally, for the Family owners phase, the familial nature of the procedures and the unfairness of the family leaders were
denounced. In addition, the familial nature of family members’ relationship no longer prevailed over their ownership one.
Denouncing the management of family members
Denouncing business decisions
Denouncing leadership succession

Illegitimate qualifications in the management of family members, in business decisions, in leadership succession

Varying stereotypical norms for the category family member
Comparing with one another

Illegitimate qualifications

Acting as a branch
Branch logic
treatment

An inexorable decline
Reacting to family leaders’ unfair

Losing Family SOG salient identification
Losing family SOG leaders’ trustworthiness

Family members’ vulnerability
Family leaders’ vulnerability

Denouncing the familial nature of family leaders’ procedures in business situations

Denouncing family leaders’ illegitimate ways of qualifying family members in business situations

Changes in family members’ self-perception

Perceiving unfair treatment

Branch identification

Declining Family SOG identification

Losing sources of family collective trust

Perceptions of vulnerability

Denouncing the family leaders’ procedures in business situation

Changes in family members’ identity perception

Denouncing family members’ changes in identification

Family collective trust erosion

Figure 7: Data structure for collective trust erosion
Figure 8: Data structure for collective trust maintenance
Research quality

It is widely acknowledged that qualitative research needs to be evaluated on different criteria than quantitative methods (Guba and Lincoln 1989). This is especially true in interpretive approaches where the traditional criteria of validity and reliability cannot be used in their positivistic meaning to evaluate the rigor of the research (Denzin and Lincoln 2000; Charmaz 2006, Corbin and Strauss 2008, Nordqvist et al. 2009). Research is more appropriately discussed in terms of “credibility” and “trustworthiness” (Lincoln and Guba 1985). In interpretive research, these refer to relevance and conviction and require transparency on the complete research process (Nordqvist et al. 2009). For Alvesson and Skoldberg (2000), a trustworthy interpretation should satisfy the four following criteria (Nordqvist et al. 2009):

- **Internally consistency**: the different parts are logically integrated into a coherent superior whole without contradictions
- **Externally consistency**: it should relate in logical ways to other theories or logical arguments must be provided to explain theoretical oppositions or discrepancies
- **Closeness and distance**: make individual details of the empirical material more understandable, while at the same time make clear the broader themes and conclusions that emerge from this empirical material
- **Holistic understanding**: elevated above the common-sense level, by yielding a deeper understanding of the empirical material through linking it to the interpreter’s evolving and successively increasing understanding of the phenomenon under study

Charmaz (2006) also proposed a list of criteria to evaluate a social constructionist approach of grounded theory. They are the following: credibility, originality, resonance and usefulness, and can contribute to an evaluation of the research. They join some of Alvesson and Skoldberg’s (2000) criteria, and also insist on the originality which is the aim of inductive methods (Eisenhardt et al. 2016), and its usefulness. These are also criteria that I found important when I conducted this research.

All along this work, I paid attention while developing my interpretation to avoid contradictions in the whole research process and in the model that I developed about trust erosion and trust maintenance in *Multiple Branches Family Firms*. For instance, as a social constructionist, I rather followed Stake (1995) and Gioia’s perspectives on case study analysis.
I attempted to clearly present the framework that I relied on, and the reasons of its relevance to capture my phenomenon. I also provided reasons for rejecting other framework that related to my topic. For instance, I explained, how throughout the data analysis, I observed that collective trust was more relevant to study trust in Multiple branches Family Firms than interpersonal trust, the reason why I developed a leader-based trust approach that differs from the perspective developed by the authors (Kramer, 2010). Through thick descriptions of my cases, the use of multiple verbatim quotes from the interviewes, I remained close to the field and gave the opportunity to the reader to develop proximity with the cases. I offered him/her the opportunity to better understand how the categories, themes and concepts emerged all along the data analysis, and led to the final theoretical interpretation. This interpretation grounded in fine-grained data and through theoretical iterations proposes new theoretical insights about trust in Multiple Branches Family Firms.

Credibility also lies in the extant literature that I used for framing my research questions. I developed the interpretations through an iterative process relating the emerging patterns in the empirical stage to pertinent theories and concepts. I considered a broad literature consistent with the theoretical and methodological assumptions of my research project. And I did not hesitate to change lenses in my coding in order to ensure that I effectively captured the phenomenon under study. In this perspective, I kept an open mind when interpreting the empirical materials taking into account alternative literatures and interpretations before converging on final results and conclusions. There is also resonance in the development of categories that portray the fullness of the material. Through this process, I could build a better understanding of the phenomena. This was also possible as I had multiple sources and methods to gather data, sufficient and good quality empirical material.

Originality lies in the interpretation and the categories that emerged from the data analysis that provide a new (collective) perspective of trust in the context of family firms, with a focus on trust erosion that differs from the traditional perspective. It also sheds light on the influence of the evolution of the family structure on identity perceptions and trust.

Finally, its usefulness lies in the understanding this research offers to family firms and the leaders involved in them. It informs them about the actions they can take to consolidate their ownership and ensure their longevity.
5. The Wheels Company

*Having stable, long-term family ownership is more important than getting the family involved in management, than being at the levers, because management skills can be found on the market, can be bought. And strengthening this ownership aspect is, for me, more important than the management side.* (François Blois, CEO of The Wheels Company)

Introduction to the Wheels Company

A brief description of the development of the firm

The Wheels Company is a large European family business in the automobile industry; it was founded in 1937 by André Blois to produce and distribute motorcycles. André was rapidly joined by his brother and later by his four sons. Together, they developed the business until 1979, when André died. Since then André’s six children have taken over the business and the youngest son, François, was named Chief Executive Officer by the family.

As of 2009, the Wheels Company, principally an automobile retailer, is involved in different businesses (two-wheeled vehicles, car sales, real estate, and office furniture). It employs about 1,900 people and manages over ninety subsidiaries around the world; 2009 turnover was more than 1 billion Euros.

The family members define the Wheels Company as a professionally managed, family-owned company. Over the years they have developed a governance structure that maintains trust among family members, and ensures the durability of the family ownership.

Introducing the founding family

The founder, his wife and his brother

When he established the Wheels Company, André started it from scratch. He was rapidly joined by his brother who was in charge of sales while André had overall responsibility of the business. André and his brother worked together
until André’s sons entered the business. All the while, André was assisted by his wife Marguerite Blois in the development of his business. Marguerite never worked in the company neither had she taken part in the business. But she was deeply engaged in the success of the family business. She attended official events (auto shows, etc.), festivities traditionally organized by the company, such as Christmas parties. She considered it was her role to attend these events. She would never miss them. She also provided her help to André in many activities: filing administrative documents, keeping household expenses under control to make it possible to invest in the business. Marguerite was a highly devoted person, for her children who meant everything to her, but she was just as devoted to her husband. Her commitment to the success of his business permeated all her life, and the way in which she raised her children. She was a believer. The children remember the evening prayer.

For years, when we were young, really young, until we were eight or ten. (…). She wanted us to say our evening prayers together, with the children. (…). Some of us still know those prayers by heart. (…). In her prayers she would say: ‘And may Father’s business do well.’ (family member)

Of the six children, all of the sons, unlike the daughters, who were not raised to go into business, entered the family business.

Involving the children in the business

The first to enter the family business was Paul, the second son. He did not attend university and got involved in sales where he worked mostly with his uncle to whom he became the right arm. During several years, he worked really hard and soon became a talented salesman. All along his professional life, he enjoyed his work very much. Unlike Paul, Louis, the elder, had four or five years of university study before he took charge of after-sales. Edouard, the third brother, also undertook business studies before joining the family business. In contrast with his brothers, he only spent three years in the family business, from 1968 to 1971, before he left to develop his own activity outside the firm. Throughout this period, he developed the information technology system. When, François, the youngest child, 11 years younger than Louis, joined in, the family business had grown. It was run by André, Louis, and Paul who formed with a non-family member Chief Financial Officer the executive committee. Despite his young age — he was in his twenties — lack of managerial background — like Paul, he did not attend university — and experience, he was offered the responsibility to manage a dealership. Since the father died, François worked in close collaboration with him. At the time, François still lived in the family residence. Each evening, he used to discuss the business with his father. Through the years, François and his father developed a very close relationship.
In 1979, André died of a heart attack. His death was sudden, and occurred, as he had not yet organized his succession in the family business. The six children, with the support of their mother, decided to take over the business. The sons, particularly Louis, Paul and François, had been working in the business for at least ten years. They had contributed to its growth and wanted to keep on developing the family business. Edouard, Jeanne and Emilienne remained attached to the business, which was founded by their father. And, for Marguerite, it was important to ensure a continuity of what her husband began.

Their first decision was to appoint François CEO. He had used to work hands in hands with his father and already had developed a slight experience in the job. This decision was not easy to accept by Louis who was the elder and who considered he sort of had the advantages of the firstborn and should succeed to the father. In compensation, he was nominated as Chairman of the board. The four brothers were then the family leaders.
In the 80’s, only Louis, Paul, and François were in charge of the management of the business as Edouard had left it in 1971. He finally joined them in 1988.

François, Louis, Paul … and the Mother

When he ran the family business with his sons, André used to organize strategic meetings at the family residence. After his death, François, Louis, Paul, and Marguerite decided to keep on with the same practice. Board meetings would be held periodically at the mother’s home. They brought together the three sons and Marguerite, who also attended them. Marguerite, even if she did not take part in the discussions, was there. She did her part to ensure that the family remains united and the family firm would survive.

The four of them could talk. (…). And Mother was always, always there. There were probably a lot of things she didn’t understand, but she was there. (…). She felt it was important for her to be there. (…). I think she realized that everything that went on at those meetings came from her husband. (…). It was in everything said at those meetings. And Dad was in attendance, too. And I’m sure that’s where it all came from (family member).

Edouard and his sisters, who were not involved in the business, were not consulted on strategic decisions. Yet, they were confident that the three brothers managed the business in the interest of the family.

At heart, my sisters and I were owners of a company we had no say in and about which we were never consulted. So there was never any official annual general meeting. We signed the books once a year, at Christmas. (…). The three of them ran it, but for the good of the family (family member).

In addition, the mother was there, and she guaranteed that the three brothers did not act in spite of their interest.

In 1988, Edouard had developed his own business: an office furniture business. The brothers discussed about bringing together the two businesses. They decided to create a new division to take over the office-furniture business in the Wheels Company. From then on, Edouard took part in board meetings as well.

François, Louis, Paul, Edouard… and the Mother

Several years before, Louis, Paul and François had divided the automotive business among themselves, in keeping with their particular qualifications. Paul managed the automobile business, Louis real estate, François, in addition to his CEO position, ran the two-wheeled motor vehicle business. Edouard joined in with the office furniture activity.

Each month, Louis, Paul, François and Edouard gathered together, at the family residence, to discuss strategy. Running the entire family firm together at the same
time as the individual businesses was no easy task. Personal interests had to be sacrificed to the interest of the business as a whole. At this time, the four brothers were dynamic young entrepreneurs, making career progress and managing their own businesses. They were on the front lines and knew very well their business. They did not want anyone to invade his turf. Most of the time, the brothers, despite the board meetings, merely implemented what they had already decided before the meeting. Yet, for important decisions, they had to reach a consensus. François, Louis, and Paul, who had already worked together for nearly ten years, had developed their own rules of behavior for decision making. When Edouard joined the family business, he was involved in this process.

Decision-making consisted for the four brothers in negotiating and forming alliances to win support for their decisions. Peter Capran, a business consultant, observed it when he was appointed a few years later.

I noticed that for some decisions there were alliances of two or three members. For other decisions, there were other alliances. So it was a little ‘if it suits me, and I’m sure of your support, it’s you I’m going to approach, to come to agreement with, even though it’s a board decision. And when I know you’re completely against something, eh, well, I’ll do it with my other brothers (non-family member).

The brothers had developed this decision-making process to overcome conflicts. Since the inception, Marguerite was there, and did not allow conflicts. She used to smooth things over, to ensure that no conflict would occur, and obliged the brothers to come to agreement. She taught them to negotiate, to work on reaching agreements, to have a shared vision of things.

She attended our (...) board meetings, which were held around the family table, and she welcomed us warmly and listened to the discussion but did not speak up. So she kept silent, but she was there. And I think that as long as she was there, there was a rule that meant that everything was settled amicably. Finally, there were a lot of discussions (family member).

During several years, thanks to Marguerite, the brothers managed to run and develop the Company all together. Marguerite played as well an important role in the maintenance of family unity.

A tightly-knit family

When the family grew, as the children themselves had children, the family members maintained strong ties among each other. Often, the family got together at the family residence (Marguerite’s home) where the children and grandchildren spent a lot of time together. Marguerite greatly enjoyed having her children and grandchildren at home. This was the opportunity for the cousins to see a lot of each other, to share and develop good and close relationships. Several years later, they would have shared memories and a lot in common.
The cousins saw a lot of each other, and it’s thanks to that that these family ties are still strong. That’s for sure. Because it’s part of them; the cousins know each other really well (family member).

Some of the children, those who lived near the family home, for instance, visited Marguerite and André more often than the others. François, who lived at the family residence, used to see his parents everyday. Emilienne also spent a lot of time with her children at her mother’s house as her husband suffered from health problems and had to spend most of his time in hospital. She often took the kids and went over to the grandmother’s home. Jeanne did not live as near as her siblings, but she was a frequent visitor at her mother’s place, so her children — Jeanne-Marie and Jean-Gaétan, for instance — forged strong ties with their grandmother.

Marguerite used to gather her family for several events such as Mother’s Day, birthdays, Christmas, as an example. In May, she often celebrated spring. The eighth of May was her wedding anniversary and she used to celebrate it. Everyone was invited. There would be thirty-five or forty family members. The children, grandchildren were always there. Marguerite used to organize a great party with games and other activities to entertain the family members. All of the family members enjoyed this family reunion, even Marguerite’s sons, who had become talented businessmen and contributed to the creation of a happy family atmosphere. In addition to the traditional family events where Marguerite used to gather all family members, from time to time, she organized an outing with her grandchildren and their mothers.

The daughters as well were hugely committed to the family and contributed to the development of these strong family ties. During holiday, they often spent time in Europe and invited the other families over on holiday or for family get-togethers, and the other families would invite the cousins over for a week or two, too. There were always a lot of cousins who were welcome to come.

As Marguerite aged, it became difficult to organize the family reunions all by herself. The last fifteen years of her life, Emilienne helped her a lot. Then the family counted no fewer than forty members.

Marguerite was a real pillar of the family. She played a crucial role in building and maintaining cohesion among family members. Since she was there, the family remained united and mutual trust characterized family members. This trust was challenged when multiple branches came to be involved in the business.

**Challenges to trust: the involvement of the third generation in the business**

The introduction of the third generation to the family business challenged the trust family members had one in each other. Conflicting views about the
management of the business, and the management of family members emerged that might develop in conflict and lead to ownership breakup.

The management of the business

With the third generation entering the business, decision-making increased in complexity. Third generation family members used to reproduce the second generation behaviors without knowing what was going on.

Indeed, with the previous generation around the family table, it was a black box for outsiders (family member).

Keeping with the same way of running the business – autonomously and through negotiation and alliances – was risky as decision-making no longer involved siblings but also cousins who were not tied by the same rules of behaviors. Conflicts might arise among cousins, and involve the brothers. Marguerite, who was getting older, might no longer be able to attend strategy meetings and help the siblings overcome conflicts.

Conflicts might threaten the management of the business and negatively influence the overall performance of the firm. Conflicts might as well jeopardize the unity of the family, and as a consequence of the ownership. Strategy making was not the only source of threat to trust. The management of the family members was also subject to strong criticism.

The management of family members

When the four brothers’ family leaders ran the family business, they were involved in all governance structures: the executive committee, the board of directors, and the general meeting. They took all important decisions, including those to hire family members. Then, the rules and requirements for the third generation family members who wanted to go into the business were unclear. Some family members could enter the family business whereas other could not. Unwritten rules, such as a requirement to work at least three years for another firm before entering the family business, existed but these rules were not always applied. Criteria might vary from one family member to another. This lack of clear rules was a source of conflicts between family members and might erode the trust family members had in family leaders. In addition, third generation family members might feel that the decision ultimately depended on the four brothers’ whims. This authoritative management dissuaded some third generation family members from joining the family business.

Over the years, the four brothers had developed a long and successful experience of the business. All together, they had been through all the firm’s problems and types of decisions. As a result, they had acquired an authoritative voice in the
family and over the third generation. As family leaders, some of them, behaved very authoritatively also. As a result, some family members of the third generation did not want to work in the family firm, particularly in its core businesses as they did not want their careers to depend on the whims of their powerful uncles. This situation deprived the business from talented family members.

Finally, the question of the involved family members who underperformed was a critical issue. Not all involved family members of the third generation well performed. This situation might impact the firm’s performance. Family leaders, especially François, refrained themselves from laying these family members off as it might have negative consequence on family relationships. Often, such tough decisions were put off. Firing a family member could lead to family conflicts and threaten the family ownership unity, consequences that François always attempted to spare the family.

Instead of laying family members off, François preferred letting them decide to resign. So they would not be affected by the decision. He thus prevented the family from conflict. Non-family members on the executive committee and the board of directors understood that decisions involving a family member might have consequences on owners’ relationships and that family cohesion should prevail over performance.

It's something that’s clear for the executive committee, for the board; it’s talked about now and then, at the meetings of the audit committee, for example, but that’s it. We accept that that’s the way it is. So we don’t take drastic measures. But it works. It’s not the theoretically ideal work, but it prevents clashes among shareholders at a cost that’s not too high. Sometimes keeping shareholders happy comes with a cost (non-family member).

Actually, this management was criticized. More generally, the involvement of the third generation in the business created tensions between branches.

**Tensions between family branches**

Throughout the years, family members had developed distinct views and interests for the family business. From now on, family members had different representations of the Wheels Company, and of its management. Some family members disagreed with the management of the business, and of the family members. It created tensions between family members that spread out family branches’ relationships.

Tensions originating from conflicting views about the management of the family business were eroding trust in the family and created a risk of conflict among family members that might turn into ownership breakup.

*People who are frustrated because they don’t have the career in the company they wanted; investments that are not shared; people who want out and can’t manage to get out; and our*
interests have to be respected and we have to realize why our interests are being respected (family member).

François realized that without a change in their rules of behavior, it would be harder to keep the family united behind the company.

_We were right in the middle of introduction the 3rd generation to the business, and for me, it was not well planned at all_. (...). _And for me, if we didn’t fundamentally change our governance structure we would, maybe not in 2 or 3 years, but eventually, be headed for disaster (family member)._ 

Edouard shared the same analysis of the situation. Louis and Paul, who had spent most of their professional lives in the family business, were more reluctant to introduce changes. Still, they did not want the family business to be plagued with conflicts and agreed that family unity should be preserved. François hired Peter Capran, a consultant specialized in the governance of family firms, to establish a governance structure that would shield the family business from family conflicts. This was the beginning of the professionalization of the family firm.

**Professionalizing the family firm**

**Developing a shared project for the family business**

When Peter Capran met the family members, he observed that tensions existed between family branches. They did not communicate well one with the other. Ultimately, this engendered problems of misunderstandings. Peter Capran made it his first task to help the family members develop a shared project for the family business.

Three important elements helped the family develop a shared project: their desire to preserve the business, the involvement of all family members in the process, and the mother’s presence. At the time, all family members were committed to keep developing the business in the future. For them, it was important to pass this inheritance on to the next generation.

_There was a real realization that we were the beneficiaries of an estate and that we should pass it on to our children, that we should find a way. And then that there is a real search for solutions to the problems we are dealing with (...) rather than just shutting up shop and selling (family member)._

When they started thinking about changing the governance of the family firm, the family leaders — François and his brothers — involved all family members in the process. They decided that everybody could come. The children, not by blood but by marriage, were accepted and invited, too.
We didn’t say: ‘One person per family.’ We had always said: ‘It’s open to everyone.’ Mr. Peter Capran came one evening to explain what governance was. So people came or not. Attendance was always about 60 or 70% (family member).

The family leaders decided to develop the governance changes while the mother was still alive. She still had lots of influence on her children, and the whole family members, and played an important role in the success of the project.

She was an extremely important factor. I don’t know if the siblings or the children realize it, but I think she was key, at the time, to keeping the family united. (…). She was their mother, and they gathered around her. And that it’s a family that has been a real family for a long time. They are together; they know each other well. They often got together with their mother. And I think that’s an extremely important factor. (…). The same process now, a few years later…, so the mother died a few years ago. I think it would be a lot harder (non-family member).

Peter Capran first decided to meet each family branch separately to understand the sources of their problems of communication and to discuss about a governance structure that would meet their needs. After several meetings, he got a picture of what the family business meant to the family members, and how to keep it in the family. He brought the brothers, and representatives of the sisters, together to decide on how to professionalize the the family business. He suggested to open up the governance of the group to outside directors. Peter Capran was conscious that introducing non-family members to the board was a substantial change for the family. He collected family members’ opinions and explained how this move could satisfy their demands for the management of the family business. He then gathered all family members together to take the decision to implement it.

So we talked about all this for a long time, in fact, about the professionalization of the board and the executive committee. (…) I went from branch to branch with little presentation, and afterwards everybody got together to talk. (…) But by then—they were almost all in agreement, because they are all familiar with the project before they take a seat around the table, they talked about it at home, too. It wasn’t because I had put them around a table that they weren’t talking to each other. (…). When we got everyone around the table, they were already convinced that the model, if not perfect, met most of their needs (non-family member).

This process allowed family members decide all together to set up new corporate governance. At the end, they all agreed that they had to establish new rules for organizing the relation between the family and the business.
Creating new rules and committees

The new corporate governance structure involved the creation of several committees and new rules of behavior to professionalize the governance of the family business and to ensure fairness in strategic decision-making. These were:

- Creation of a board of directors that oversees strategy and ensures that the firm is professionally managed. Independent directors now sit on this board. The Chairman is an independent director.
- Creation of an audit committee made up of two independent and two family directors and led by an independent director. It oversees internal checks and balances.
- Creation of a remuneration committee of two independent directors and the CEO. This committee determines pay for the executive committee and executive family members.
- Rules for involvement of family members in the business: family members who want to work in the business need to have the diploma that enables them to apply for this job and three years of experience in another firm.
- Strategic decisions: decisions must be made in formal business settings such as the executive committee, board of directors, or strategic committee meetings (Mom’s kitchen table is out of the question now).
- Establishment of a family charter: family members commit to rules that govern their ties to the firm (corporate governance, pay, ethics rules).

Even if other changes were decided and implemented, the new board was the centerpiece of the new corporate governance structure.

A focus on the board of directors

When they created a board of directors, family members agreed that they should not demand a family branch representation on the board. They discussed about the composition of the board and decided that a majority of the directors would be independent and a minority would be from the family. They wanted a small number of directors for it to work ideally. They reached a compromise of four external members and three family members. Family members welcomed this decision as it would improve the management of the business and of family members. Family members had decided that the management of the family members — hiring, layoffs — would be done through the board. A predominance of external members would guarantee fairness and professionalism in the management of the family members.
So, we’d said to ourselves (...) that independent directors had to have the majority if the process were going to remain independent (family member).

Family members also decided that the board would be chaired by an external family member. Naming an external member as Chairman would preserve the business from conflict, as one of the roles of the Chairman would be to mitigate conflicts among family members. Since the family members had accepted that the new board of directors would be composed of a majority of external members, the remaining decision was to name the directors. They complied with the corporate governance rule that directors could not be front-line managers except for the CEO. Peter Capran helped them reach a consensus on four names:

*There was Peter Steward, who was elected chair and who was at heart the Chief executive of the largest international law firm in our country. He was someone we’d (...) known for a long time and had a reputation as an upstanding, moderate man, someone who knows how to proceed, to get people to agree, and we were very happy with his chairmanship. There was Mr. Peter Capran because at heart he had helped us put things together. There were also specialists in businesses other than retail sales. There was Mr. Linter, (...), the great human resources specialist in our country; he was the fellow who defused big problems. He was familiar with the trade union world. So with his experience he made a good choice. And then the fourth member, (...), was a banker (family member).*

Appointing well known businessmen to the board guaranteed that professional criteria would drive decision-making.

Among the family member, François, as CEO of the Wheels Company, was automatically appointed as family directors together with Louis and Paul. Louis — who was in real estate — was not considered on the front lines of the core businesses. And Paul — who had decided to retire — was no longer in the management of the family business. As Edouard was involved in day-to-day business, and the sisters had no experience in the business, they could not be involved in the board. As a consequence, their branches would not have direct representatives sitting on the board. It was not a problem for Jeanne’s branch as they had no experience in the business.

We said to ourselves: ‘Not all of the family branches are represented; we don’t mind letting someone better than us take that spot.’ (family member).

Changes in the corporate governance structure were decided before any conflicts occurred between family members. For this reason, they accepted to implement them, even when it meant undesired changes.

**A mourning process**

The new corporate structure entailed a completely different way of thinking the governance of the family business. It also disrupted family members’ position in
the family and the business. François wondered whether family members would be able to accept it. He was conscious that such change might affect some of them. A risk that they might want to sell out — or of potentially ownership break up — existed.

I had to accept the mourning that some people would go through, and so for me it was important to be able to forecast the future of the company five to ten years from now, to be able to see the extent to which family members can make changes or not. Because, at all events, we will find them again, and if we don’t find them it will be because we have lost them as shareholders. And if we have lost them…(family member)

Louis, the oldest son, had been appointed Chairman when François was nominated CEO of the Wheels Company. In this new configuration, he would cede his position to a non-family member. Loosing this position was not easy for him. It took time to accept it. As compensation, Louis would be one of the three family members who, alongside Paul and François, would sit on the board.

The corporate governance with its new board was set up in 1997. The family members supported this structure during three years, until they realized that the fact that not all family branches were represented on the board was a source of conflict.

New tensions between family branches

Over the time, family members of Jeanne’s branch complained they were not being kept informed on strategic decisions. They had questioned certain strategic investments. Then a conflict arose over the make-up of the executive committee, and they wanted to sell out.

They felt they hadn’t been consulted, and I think it had also been a hard year, where investment choices were made. (…). In reality, they didn’t agree. And, feeling excluded—and when you don’t know you’re probably going to think things are going on; you can imagine all sorts of things when you’re out of the loop—they looked into selling all their blocks of shares, but without letting us know. And then there were problems (family member).

The main problem revolved around the involvement of Louis-Alexandre and Paul-Adrien, the sons of Louis and Paul, in the executive committee. The independent directors had decided to restructure the organization in three main activities (two-wheeled vehicles, four-wheeled vehicles, and office furniture) and to set up an executive committee organized by business units that is, made up of the managers in charge of these activities. Consequently, Louis-Alexandre and Paul-Adrien who were involved in the four-wheel activity at a lower managerial level should not be part of it. In fact, they were.
So it was a compromise because they (the external family directors) wanted business unit managers. And given the people there [Louis and Paul], we came up with a mixed business unit executive committee that wasn’t really ideal (family member).

The executive committee was a compromise between professional requirements and family desires as Louis and Paul who retired from their operational positions wanted their children to be involved in the executive committee. This compromise was necessary to get Louis and Paul voluntary acceptance to structure the organization by business units, and more generally to change the rules that governed the interaction between the family and the business. For the family members from Jeanne’s branch, this decision was unacceptable and contradicted with the new rules of behavior they had decided to implement when they set up the new corporate governance structure.

The decision that killed me (…) is that we say we’re going to open up the board of directors, but at the same time, oh so coincidentally, we create an executive committee where once again you find a member from each family. What we had changed on the board was rebuilt just below in the executive committee. Might as well have done anything, I say. (…). So we said: ‘We want out,’ the entire branch of the family, the Jeanne branch (family member).

To avoid a break-up in ownership, the four brothers family leaders decided to change the composition of the board. They went back to having all branches of the family be represented on the board. The conflict was resolved by the Chairman, who met the family members and recommended a family branch representation on board.

In 2000, a new board of directors was created. It was composed of one member of each family branch as well as the remaining four external directors. To ensure the durability of this professionalization, the siblings decided to formalize the governance processes by making them part of the firm’s articles of incorporation.

If we don’t raise this wall between the family and the group, there is a risk of negative consequences. It’s what we wanted to do by professionalizing the board. And we also had these structures put into the Wheels Company’s articles of incorporation. (…). Now we can still change the articles of incorporation easily, because there are always enough of the six to get them changed. Once we go down another generation it will get harder and harder. So if we try to cement solid management foundations in the articles of incorporation now—the contents, I know, can’t be cemented. But as long as we can cement structures for the group in the articles of incorporation, it will be harder for the coming generations to change them (non-family member).

The new board took a major role in the professionalization of the management of the business.
A professionalized family firm

The new board of directors led to the professionalization of the management of the business and of the management of family members. In the former business situation, it entailed the definition of a clear strategy, the reorganization of the group structure, the formalization of the strategic decision process, the introduction of financial criteria to analyze decisions. The involvement of the external family members on board ensured their implementation while making strategic decisions.

As long as there are family members, it’s still a cosy club, at least with us, it’s still a cosy club. (...) The independents have a fundamental role, which is to be independent, to have no emotional bond, to have no tie to the person presenting, since we have family members, including me, in the group. So it’s much easier for them, at a given moment, to say: ‘ah, no, that won’t do; I don’t think that’s going to work.’ The presence of independents on the board, as I experience it when I’m there, is fundamental (family member).

In the management of family member, the involvement of outside directors and the implementation of the new rules reduced family involvement. Among the ten family members who were working in the business, six left. So ultimately these structures exerted pressure on the family members and there were six who kind of took the brunt of it and who left the group on very good terms.

It wasn’t a bad experience at all. Which was very, very important for me, too. Nobody slammed the door behind him. (...). But for me it was absolutely necessary to bring in professionals from outside the family, to create a clear, well defined framework, to make sure everybody knew the rules of the game. (...). And, I think that now, with a board with independent members, we are obliged to make decisions with complete transparency (family member).

Test: acquiring a European firm

In 2003, the Wheels Company decided to acquire a European firm in the same industry. This decision was in line with the general strategy the board of directors had defined. The opportunity to take over a firm in Switzerland arose. François and his nephew Emile-Vincent — the manager of the four-wheeled motor-vehicle line of business — structured the offer with the help of the Chief Financial Officer, and legal experts. They came up with a final proposal that François proposed to the board.

Throughout the decision process, François, kept the members of the board informed of all progress on the deal. François wanted to make sure that the board members, especially those from the family, had the information they needed to decide. He informed the board members during board meetings that took place each month at the Wheels Company but also as soon as there was any new information. François communicated essentially with the Chairman and his two
brothers, Paul and Louis. They had long experience in the business, they knew the car business, the partners. They were the most influential in getting this project underway. When they approved the decision, the external members of the board trusted them. The external members were trusted as well. The family members respected their professional careers. They were people very well known in the business world for what they had created. So there was a lot of respect for what they would say.

In general, my impression (...) is that the independent members exert a disproportionately greater influence on decisions than the family members. (...). Once the independents say: ‘That’s what we have to do,’ they family members will not dare resist (family member).

Finally François and Emile-Vincent made an offer and negotiated the deal. At the end, they completed the acquisition at a price significantly lower than that of the offer they had made. The decision was made swiftly, at an extraordinary board meeting held partly by video conference, as the directors were in different towns and countries at the time. The decision was recorded in writing since then decisions that were made during board meetings were always taken down in writing. As a consequence, board non-family members were satisfied with the process of decision since it complied with the rules they set up.

With this decision process, we were able to raise lots of questions, and we got lots of answers. So I think it was good. (...). So we made general policy decisions. And for the rest, they stayed within the guidelines of we set. Nothing was out of line with what we had decided. So, in my opinion, it all worked very well (non-family member).

Besides the development of the new governance structure, François took actions to keep the family united, and to maintain an attachment to the family business over generations.

**Maintaining the unity of the family**

**Maintaining family ties**

Over the time, the siblings realized that it was difficult to maintain frequent interactions among family members. They had to formalize their ties if they wanted to maintain them.

The more of us there are, the more often we should see each other, the more of an effort we should make to get together. Because with the cousins in the same branch it’s sometimes hard, and even harder when it’s different branches (family member).

After the death of their mother, the siblings decided that they would keep gathering family members, and develop opportunities for family members to
know each other. They kept Marguerite’s home to bring together all the family members for family events. Emilienne, who had lost her husband suggested, to move in and to organize them.

*I took on (...) a certain role. (...). I am trying to keep Mother’s principles alive for X number of years, (...) with her family spirit, to keep the family close (family member).*

The siblings discussed and agreed on the conditions under which Emilienne could live in the family residence and would maintain family unity. They mentioned these conditions in a written agreement. Each of them allocated an equal amount of money to finance family events. Emilienne would be in charge of balancing the chequebook, and they would renew this budget when necessary. In December 2001, Emilienne moved into the family home and started organizing family activities in 2002.

As in Marguerite’s time, several events marked the rhythm of family life. Yet, the family had grown. They were then around one hundred family members. Such events as Christmas could no longer gather the entire family. So there were two groups: the grandchildren of at most sixteen years old and the second and third generations with the grandchildren older than sixteen. Emilienne organized four regular activities per year.

- The first took place in January and was for the grandchildren up to eleven years old to celebrate Christmas. There was always a get-together for the children and there was always some activity planned: one year a puppet show, another a singer.
- The second event took place in May. The family celebrated springtime as the mother used to do. The entire family was invited. Most attended.
- The third event took place in September when the family got together to celebrate the Eucharist for the parents. It was a Saturday, late afternoon. They celebrated the Eucharist in the village, and then they got together.
- The fourth event was organized for Christmas, in early December. It was for the second and third generations, as well as for the teenagers of at least sixteen years old. It was an evening dinner. So they could get together for Christmas, without having it be too close to Christmas as they had their families, the in-laws, around mid-December.

In addition to these regular gatherings, family meetings were organized throughout the year to bring together the children of the same age (3 to 5, 6 to 8, 9 to 11 and 11.5 to 16 years old). These events did not take place on set dates and were no longer organized by Emilienne but by parents of children of the same age. Emilienne monitored the costs and the organization of these events. She not only made sure the events fitted the budget but she also provided the information necessary to organize them: the list of all the children in the
particular age group, as well as their email addresses, so the mother could invite the right ones and not forget any of them. Emilienne had to follow up a bit and then she gave her agreement. As a result of these get-togethers, the children from the fourth generation knew each other.

In parallel to these formal family events, the family members still met informally at the family residence as they did when the mother was alive. Maintaining family ties helped consolidate the ownership of the company. However, it was not enough. Attachment to the business needed to be maintained as well.

Maintaining attachment to the family business

At the same time as the second generation family leaders created the new corporate governance structure, they decided to improve the information they provided to the family members. They also attempted to involve them in activities related to the business.

Informing and engaging family members

François wanted to avoid that family members — particularly those who were not involved in the family firm — complain about a lack of information. There were two general meetings per year: one in May, which was provided for in the articles and focused mostly on figures, and another in October or November, which was focused on strategy. The brothers decided to strengthen the attendance to these two general meetings. So family members were informed of goings-on in the business. In addition, the brothers decided to organize evening information sessions: once during the board meeting and once between two board meetings. These meetings helped family members who were not involved in the family business or in any other business to become more familiar with it.

Beyond informing family members, François wanted to stimulate interest in the business. With the growth of the family, he observed a declining interest within the third generation. He wanted to maintain a shared interest for the development of the business among family members.

It’s now, or, let’s say, in the last ten years, that we’ve entered a more critical phase for the passing on of the business. It’s often in this phase that things fall apart, and afterward there’s more and more dilution, where there’s less of a personal basis. People no longer have the same name. Finally, there’s a kind of natural dilution, which leads us, in my view, to the opposite risks, to a lack of interest. We have to recapitalize in the other direction (family member).

In 2002, François and his siblings decided to involve them in activities related to the family business. They started by organizing meetings that consisted of teamwork on such themes as new projects for the business, the values of the family and the family business, the development of a family charter. Once a year, they spent a whole day working together. They hold what they called a Wheels
Company Day, to which everyone over twenty years old, the second, third, and even fourth generations, was invited. There were already four generations that were invited to this information and working session. Most of the family attended these meetings. Some attended systematically even though they were not in the company. There were a lot of cousins, but on the whole not many of them were in the company. Still, participation was high.

Finally, family members were not only involved in discussions about the family business but were also invited to such business events as the car show. The activity of the business enabled family members to share one with the others and to maintain ties among family members as well as attachment to the family business. For François, maintaining attachment to the family business through various roles — besides involvement in the management of the business — was important to maintain a family ownership.

Having stable, long-term family ownership is more important than getting the family involved in management, than being at the levers, because management skills can be found on the market, can be bought. And strengthening this ownership aspect is, for me, more important than the management side (family member).

To combat falling attachment to the business and to keep it in the family, François suggested creating advisory boards. Family members could take part in the governance of the family business and professionalize as family shareholders.

**Creating advisory boards**

To professionalize family shareholders, siblings created advisory boards. Made up of experts of the business, advisory boards were strategic committees that supported top managers in strategy making. Including certain family members in these strategic committees, simply because they were in the family, was a way to getting them participate in the governance of the family business. They were asked to commit to a certain number of meetings. Throughout these meetings, they would familiarize with the running of the firm. Indeed, they would be able to come and listen to presentations made by business line managers, as well as to ask questions. They would then have the opportunity to see what managers did and forged certain ties to the business.

The decision to create advisory boards arose when some family members from the second generation expressed dissatisfaction with the work of the board of directors. The board was unable to discuss and analyze in sufficient detail each strategic decision. As a consequence, some lines of business had faced clashes; the office furniture, for instance. Actually, the board of directors did not have the time or the expertise of each of the Wheels Company’s lines of business. Decisions concerned the two-wheeled motor vehicles, the four-wheeled motor vehicles, or the office furniture. These activities differed one from the other and had not a lot of synergy. They could not efficiently evaluate the relevance and risks of strategic decisions. Most of the time, board members could not do much
more than listening. Therefore, the role of the advisory board was to accompany
top management in strategy decision making, to analyze the decision in details
before it would be presented to the board. Then, the projects presented to the
directors would have been already looked over and revised. For this reason,
advisory boards were made up of external members, experts of the business, and
family members, as well as the Chief Financial Officer and the CEO.

In addition to the necessary specialists, we want to include a member of the family who is training
for that, to know what it means to be a board member, some who has really been formed in a
business and who, over time, can make a contribution, serve as an ambassador so that this
knowledge will be shared by more than just a few people, so that people will know what’s going
on. That’s what we’re trying to do (family member).

The aim of advisory boards was twofold: to help family members rebuild
attachment to the family business and to prevent projects from coming before
the board and have decisions made, in a way, on promises. It could also
contribute to building trust in the management of the Wheels Company. Indeed,
family members involved in advisory boards could observe how strategic
decisions were analyzed and made, how the family business was run.
An advisory board was created for each business (two- and four-wheeled
vehicles, office furniture). These boards were to meet less often — four or five
times a year — than the board of directors. The creation of advisory boards
greatly improved the efficiency of the business units, for instance in the two-
wheeled motor vehicle business.

Test: the management of the motorbike business

In 2004, the introduction of an advisory board for the two-wheeled motor vehicle
business was the opportunity for Emile-Jacques, Emile-Vincent’s brother and
Emilienne’s son to train as a family director. In addition, the advisory board
contributed to improving the management of the motorbike business.

An advisory board for the motorbike business

François appointed John Steward and Eliot Peale as outside directors for the
motorbike business advisory board as both were experts of the business. John
Steward, the son of the former Chair of the Wheels Company’s board of directors
was a consultant for the Wheels Company. Eliot Peale had developed significant
experience in the two-wheeled motor vehicle business. Both were aware of the
challenges family businesses face. Louis-Alexandre and Emile-Jacques, two
family members from the third generation, joined the advisory board to be
trained as family directors. In addition, the advisory board was composed of the
Chief Financial Officer and François, the CEO. The advisory board allowed
more detailed analysis of strategic decisions and questioned strategic decisions.
From the first meeting, it was clear that it was proximity to the business, it was taking the time to examine things in depth and get to the heart of the matter. When a global board covers too many businesses, it doesn’t quite work anymore. And decisions are made, I’d say, without going into detail. And you have to rely very heavily on the structures just below. (…). We relied on people who came to present their projects. (…). But all people in the business, in the company. There was no one who could go deeply enough into detail to question their decisions (family member).

Through their questions, John Steward and Eliot Peale revealed a problem in the management of the business. In 2006, the managers were laid off. John Steward applied for the directorship of the motorbike business and was hired by François. Eliot Peale remained on the advisory board. With the involvement of John Steward in management, relationships between the management and the advisory members changed significantly. They moved from controlling to challenging the management.

Challenging the management of the motorbike business unit

François and the other advisory members’ role evolved over time and transformed into challenging John Steward’s management of the motorbike business. Eliot Peale’s contribution was important, and stemmed from his solid knowledge of the motorcycle business as well as his personality. John Steward, who had used to challenge the management as an advisory board member, accepted that roles were reversed, and his running of the business was challenged. I was conscious that discussions, though they could be very tough, contributed to improve the management of the business.

‘Look, your budgets, you should do this; you should do that.’ And that’s exactly what we need. No, I think the advisory board is playing its role perfectly. As long as we have substantive discussions — that’s very, very important (non-family member).

Finally, a positive challenge of the management could occur as John Steward, Eliot Peale, and François developed a close relationship over time. This was possible as they all shared the same objective: making the business more profitable. Close relationships induced more collaboration in strategy making, even if the role of the management and the advisory board remained separate, and allowed discussing decisions into details to improve them.

The advisory board played also its role as a learning platform for the family members.

Developing family directors and entrusting the management

When Emile-Jacques and Louis-Alexandre were first involved in the advisory board, they were not aware of the business. They trusted their uncle, François, who knew the business very well, as he ran it for years. Making strategic decisions
often meant following François’s decision. Over time, Louis-Alexandre and Emile-Jacques came to learn how to interact with top managers.

*Emile-Jacques asked the same question as Eliot Peale later and it’s fine. We have talks about substance (non-family member).*

Yet, their role was less to challenge top management than to learn about the business, to develop an affinity for it, and to witness strategic decision making. In addition, the creation of advisory boards and the involvement of family members contributed in rebuilding trust in the management of the business.

*The advisory boards, I think, have also created trust towards the family (…) in the family, I mean. Several people are active or have been active and ultimately they know the business well (…), are still in touch with people in the business. They see for themselves, inform themselves, and it’s clear they, too, had the impression, were bitter: ‘We are no longer compatible with these people, well, our board of directors; we are very, very far from those people.’ And the fact of having a board now that is close to the business, the family members—I am convinced—sense it, and that builds trust (family member).*

The development of the governance structure resolved major issues faced by the family at that time. Several years later, with the growth of the family and the forthcoming succession of the leadership to the third generation, the family faced new changes.

### The succession to the third generation

#### Challenges to trust

Over the years, François had observed changes in the family and in family members’ relation to the business. He was conscious that the more the family would enlarge over generations, the more family members would be willing to leave the ownership. In 2008, this risk increased as some family members complained about the management of the business. In 2009, when he contemplated handing over the leadership to the third generation, François’ succession plan was criticized by the third generation.

#### Family members’ willingness to leave the ownership

With the development of the family in multiple branches, family members’ bonds and attachment to the business evolved. Second generation family members shared a same upbringing and a true love and respect for their mother —
Marguerite — who had always kept them united behind the business. Albeit potential conflicts might exist among siblings — particularly when they deemed their interests towards the business were not respected — they were united by strong ties, developed during their childhood. Consequently, the four brothers, in their running of the business, had always managed, to make unity a priority.

With the growth of the family, this unity declined. The third generation family members, despite their frequent interactions during childhood had less in common. They were certainly less prone to day-to-day conflicts as fewer family members were involved in the business, and rivalry was less frequent than in siblings relationships. But potential sources of conflicts might even occur if they felt their interests were not preserved.

The second generation lived together; they are brothers and sisters. […] after, we work together and people’s professional interests have to be respected…, the family, the head of the family, intervenes. (…). The third generation: they’re cousins, and so on. We see much less of each other. We weren’t brought up together. Nor do we have any reason to have private conflicts, but affinities have to be manufactured (family member).

The coming fourth generation had even less opportunity to see each other often enough to develop strong ties. Some of them lived abroad. When all the family gathered together, at least once a year, family members could perceive the changes that occurred in the family.

It certainly evolves because there are more external family members. Each cousin brings his or her own way of thinking, which in turn changes the overall mindset. Previously, the company had four brothers and two sisters, all raised by the same parents. (…) this was six people; then, they became twenty. So it is clear that things are no longer the same (family member).

The relation of the family members to the business, as well as their interest in it — much greater for some than for others — evolved as well over generations. The siblings — when they decided to take over the family business — all joined in the same objective to ensure the continuity of what their father had created, and developed with his sons. For most of those from the third generation, the family business was always associated to the founder and the second generation family members who took over the business. Still they had different experiences of the business during their childhood. Some had family members of their branches involved in the business while others had not, interacted more or less with involved family members. As a consequence, their perception and goal for the future of the family business might vary.

It’s an approach different from that of my cousins whose father did work. (…). My brothers and sisters and I were less involved in the business from the start, because as children we didn’t talk about it, we didn’t have a father who explained what was going on. So what we got was what we heard when we went to our grandparents’ (…) And to hear one thing or another at a family reunion, at Christmas, things like that. So we weren’t too close to the company. (…).
And then there was the physical distance; I think that played a small role. (...) We were a bit farther away (family member).

With regard to the evolving relation of family members with the business, fourth generation family members might no longer demonstrate an enduring attachment to the entrepreneurial project but rather an increased financial interest, or a desire to sell out.

I think that through the generations, we will witness a very different sense of closeness to the business. I see it with my nieces and nephews. I’m from the third generation; they’re from the fourth. Some of them didn’t know my grandparents or don’t remember them. Where we have a close tie to the company because of our grandmother or grandfather, they don’t have much of what I call a tie to it. If you don’t have another tie—an interest in the business, maybe—you could end up interested in your shares: ‘Hey, yes, it’s true; financially, this is a good thing; it pays me dividends,’ and so on. Well, if there’s not that because things go badly, you have to do something else and maybe then you think there’s nothing left (...) and then a person or two or three or four might leave and that’s it (family member).

The more the family changed the more family members might want to leave the ownership. Yet, until 2004, the Wheels Company’s capital was illiquid. If family members wanted to sell their shares, they could not. This situation created a potential risk of conflicts as family members might have felt forced to stay involved in the ownership structure. Actually, some family members complained they were not free to use their capital as they wanted. This situation challenged the trust family members had in the family leaders. Additional challenges to trust came from conflicting views about the management of the business and leadership succession.

The management of the business

In 2008, the acquisition of the Swiss group turned out to be a failure. Some family members expected François and Emile-Vincent to divest. Decision that they were reluctant to take as they were expecting the situation would get better. Actually, it was getting worse. This situation created tensions among family members who had conflicting views of the reasons for the failure and the ways to overcome it. When they bought the Swiss Group, in 2003, everybody agreed that it was a good deal. Five years later, some family members hardly understood why the family persisted in this activity. They were afraid that François kept throwing good money after bad for family reasons, that is, in order to avoid laying off a family member.

I think that if my cousin had not been a family member, this situation would have been sorted. Changes would have taken place. I think it was just a case of avoiding family conflict (family member).
This management of the business created tensions between the family members involved in the management and those who were not, especially who were from different branches. It eroded trust inFrançois and Emile-Vincent’s management of the business, and in the family. It also had negative consequences on François’s leadership succession as François — who had started thinking about retiring from his CEO position — had considered Emile-Vincent as his potential successor.

**The leadership succession in question**

In 2009, François contemplated passing the mantle on to the third generation. This involved nominating a family member who would succeed him as CEO, but also in his representation of the family members’ interests. For François, Emile-Vincent, due to his involvement and attachment to the family business, was the perfect candidate. Yet, he was not perceived by all family members as a legitimate successor. Many family members protested against his potential succession as new CEO.

Very often (...), there is someone from the second generation who is going to leave and will have to be replaced. Who is in the third generation? (...). And often with the appointment of someone who hasn’t earned legitimacy. And that leads to conflict (family member).

The trust that family members had placed in François derived from the legitimacy he had earned as CEO over the years in the running of the business, the benevolence he had demonstrated towards family members, his understanding of the family dynamics and his attention to maintain unity among family members. The management of the Swiss acquisition had engendered tensions about the management of the family business and doubts about the ability of Emile-Vincent to run the family business.

So, they still had trust in François, but certainly not in Emile-Vincent. (...). He had overseen some bad deals (...) and was called into question more so than François Blois. But, François had chosen Emile-Vincent as his successor (non-family member).

Persisting with this decision to hand over his leadership position to Emile-Vincent might lead François lose family members’ trust. Family members might question François’s willingness to serve the family interests. Finally, it might ruin the leadership succession to the third generation. François decided to implement changes to ensure the leadership succession to the third generation. These changes whose aim was to maintain the ownership unity and trust within the family led to a professionalization of the ownership.
Professionalizing the ownership

François, with the family members, decided to create new rules to address the needs of the family members, and organize the ownership.

Creating new rules to prevent from ownership breakup

Letting family members sell off their share

François decided to make the capital liquid and to let the family members who desired to be free to sell off their shares. Each year, he commissioned an external expert to price the shares. On the basis of this valuation, the family members would decide to sell their shares or not. François set up a fund to set aside money and to make sure the shares could be bought back. He limited sales of shares by any one family member to 3% of his or her holdings a year to avoid overly important changes in the ownership structure due to large transactions. In 2005, the system was effective. Even if few family members decided to sell their shares, the creation of an internal market introduced considerable changes in the ownership. It blew the ownership parity that previously existed among family members as not all shareholders systematically bought shares.

The parity of one-sixth each is no more, which, though it may seem trivial, is important, I think. Because they are very small things, it’s a kind of perfect community that was broken up despite very small differences (family member).

This change in the ownership reflected the changes that occurred in the family over generations.

In 2009, Jean-Gaétan who disagreed with the project of leadership succession decided to sell off his share of the business and to leave the ownership.

Leaving the ownership ranks

For many years, Jean-Gaétan had complained about the management of the family business. In 2009, despite his attachment to the family business, he decided to sell off his share. Jean-Gaétan had a different view to that of his uncle on the management of the business, and particularly on the management of the family members. While François attempted to balance the performance of the business and the needs of the family members, Jean-Gaétan claimed for a more professional management of the business. Jean-Gaétan deplored that François paid too much attention to family considerations. The firm was being professionalized, but only slowly. The excessive emphasis on stroking the egos of family members slowed the development of this professionalism.
The observation I make today is that things started moving in 1997. It’s 2009 now. How long did it take to get here? (...). Did we really need twelve years to get where we’ve gotten? It was the right path, but it was longer than it could have been. (...). That’s no longer a pace for me’ because if that took so long, it’s that, in my view, the family aspect held up progress, which could have been faster (family member).

Considering the losses the company faced after the acquisition of the Swiss group, Jean-Gaétan believed that the family should no longer be involved in management. If family members did not perform well enough in the running of the Company, they should rather remain in the ownership.

I say we should try the debate, but make it entirely professional, leaving no room for family considerations, because they’ll be there, in any case. Decisions should be extremely rational, and so win the support of the family through the results that will be obtained thanks to this professionalism (family member).

Jean-Gaétan held this position for several years since he decided to leave the ownership. In selling off his share of the business, Jean-Gaétan also took his family ties into consideration, especially his relationship with his godfather, François, to whom he had expressed his disagreement over the past few years.

He’s my uncle, my godfather. (...). He represents the Wheels Company, and I get the feeling I’ve been bugging him, so to speak, for twelve years, and now I say to myself I’m going on to something else. (...). And so there was probably the idea to spare his feelings, because I esteem him highly; there we are making human considerations again! (family member)

In addition, to guarantee the success of the succession to the third generation, François implemented new changes in the governance structure, and reconsidered his succession.

**Creating a family owners’ association**

Considering the changes in the family, and the varying interests of family members for the family business, François decided to create an association of the family owners. Family members who were not interested in taking part in the development of the family business in the future would be free to leave the ownership. With the family owners’ association, family members, who inherited shares from their parents, could decide if they wanted to remain owners of the family business or not. Those who were not involved in the business neither interested in its development would not feel obliged to stay in its ownership. Those who wanted to take part in the project to develop the family business in the future would be the members of the association of the family owners. Whatever family members would decide, they would still be members of the family.
[The association is] a kind of demerger of the family and family ownership. You can sell your shares and still be part of the family. There are things that have to be made clear because there are some who say ‘If I sell my shares I’ll stop getting Christmas invitations.’ (...). We created the association of family owners, which is an association of no legal standing but is made up of all the shareholders. It’s the general shareholders meeting (family member).

The creation of the family owners’ association was a new step in the evolution of the family ownership and in the development of the governance structure. By instituting a clear distinction between the family and the ownership, the family owners’ association resulted in two major consequences: bringing together family owners who shared an interest for the development of the family business in the future, and organizing a family representation as a whole.

It’s the important thing; it’s ‘speaking as one’. (...). We channel the family to have on the board a single direction that is provided by the family. Because the plan is also [...] to do away with having the branches of the family represented on the board (family member).

One of the main goals of the new organization was to do away with having each branch represented on the board of directors, as the family branch representation was no longer efficient. Communication varied from one branch to another as not all brothers and sisters got along well. Some families had broken up. As a result, not all family members were equally informed about the management of the business. Whereas some had regular information, other got informed through the general meetings. The latter sometimes felt wronged and became suspicious. François, who had always managed to reduce suspicion and to prevent family conflicts and especially that they intrude the business, would soon leave his CEO position. He might as well soon retire from his position of Chairman of the board of directors. Without him in the board, conflicts might arise among family members. Outside board members, who were unfamiliar with the past of the family, could not decode family relationships. They might face difficulties to prevent family conflicts.

There was a need to organize the communication among family members more efficiently and to guarantee that the management of the family business would not be affected by any conflicts among family members. On the board, having family representation as a whole would be more efficient and would prevent the miscommunication that some branches complained of. This was the aim of the new organization of the ownership.

To represent the interests of the family owners and oversee the running of the Wheels Company, François decided to create a family ownership council.

That, too, is a body that will have no legal standing but that has legitimacy and specific tasks (family member).

The missions of the family ownership council were:
• Rebuilding an attachment to the family business among the family owners
• Organizing the information about the management of the family business towards the owners
• Representing the family owners as a whole in the various corporate governance committees
• Mitigating conflicts among family owners
• Making sure that the corporate governance rules are followed (ownership agreement, family charter, family values charter, liquid capital)
• Defining performance ratios for the Wheels Company and ensuring that they are reached
• Monitoring succession
• Guiding family owners in the management of their legacy

A chair of the family ownership council would be nominated and would help solving any problems that might arise among family owners. The family ownership council would deal with family conflicts, but above all it would prevent misunderstandings from occurring, and help improve communication among family owners.

Communication of what’s going on is very important because if not. (...). It looks as if we’re keeping secrets. And I think that’s one of the major causes of conflict or break-ups in companies, because people keep a lot of things under wraps or they don’t make the effort to be informed and when you’re not informed you can imagine. (...). The role of the family ownership council is to resolve (...) minor disputes or clashes. That can open minds, make it easier to understand ideas one chews over and not dare bring up or that could make one say ‘Ab, no.” And when it’s solved by the family ownership council, it’s out in the open, and all the generations are aware of it (family member).

This new organization of the relation between the family and the business was formalized in a written document. The governance charter ensured all family members would have the same information and understanding of this new ownership organization.

We have drafted a new governance charter for the group, on paper, so everyone can interpret it in the same way. In the past they [the brothers] managed to change things without formalizing them. Now, everything will have to be formalized; there are clauses providing for arbitration. All of those documents—they are rules, despite everything—should be flexible enough to favor intelligence rather than mere rules, because society is changing very fast (family member).

To join the family owners’ association, family owners had to subscribe to the governance charter. The family members, who did not, would not be part of the family owners’s association. The document was sent to the family owners (of at
least eighteen-years of age) who were invited to decide on the nature of their involvement in the family business. This choice made the separation of the family and the ownership effective. When François sat up this new organization, the majority of family members decided to remain in the ownership and to join the family owners’ association. Still, this situation would evolve in the future. To prevent any negative consequences of future departures on the family control of the business, François asked family owners to ratify a shareholder agreement. Through this renewable agreement, family members committed to stay in the ownership for a period of five years. As a result, and as long as family members decided to ratify this agreement:

The family owners’ association will represent the shareholders who are bound by the family ownership agreement. (...) Today, there’s a bit of an ideal in saying all are family owners. But there are some who will break loose, maybe on principle. (...). They will isolate themselves with small shares that, for me, are no risk to the survival of the firm. That’s how I see things now (family member).

Then, family owners were asked to elect the members of the family ownership council who would represent them. The process was established in order to favor the election of legitimized members. Family owners who owned shares could vote for a maximum of six members. When a family owner attained 51% of the vote, he or she was elected. The chair of the family ownership’s council was elected by the family ownership’s council members and was de facto vice-chairman of the Wheels Company’s board of directors. Moreover, to maintain a family majority on the board of directors, the vice-chair’s vote would prevail over that of the chairman.

As any family members, François had to pose as a candidate for a position in this new ownership organization.

I wanted to be part of the family ownership council and to steer it for a few years in order to set up the system and put everything in place, thus leaving day-to-day operations to management. Selecting people to achieve this vision and preparing for all of this was key. It was important to engage in this preparation by working upstream and by abandoning the downstream approach (family member).

In this perspective, three to six members of the family owners association would be appointed to the family ownership council and devote time to its activities. Then, the performance of the family owners’ council should be assessed.

I would really like to have certain people work on specific matters with results, feedback. And at the general meeting for people to say we did this and this, this many people were trained, this many people have the skills, to become directors in five or ten years. To create a real dynamic, and that I think is within the realm of the possible (family member).

The creation of the family owners’ association involved a focus on management of the ownership that had not hitherto existed. The creation of the family
ownership council contributed to professionalizing the management of the ownership. To get along with the family association, François decided to create new corporate governance rules and committees.

**Creating new corporate governance rules and committees**

New committees such as an audit committee, nomination and pay committees were created to take over management of family members. Although these committees had been created in 1997, the management of family members was in fact under the responsibility of François. With François’s retirement, this responsibility had to be taken on by someone else. As neither a family owner from the third generation nor an external family member could succeed François in this position, committees should be in charge of it. The family owners would thus be ensured that management of the family members would be fair. In addition to these committees, new boards of directors were created. They replaced the former advisory boards that were developed a few years ago.

*We have decided to strengthen our advisory boards and to make them boards of directors for each business unit. (…). We are going into that model with genuine business unit managers who will have their boards, and the boards will have complete autonomy in the context of financial performance ratios drawn up by the Wheels board (family member).*

Transforming advisory boards into boards of directors of business units was a solution to empower them. It also had become necessary as the coexistence of the two boards (Wheels board of directors and advisory board) had created problems in decision making in the past. The Wheels board of directors was supposed to validate decisions. In reality, the decisions were made mostly by advisory board members. This lack of clarity led to different problems in decision-making. Therefore, the general idea of the new organization was to clarify both roles and make decision-making more efficient.

François decided to decentralize the organization and to empower business units which would have greater autonomy and responsibility. Then decision would be made closer to the action. Even if advisory boards would become boards of directors, their role would remain to challenge top management. On the contrary, the Wheels Company holding would shed of a good number of its responsibilities. It would become smaller and would end up with a financial management role. The boards would have complete autonomy in the context of financial performance ratios drawn up by the Wheels board.

*And when they don’t meet these ratios they will have to report to the shareholders, which will be Wheels. And Wheels will have to answer to its shareholders, which is family shareholder board which must draw up ratios for Wheels (family member).*
In order to enable deep analysis and rich strategic discussions, boards of directors would be downsized. At Wheels, they would decrease from eleven to six members, whereas at the business unit level, the boards would be composed of four or five people to whom management could really turn and who would be very close to business decisions without being managers themselves. Then, board members would be asked for a greater level of commitment, with more proximity to the terrain, without getting involved in day-to-day management. The dynamic would be completely different.

Unlike the advisory board, the board of directors might well be made up only of independents. However, the objective would be to train family owners to become accountable board members.

On the boards for the business units, there may be no family members. But we’d like there to be some. (...). I’d really like to see the skills, and if they aren’t there, to teach them, little by little, to have them ready (family member).

This new organization was also a way of organizing François’ leadership succession. In the previous organization structure, the hardest part of organizing his succession was hiring a manager the owners considered legitimate, trustworthy, and ready to run the business in their interest. This was not easy task. The creation of the family owners’ association took on many of François’s former responsibilities in terms of the management of the family. Other responsibilities were scattered around in the corporate governance structure. In addition, changes were made in the organization of the business. The general idea of the new organization was to decentralize and to downplay the pursuit of synergy, which in any case did not really exist. In this perspective, Emile-Vincent would remain in charge of the four-wheel business unit, and a CEO would be appointed to run the overall business.

At the same time, maintaining closed ties among the family owners and attachment to the business remain a priority of François and the family members.

**Maintaining ties among family owners**

In the past, family leaders had decided to gather family members to family and shareholder meetings in order to maintain family ties within the family. With the growth of the family over generations, Emilienne sometimes had trouble knowing who she should invite to these meetings. Delimiting the family boundaries was not an easy task.

With the creation of the family ownership council, clear rules were established according to which only family owners would be invited to family gathering. Children from a second marriage could be invited until they reached the age of eighteen.
There was an issue with one couple. The lady was a widow but had remarried a direct member of the family. And, she had a daughter. This daughter had a boyfriend. Could the boyfriend come or not? So, the family owners’ council members took a position. They said, no, the line stops there. (...) In organised activities that stem from family ties, we set limits, and now it is all on paper. And the entire family received the memo so it is clear to all (family member).

Through these rules, the family ownership council clearly delineated the family boundaries and attempted to maintain ties among family owners. Over the years, though Emilienne remained responsible of the invitations and the main part of the organization of family meetings, she enlisted several mothers from the third generation, who agreed to help her, and then ensured continuity over generations.

With this new organization of the ownership and of the governance of the family business, François expected to hand over the leadership to the third generation and maintain a family control of the ownership in the future.

It'll be three or four years before everything’s in place, up and running. But I think that this governance is tremendously changeable and that it should always be called into question. Once we stop questioning ourselves, we fall behind. Because we always have to be one step ahead. (...). So far, everything has always gone well. We had quite a bit of attrition at the family company. Now, in management, there’s just me from the second generation, and there are just three people from the third generation. And so those who left, they left without leaving scars. Discussions, but without bitterness. Which is very important (family member).

The challenge was now for the third generation to take over the leadership and maintain trust in the family ownership regarding the management of the family business.
6. The Loisau Company

What we’ve received doesn’t belong to us. We are just making our own contribution and passing it on. (Paul-Emmanuel Loisau, CEO and Chairman of The Loisau Company)

Introduction to the Loisau Company

A brief description of the development of the firm

The Loisau Company was created at the 19th century by two friends who decided to jointly produce vegetables. The second generation expanded this business beyond their region. When they died, the firm was splitted into two businesses. The Loisau family inherited a farm that one of the children took over. Jules and Romain, his two sons, joined the business and decided to develop the activity. The Loisau Company really started its growth in the 60s, with the family’s 5th generation joining the business. Jules-Alexandre, Jules-Olivier, and Romain-Paul, joined their fathers in the business and contributed to its expansion. The firm started its internationalization through Europe and developed its leadership through the years.

During the 80s, the 6th generation started entering the business with the intention of handing it over in the future. At the time, Jules-Emilien chaired the company. In the 90’s, when the 5th generation was set to retire, the 6th generation was not yet ready to take the reins of the family business. The family addressed their strong concern for the firm’s performance by appointing Clément Bon as Chairman of the executive board. This was the first time a non-family member had ever held this position. Ten years later, the family returned to the board when Paul-Emmanuel Loisau, a 6th generation family member, became Chairman of the Loisau Company. At the time, the family had developed in multiple branches with varying interests for the business. The family decided to take the company public.

Today, the Loisau Company is a 6th generation family business that processes and sells vegetable all over the world. It employs about 8,200 people and manages more than 40 subsidiaries across the globe. In 2009, the company’s turnover was in excess of 1.5 billion Euros.
The development of the business

The fifth generation’s entry into the business

The Loisau Company’s growth was mainly due to Jules and Romain Loisau, who decided to develop the production of vegetables. They each had their distinct responsibilities in the farm, with Jules managing the farm and factory while Romain was more in charge of sales, finance and administration.

Jules and Romain had several children and when time came for them to work, the farm was not yet big enough to provide jobs for all of them. This particularly concerned Jules, who had seven sons. By contrast, Romain had just two sons, one of whom was a priest. Romain-Paul was then the only child of Romain’s who wanted to join the farm business. As he was younger than his cousins, he joined the business a few years later than they did. In the 50s, Jules-Olivier, Jules’s son was the first of the 5th generation to join the business and to work with his father in the Loisau factory as his elder brother, Jules-Alexandre, had decided to set up his own farm. Jules-Alexandre eventually joined the family firm, rolling his own business into the family’s.

Jules-Alexandre had convinced the managers of the Storn Company to collaborate with him. In the 60s, they created a joint-stock company, named Cane, which they partly owned along with the Loisau Company, who would go on to fully own the company twenty years later. Jules-Alexandre was in charge of managing it while his brother, Jules-Olivier, worked in the Loisau factory.

A few years before, in the 50’s, Romain-Paul, 22 years old at the time, decided to join his father in the Loisau Company to be in charge of sales.

He (my father) wasn’t really a salesperson. However, I felt much more comfortable in this area and he did something that was quite remarkable at the time – he put his trust in me, as my uncle did with his two sons. He had a great deal of trust in me and called all of his sales reps and said, “From tomorrow, it’s no longer me you’ll be dealing with. It will be my son”. From then on, he never got involved with sales. Moreover, this was a lesson for us because later on, it really enforced the “laissez-faire” policy with regards to new young recruits (family member).

Jules and Romain phased themselves out of managing the business, leaving Jules-Alexandre, Romain-Paul and Jules-Olivier to develop it.

The growth of the business

The growth of the firm was down to two important factors. First, the cousins could easily develop new products and markets as their fathers trusted them and let them work autonomously in the firm. Second, Jules-Alexandre, who was a true entrepreneur, was quick to invest in production. Jules-Alexandre and Jules-
Olivier who each ran their own factory produced in large quantities and this production drove the business development of the firm. As Jules-Alexandre and Jules-Olivier kept producing more and more quantities of products, Romain-Paul had to find new markets to sell them. He decided to offer their products all over Europe. This was the beginning of the firm’s internationalization.

The cousins have spent a lot of time working all together and they got on very well. The two brothers had developed strong affectionate ties during their childhood. They used to share many activities and these ties remained strong over the years. Although, they got along very well with one another, they managed to maintain their autonomy in their businesses. Jules-Olivier in the production, Jules-Alexandre in corporate and technical strategy, and Romain-Paul in sales.

During the 4th generation’s advent to the business, the cousins progressively began to earn legitimacy. When Jules and Romain decided to retire from the business, they nominated Jules-Alexandre as Chairman.

He became our boss. Knowing that all three of us remained close for a very long period of time, no decision was ever taken without our fathers being on board or without our consent. Well, at least no decisions of material importance (family member).

The fifth generation leadership

The three cousins’ leadership

From 1970 until 1985, Jules-Alexandre, Romain-Paul and Jules-Olivier ran the business and made all major decisions together.

The management of the business

Romain-Paul’s family branch and Jules-Alexandre and Jules-Olivier’s family branch each owned 50% of the business. As a consequence, for main decisions such as recruiting a manager, purchasing large amounts of raw materials, etc., Jules-Alexandre, even though he was CEO, needed, in addition to the 4th generation’s approval, the agreement of Romain-Paul and Jules-Olivier. Those did not always share Jules-Alexandre’ view on the development of the firm. Yet, Jules-Alexandre had to make sure that they would agree with him and commit to his decisions. These decisions were made during family meetings that took place at the firm. Each Saturday morning, all three met to discuss strategy-making. They would discuss on what had happened the week before and what they would do the week after over a coffee and strategy was formulated this way each week.
That’s where we realized that they didn’t always tell each other everything... each had their share of power. (...) However, the president had to obtain approval of the other two. (...). I observed how he used to get his decisions ratified by his two partners (non-family member).

Jules-Alexandre often used to make decisions on his own and subsequently got Romain-Paul and Jules-Olivier’s consent. As a matter of course, he behaved as if he had not yet made his decision with them. In order to reach their agreement, he used to play the devil’s advocate, to get support in favor of his decision. In order to get Romain-Paul and Jules-Olivier’s commitment, Jules-Alexandre Loisau used to follow the same strategy. First, he would discuss the firm with them for one or two hours. Then, he would submit a project as if he wanted their view on it and pretended he did not want to take the decision although he had already done so. Most of the time, Jules-Alexandre had the tacit conviction that the decision was a good one, but lacked solid evidence to back it up. Through this process, Romain-Paul and Jules-Olivier provided him with good convincing arguments to take it. Jules-Alexandre, who knew Romain-Paul and his brother very well, behaved in this way especially when he was aware that Romain-Paul and/or Jules-Olivier disagreed with him, as he lacked convincing arguments to put forward to them. It sometimes took several weeks to take decisions. By regularly discussing decisions with them and adding new arguments, he often succeeded in convincing them at the end of the day. As soon as Jules-Alexandre got Romain-Paul and Jules-Olivier’s approval, he then informed the board of directors of his decision. At that moment, a board of directors – composed of Jules and Romain Loisau, as well as some bankers – had been created.

From the moment his brother and cousin were on board, the remainder of the management team (who shall remain anonymous) and the board was a formality – for the parents who were still living, the younger generation would say, “We’ll let them know what decisions we’ve made” (non-family member).

Jules-Alexandre, Romain-Paul and Jules-Olivier worked together until 1983-1985, at which point the family decided to appoint a new Chairman to run the business.

**Challenges to trust**

Between 1982-1983, the Loisau Company was facing performance problems and the board of directors, as well as Romain-Paul, started to complain about Jules-Alexandre’s excessive authority. For the first time in 25 years, they started to question his ability to manage the family business. Jules-Alexandre, who was nearly 60 years old at the time, was afraid of losing his position as Chairman. The family and the board of directors no longer accepted his neglect to discuss his decisions with them.
He could feel that the board no longer trusted him. (...) On this board (…), he still had some close family members who didn’t think any less of him when presented with the fait accompli (non-family member).

Jules-Alexandre wanted to show the board of directors that he was still able to run the family business and generate profit. He attempted to keep his position as Chairman by appointing Clément Bon as general manager. He expected to maintain the family and the board of directors’ trust in the management team. The board validated the decision but also nominated Romain-Paul as general manager, as Clément Bon lacked expertise in sales.

At the same time, the 6th generation had started entering the business. Jules-Alexandre’s son, Alexandre-Paul, worked in the firm, as well as Romain-Paul’s son, Paul-Arthur. Jules-Alexandre wanted his son to succeed him in the future and he therefore decided to separate the business into two distinct activities, asking Clément Bon to manage one activity and letting Romain-Paul run the other side of the business. Romain-Paul completely disagreed with this decision, which he considered to be detrimental to the family business. He warned family members that Jules-Alexandre’ decision could jeopardize the firm’s performance. The situation was delicate as the firm was equally owned by the two family branches. On his side, Romain-Paul was the only son involved in the firm, able to defend his family branch’s interest. His sisters had never been involved in the firm nor were they informed on the running of the business. On the contrary, in the other family branch, several of the sons had been involved in the family business for a number of years, including Jules, Jules-Alexandre and Jules-Olivier. It was therefore difficult for Romain-Paul to convince the other family members that Jules-Alexandre’ decision was not relevant. However, Jules-Olivier did not think that the decision to split the business in two was in the firm’s best interest. The managers also did not understand why the family business should be separated.

For the other family members, the situation was difficult to appreciate. Even if the board of directors questioned Jules-Alexandre’s underperformance, Jules-Alexandre had performed in his position for 25 years. At the same time, they trusted Romain-Paul and Jules-Olivier’s judgment. When the board of directors suggested auditing the firm in order to analyze the relevance of the decision, they accepted. The auditors concluded that the firm was not ready to implement the decision. The problem was not the issue of separating the family business into two separate activities, but rather it concerned Jules-Alexandre’s management style.

Jules-Alexandre had spent most of his professional life in the family business and was one of the family members who had contributed greatly to its development. Perhaps this is why, towards the end of his tenure, he tended to act as if the family business was his own business. He stopped involving other family members in decision making.
'You know, you're no longer considering the others’. That’s what one of them said. ‘You no longer listen to them and so they don’t trust you anymore. They don’t feel like they’re being heard’ (non-family member).

As the firm was threatened with underperformance, Jules-Alexandre lost the support of the family members. Jules-Alexandre needed to retire. Jules and Romain then offered Romain-Paul the position of Chairman who turned down the proposition and recommended that it be offered to Jules-Emilien – Jules-Alexandre and Jules-Olivier’s young brother.

For Jules-Alexandre, this decision was difficult to accept. He felt betrayed by the family who no longer wanted him, despite all he had done for the business over the previous 25 years. The family went through a difficult period where there was a risk of a crisis erupting and spreading into the business.

Jules-Alexandre left the family business, and refused to involve himself with the board of directors. Yet he did not sell off his shares and remained within the ownership structure. In the end, the family has been able to survive the crisis and remain united. Jules-Alexandre and his family have still participated in family meetings whenever they have occurred.

We have a certain decency, restraint and upbringing which means that we don’t cross certain lines. In terms of complicit, we never go beyond the point of no return. (…). So some pieces are being put back together. (…). Even if such conflicts exist, we manage to put things back in place. In other words, it would be a shame if a business-related conflict ever resulted in a family splitting into two separate branches. And I also think this shows the family’s strength because it put things in perspective, enabling us to limit the conflict and avoid it spinning out of control. So, yes it was a difficult time, but we managed to get through it (family member).

This situation demonstrated the family’s strong attachment to the business and their willingness to be able to make critical and emotionally difficult decisions for the good of the business. They were tied by a shared interest for the performance of the family firm and its sustainability over the years. They did not let conflicts interfere with the business and spread out among family members. On the contrary, the two family branches remained united behind the same objective: preserving the performance of the family business. In this situation, the interest of the family (i.e. the family firm) has prevailed over that of each family branch. In the end, Jules-Emilien was elected Chairman of the Loisau Company.

**Jules-Emilien & Romain-Paul’s leadership**

In 1985, Jules-Emilien chaired the family business with Romain-Paul and Clément Bon. Incidentally, Jules-Emilien, who had never worked in the vegetable business during his whole professional life, had accepted the position of Chairman only if Romain-Paul and Clément Bon stayed on as general managers.
The management of the business

Jules-Emilien breathed new life into the family business. As Chairman of the Loisau Company, he wanted to make changes to the way the family firm was run. He opened up the firm and improved communication across the family business. The family business needed to open its doors to remain sustainable. Neither the family nor the managers used to talk about the family business as Jules-Emilien did. Jules-Emilien spoke about everything the family business was doing. He dared to inform when the firm faced difficulties. This resonated as revolution in the family business life. Jules-Emilien recruited a woman who would be in charge of communication, although such a position did not yet exist in the firm. At that time, nobody knew what the role of a communications manager was. For Jules-Emilien, it was actually disconcerting. He also shared a willingness to develop the firm with his brothers and cousins. In the 80s Jules-Emilien decided to move the company headquarters to a bigger city. When Clément B suggested that they develop their own brand labelling market, Jules-Emilien supported his idea. Over the years, Jules-Emilien, Romain-Paul and Clément Bon learned to work together.

When Jules-Emilien, Romain-Paul and Clément Bon started working together, they were each experts in their respective jobs. Romain-Paul had 30-35 years of commercial experience. Clément Bon had 20-25 years of industry experience including around 10 years at The Loisau Company, and Jules-Emilien had several years of experience as president. As each had earned legitimacy in his domain, they used to argue a lot in order to defend their views, when making strategic decisions. In doing so, they learned a lot from one another and built trust in each other’s competencies. None of them was considered to be in a better position to make decisions on behalf of the others. Consequently, they used to exchange their expert views and made collectively decisions on projects. At this period of time, the board of directors that consisted in four bankers, representing 35% of the ownership structure, would be informed by Jules-Emilien on what they had decided.

The management of the family members

The sixth generation had started entering the business since the end of the 70s. The family perspective regarding the involvement of the younger generation was to let them join the business as soon as possible in order to evaluate if they could hold top position in the family firm and run it in the future. Family members who were deemed not to have the potential to hold top management positions in the future would then leave the business as it had been decided that family members could not remain in low hierarchical positions. As a consequence, a number of family members from the third generation had been involved in the
business. Some of them still have top management positions in the Company while others were reoriented. However, in order to assess if they could manage the firm in the future, Jules and Romain had decided to draw out information on family members performance from a non-family member. They asked Clément Bon to do this as they trusted his judgment. Clément Bon had always demonstrated respect and admiration towards Jules and Romain. Furthermore, he identified importantly with the family business culture that reminded him his upbringing as it was instilled with family and entrepreneurial values.

Clément Bon earned the trust of the family members as he embodied the family values and acted in the interest of the family. At the same time, he worked in the firm and could observe and appreciate how family members evolved and performed in the firm. Above all, he had the objectivity of a non-family member who performed in his job and he could not be accused of acting in the interest of a particular family branch at the expense of the other. Clément Bon was then expected to assess which family members could potentiality hold top management positions in the future and train them to reach these goals.

‘We’re going to get all of the younger generation to come through the business and we will entrust them to you, and hopefully you’ll be able to make something of them. Each year, we will evaluate and see how things are going’ (non-family member recalling Jules & Romain)

Jules and Romain (along with Jules-Alexandre) would then discuss the management of family members. After Jules and Romain’s retirement, it was mainly Jules-Alexandre and Romain-Paul who were in charge of managing family members. They strove to maintain a representation of the ownership in the firm.

It was Jules-Alexandre Loisau who would speak to my father. “That kid seems smart. What would you say to us taking him on board?” And that’s how things went. (…). And with regard to keeping a balance between the family branches, if a family member came in from one branch, it would have to be balanced by a member from another branch (family member).

Finally, even if no written rule existed, the requirements to enter the business were quite clear for the next generation.

We only joined the business if we were seen to have potential. The 2nd unwritten rule – which was a little rigid but still applied in most cases – was that the children of the older generation had to play some part in the family business at some point. (…). Even if there was no written rule, there were some general principles that were rooted in their genes. Let’s just say it would be difficult to imagine a Loisau in the company who didn’t go on to hold a position of high responsibility. However, this meant those who came in when things weren’t going so well were also those who had to leave the business. So, they were being encouraged by management but at the same time realized that they would have to leave the company (family member).

Consequently, among the several family members who have entered the business, some spent their entire professional life in the business, whereas others left the business to start their own ventures outside the firm.
Alexandre-Paul, Jules-Alexandre’s son entered the family business in the late 70s while his father chaired the Company. Jules-Alexandre’s desire was to see his son succeed him. However, over the years, it became apparent that Alexandre-Paul was more suited and skilled to manage a business than run a big company. After 25 years spent in the Loisau Company, he decided to leave the family firm to run his own business.

Paul-Arthur, Romain-Paul’s elder son had entered the business in the 80s to join the commercial department. He had spent his whole professional life in the family firm and was then in charge of the firm’s global expansion (aside from in Europe and North America).

Paul-Emmanuel, Romain-Paul’s second son joined the Loisau Company when Jules-Emilien accepted the position of Chairman. Jules-Emilien, following his father and uncle, considered it important to let many family members enter the business in order to ensure a succession of the leadership. He suggested that Paul-Emmanuel join them in the family firm.

Olivier-Vincent, Jules-Olivier’s son, got involved with the family business when Jules-Emilien was Chairman. At the time, Paul-Emmanuel, Paul-Arthur and Alexandre-Paul already worked in the firm. Olivier-Vincent spent seven or eight years in the Loisau Company and decided to leave the family business when the Loisau Company has ceased one vegetable production activities. Olivier-Vincent was interested in developing it on his own. Even if he was satisfied with this decision (leaving the family business to invest in vegetable production), he still felt that the management of the family members was not efficient at that time and needed improvement.

I think Jules-Emilien had an unrealistic vision of bringing the younger generation through and into the company. It was normal for the younger ones to come into the company and regularly get pushed up and promoted, but it was happening at an accelerated rate and I ended up getting my fingers burnt. (…). We rushed them, often putting them in management positions that they were not prepared for. It was certainly too quick (family member).

In the 90s, when the family decided to sell out one of their business activities, Olivier-Hugues (who worked within this business) joined the Loisau Company. He was older than his cousins when he joined the company and his first role was to be in charge of the firm’s development in Eastern Europe. Next, he held the position of Human Resource Manager and was then in charge of external relations and sustainable development.
Figure 10: The 6th generation Loisau family
Organizing the succession to the sixth generation

Handing over the leadership to a (Non) Family Member

In 1992, time had come for the fifth generation to hand over the business to the next generation. Jules-Emilien was nearly 60 years old and Romain-Paul who had had a heart attack wanted to retire. Furthermore, the Loisau Company faced problems of performance, making it necessary to introduce changes in its management. However, among the next generation’s family members none could be considered for the position of Chairman.

The family decided to appoint a non-family member as Chairman and offered Clément Bon the position. Clément Bon knew the Loisau Company very well as he had spent 20 years working with Jules-Alexandre, Jules-Olivier, Romain-Paul and Jules-Emilien. The family considered him a trustworthy person. Over the years he had shown his loyalty, integrity, accountability as well as his competency. The family demonstrated a strong concern for the performance of the firm, beyond its willingness of nominating a family member to manage the firm.

When Clément Bon accepted to chair the Loisau Company, he suggested that a team of managers run the firm with him. Clément Bon who had worked well with Jules-Emilien and Romain-Paul during several years, wanted — to reproduce such a working environment — and to create a collegial executive board. Rather than adding up several experts, each respectively responsible for their own activity, he wanted them to work together as a team that would be responsible of the entire firm’s business and responsible in front of the board of directors. He put this idea forward to the family members who accepted.

However, even if the family had decided to hand leadership over to a non-family member, they still wanted some family members to take such responsibility. They suggested that Clément Bon included Paul-Emmanuel as part of the executive board. Paul-Emmanuel was then asked to join the top management team as general manager. It was mainly Jules-Emilien Loisau who handled this situation and offered the position to Paul-Emmanuel. However, the majority of the family, as well as the managers, agreed with this decision.

Paul-Emmanuel had always been perceived by the family members of the fourth generation as the future leader of the Loisau Company. Paul-Emmanuel had well performed in the family firm and demonstrated strong management skills. Nevertheless, he was still 33 years old and lacked the expertise needed to chair
the Company. He still had to learn how to govern a company but he could be trained and hold the position of general manager to do so. So, Clément Bon created an executive board with Paul-Emmanuel and another manager of the Loisau Company. The family who wanted to retain a level control on management decided to set up a new governance structure.

The management of the business

Handing over the leadership smoothly

With the leadership succession from the fifth generation to Clément Bon, the family experimented with the separation of management and ownership for the first time in the history of the firm. In order to ensure this transition would unfold effectively, the family members had decided to proceed step by step and progressively introduced a control of the management.
1992 was a transitional year. The family leaders who had grown the business for almost 40 years wanted to make sure that Clément Bon with Paul-Emmanuel and the other manager would run the business efficiently. They decided to retain Jules-Emilien as Chairman of the Loisau Company for one additional year even though he no longer had executive responsibilities. He would simply be able to help the executive board if necessary.
In 1993, Jules-Emilien retired from the position of Chairman. The family was confident that the executive board could run the business by itself. They transformed the legal structure of the Loisau Company into a supervisory board and an executive board, as had been previously decided.
The role of the supervisory board was to control the management of the Loisau Company. It was composed of Romain-Paul, Jules-Emilien and Jules-Olivier as family members, assisted by two external directors who were an industry expert and a banker, respectively.

Controlling the management

Though the family leaders were confident that the new management could govern the firm, they still needed to build trust in their ability to govern with the values of the family. They wanted to be informed and to consent to all main decisions (i.e. the recruitment or the layoff of top managers as well as important investments). Legally speaking such prerogative was not the responsibility of a supervisory board. The role of the supervisory board came actually down to controlling financial statements and evaluating internal control as well as external audit. However, the family members did not want to hand over the family business without having control of the executive board, thus preserving the sustainability of the family firm (i.e. without monitoring decision making strategy). Faced with the limitations of the supervisory board’s legal responsibility
and power, the family decided to create a strategic committee that gathered the most involved family members and the members of the executive board. Thanks to this strategic committee, the family members could be informed on main decisions and decide whether to approve them or not.

*Those who were carrying out the day to day work were obliged to think twice, particularly as they knew that members of the supervisory board were aware of everything— they knew everything about the men and about the company because for our entire lives we had all been in the same basket (family member).*

The role of the strategic committee was then to control the decision of the management team but also to support it.

The roots of the board of directors

Each month, the management and supervisory board members used to discuss strategic projects during strategic committees. The expertise of the supervisory board members helped the management improve strategy making. The family members who had spent their entire professional life in the family firm knew it very well and could appreciate if projects were relevant, if the firm had the resources to implement it, etc. The external supervisory board members did not know the business nor the industry as well, but they knew how to analyze strategic projects and how to evaluate their associated risks. The supervisory
board members challenged the management in order to evaluate the feasibility of a project and to improve the quality of strategic decision making. They asked very precise questions and analysed the strengths and weaknesses of each projects in detail. In addition, the external supervisory board members brought a new vision for the business that complemented the family members’ vision.

*Through its questions, through dialogue, through contact, the strategic committee helps to improve the quality of projects and the quality of decisions made by the executive board (non-family member).*

Relationships among the management and the members of the supervisory board balanced between control and collaboration. On one hand, the supervisory board members expected the management team to present transparent, detailed and deeply analyzed projects. That way, the management could not dress up the success (or failure) of a project as the family members who knew the business would have detected it. On the other hand, strategic projects were analysed by management, together with the supervisory board members over a long period of time before they made a decision.

*The supervisory board practically never refused a project because they studies the files and were well aware of what issues would be raised. (…). Clément Bon and Paul-Emmanuel never took a decision without knowing that the board was close to a decision (family member).*

Clément Bon, Paul-Emmanuel and the third manager would inform the board members on their projects, but also manage to get their views. As Jules-Alexandre had learned several years before from Jules-Olivier and Romain-Paul how to grasp arguments to defend his decisions, Clément Bon and Paul-Emmanuel used to evaluate the relevance of their projects by getting the supervisory board members’ views on them. They sought their feedback and listened to their arguments. Depending on if the supervisory board members asked additional questions or, on the contrary, provided arguments in favor of the project, the management team could assess whether the project seemed interesting to follow up and had if it could potentially be successful or not. They also evaluated whether or not they had analyzed the project in enough detail.

Through this process of interaction, decision making was enriched and the supervisory board members could evaluate if risks had been sufficiently taken into account. At the same time, knowledge passed from the supervisory board members to the management. For instance, the management could perceive if the projects were in line with the family firm strategy, relevant or possible to implement according to how the supervisory board members reacted.

*When we were burying ourselves in the details of our presentation, it meant that this wasn’t a good topic. On the other hand, we got the feeling that our project was good if we didn’t reveal too many details and they carried the discussion forward. We would initially explain….and then hear what they had to say (non-family member).*
Through this decision process, the management and the supervisory board consensually and progressively moved towards a decision together. For this reason, the supervisory board validated management decisions most of the time. Through the years, the family members and the management team progressively defined their roles with respect to each other.

The role of the strategic committee was to formulate the strategy for one to three years. Then the executive board implemented it. Finally, in the Loisau Company, the role of the strategic committee was to evaluate each project’s potential and consistency with the firm’s strategy, and to improve decision-making quality. This was possible as both the executive board and the supervisory board collaborated with one another.

Finally, the strategic committee has helped the executive board learn the objectives of the family members regarding the management of the family business. During several years, the fourth and fifth generations had worked together and had developed shared vision and objectives on how to manage the business. This knowledge was tacitly shared among them and neither Clément Bon nor Paul-Emmanuel was clearly aware of it. They had to get to know the precise objectives that the family wanted to pursue and the values that were to guide their implementation. The interaction between the management and the supervisory board during strategic committees helped this transmission to occur. Consequently, the multiple discussions they had with each other helped management get a clear idea of the objectives that the owners wished to formalize.

**Formalizing owners’ objectives: creating the roadmap**

In 1996-1997, the executive board members, together with the family members, created the roadmap. The two groups analyzed strategic projects together, with the executive board members elaborating on the criteria they perceived to be important when evaluating a strategic project, as well as on the performance objectives of the owners regarding these criteria. In order to make the strategy making decision easy and more efficient, they suggested writing them down. The roadmap delineated the strategy for the family firm in operational objectives for a period of 5 years and helped the management run the business. These criteria defined were as follows:

- Growth
- Profitability
- Independence
- Security
- Social and human policy
- Risk policy
- Dividends policy
• Ethics

Through the roadmap, the objectives of the owners were expressed. These objectives helped improve performance as they were criteria that the management strove to challenge.

The roadmap not only helped formalize and make the objectives of the owners clear for the management, but it also served as a tool to motivate the management. It was used to evaluate the performance of the executive board and to decide on its salary.

This roadmap principally concerned the objectives of the family members who had worked within the business. However, through the years, the family had grown and the owners no longer shared the same objectives regarding the family business.

Reorganizing the ownership

In 1995, the ownership structure was composed of approximately one hundred shareholders, who all had varying degrees of attachment to the family business. Some remained deeply attached to the business but others wanted out or to have dividends and access to funds. The family decided to take the company public.

Various attachment to the family firm

In 1995, the ownership was controlled by family members (65%), bankers (30%) and employees (5%). Those who held 20% of the company (mainly Jules-Olivier, Romain-Paul and Jules-Emilien Loisau’s families) wanted to remain in the ownership structure and to keep control of the family business. Even though they legally own it, they did not consider the business to be their own property, meaning that they were unable to sell it.

*It’s a company that doesn’t really belong to us. It belongs to the group as a whole and not to us individually. (…). There was a certain ethos about a strong work ethic, which was passed down to us from our parents and which we certainly wanted to carry on (family member).*

This same feeling of ownership was shared by family members who did not work in the family firm but belonged to involved branches. The remaining 45% of family members did not share the same attachment to the business or feel they had any responsibility to stay in the ownership.

*When you are distant German cousins, this business only relates to something that comes from your great-grandfather… the better the business is the more money in your pocket but there’s nothing more to it. So, they see their rights and shares but they no longer see their duties or responsibilities (family member).*
As a result of this split, the family decided to take the company public.

**Deciding to go public**

Going public meant that the family could lose control of the business. Therefore, the three family branches who wanted to keep the control of the ownership decided to draw up an agreement with the other family branches. If the latter accepted a change in the legal structure, the former would accept to go public and then to let them sell off their shares.

*There was a mechanism that would allow us to do away with this whole ownership debacle — transforming the company into a partnership between those who wanted to maintain family control and those who favored publicly selling their shares on the stock exchange (family member).*

The family changed the legal structure of the company to a partnership limited by shares. It ensured the three minority branches would keep the control, even if they did not own 50%. With this new structure, two different bodies of shareholders — the general partners and the limited partners — played different roles. The general partners who were indefinitely and jointly liable with respect to their own properties for the liabilities of the partnership ran the firm while the limited partners who were liable up to a limit of the value of their contribution financed it and ensured that management ran the firm in their best interests. Their power was limited compared to that of the general partners with regard to the management of the business. The general partners could control the development of the firm even if they did not have a majority shareholding.

The three family branches who were general partners gathered together under a legal structure, named Jules & Romain, which managed the Loisau partnership limited by shares. A supervisory board composed of the family shareholders’ proxies was created to control the management of the Loisau (operative business) by the family general partners.

![Figure 12: The Loisau partnership limited by shares](image-url)
Before going public, the general partners asked the other family members to sign an agreement regarding the rules to sell off their shares in order to avoid too many ownership ups and down. In 1998, after the firm went public, the family shareholders (general partners and silent partners) owned 65% of the company. This change in ownership crystallized the differences in perception family members had of one another.

**Changes in the ownership**

Going public had highlighted how family members differed from one another in their attachment to the business. Second generation family leaders deplored that many family members had decided to sell shares. They realized that some of the family members with whom they had the stronger ties (siblings) did not share a same attachment to the family business whereas others with whom they had weaker ties (cousins and other relatives) did. So many family members who wanted the firm to go public remained involved in the ownership. They did not necessarily want to sell out. They rather needed to feel free to leave the ownership if necessary.

And that's the idea here...just to make people more flexible and have a liquid investment. They're not necessarily going to sell, but they'll immediately have a different frame of mind, once they know the door is open and that they have options (family member).

Going public had led to a restructuration of the ownership based on family members’ project for the family business rather than on their family ties. With the changes in the ownership structure, family members perceived themselves belonging to different circles of owners, largely distinguished by their attachment to the family business. The first consisted of the management (that is, the general partners). They were strongly committed to growing the family business in the long run and shared a deep sense of attachment to the business. They consisted of the three family branches (Romain-Paul, Jules-Olivier and Jules-Emilien) that used to be involved in the family firm. The second circle comprised the brothers, sisters and cousins of Romain-Paul, Jules-Olivier and Jules-Emilien. They had an important stake in the ownership but they did not share the same attachment to the family business. When the firm had gone public, they decided to sell off their shares. Finally, the third circle was composed of other relatives who were minority shareholders. Most of them have remained within the ownership structure as they felt attached to the family business, but also because it wouldn’t have been worth it to sell off their insignificant stakes in the company.

I gather that they had managed to find a balance between the sense of affectio societatis and the possibility of creating an SME. However, this doesn’t really change my life...it won’t change the existence of the third circle, who will remain very loyal. Perhaps it’s to do with the fact that of
not being involved with the business... and perhaps they intuitively regret that, hence the desire to keep some form of attachment. At the end of the day, I don’t really know, but the second circle was certainly less attached than the third circle (family member).

Family members were then bound by their similar relation to the business. This was also manifested in additional changes the general partners implemented in the legal structures that tied them up.

When the legal structure was transformed into a partnership limited by shares, the three branches created Jules & Romain, which owned the Loisau Company operational structure and was in charge of its management. They also created another structure, named J&R that gathered together the general partners. This constituted a major change in the ownership as until that time, each branch had its own legal structure.

The two structures differed in terms of dividend allocation. Dividends received through Jules & Romain would be systematically reinvested in the ownership and could not be used individually by the family members. Through Jules & Romain, the family attempted to increase their stake in the Loisau Company and then reinvest in the company’s shares. Dividends received through J&R would be distributed to the family members according to their stake. Family members had to decide the amount of shares they would invest in Jules & Romain as they would be locked in. They could invest the amount of shares they wish, except 100% to keep part of their ownership liquid if necessary.

It wasn’t a managerial decision but more an action born out of a strong sense of heritage. It meant for the first time, people would make individual (rather than family-branch driven) decisions as to whether they would hold on to shares in something which they didn’t really find enticing, unless they were able to participate in the control and management of the business (family member).

Paul-Emmanuel who was a fervent defender of this structure strove hard to implement this change as it completely transformed voting power.

It was definitely Paul-Emmanuel who forced the issue and said: ‘Dad, this is enough. There’s no sense to it’. (…). ‘Let’s do away with this 50/50 model. We don’t need it anymore.’ We needed to take care of their generation – cousins from all different parts of the family, the German side and others. There was no longer this sense of 50/50 between the two fathers (Jules-Olivier and Jules-Emilien) and I, who had to defend the interests of my four sisters and a priest... (family member)

Actually, it led to considerable change in the ownership and the relationships between family members, and departing from...

What is absolutely necessary is to do away with this family branch idea which I find extremely dangerous. This logic means that we accept incompetency, so getting rid of it and replacing it with a notion on belonging to the company belonging to one’s own project. Secondly it also prioritizes self-direction. It’s not a father who says to his daughter, sign at the bottom right and
don’t read anything, which is how things had been for generation. Now, it was a case of saying...well, little sister, you have your husband and your children to think of so make up your own mind and do what you like without fear of any judgment being passed on you. It was a very different scenario (family member).

Paul-Emmanuel implemented this change when he took over the leadership.

The 6th generation’s leadership

At the end of 2001, Clément Bon who was 60 years old decided to retire from his position of Chairman of the Loisau Company. He handed over the leadership to Paul-Emmanuel on January 1st, 2002. The transition to the sixth generation was completed.

Developing the corporate governance structure

Organizing the leadership for the sixth generation

When Paul-Emmanuel became Chairman, the sixth generation took over leadership of the family business. Even if Jules-Emilien and Romain-Paul remained involved in the corporate governance structure, the transition between the fifth and the sixth generation was now in effect. Paul-Emmanuel, as Chairman of the Loisau Company, reorganized the corporate governance structure to meet the needs of the sixth generation.

We are putting structures in place based upon a ‘family equation’… which is made up of a family generation, that generation’s plans for the future and what that generation will share. (…). This corresponds to the needs and to the solutions of a sole generation. The previous one had one approach and the subsequent one will have another. (…). Each generation will forge its own way (family member).

On one hand, Paul-Emmanuel formalized control of the family business management by creating a board of directors to replace the strategic committee and compensation committee. On the other hand, he organized a collegial decision-making process among the family members for the management of the business which constituted their common legacy.

Creating a compensation committee

The issue of remuneration as well as that of family members in management positions could be sources of conflicts between owners when a family member is in charge, and even more so when a family member has to manage other family members of the same generation.
In the past, Jules-Alexandre had set the salaries of the sixth generation family members when he was Chairman. Several years later, when Jules-Emilien had become chairman, Clément Bon had been involved in the process. Clément Bon had worked in close collaboration with Jules-Alexandre and was aware of the family’s values and practices. He could help maintain a level of continuity in the remuneration policy. When Clément Bon became chairman of the Loisau Company, he remained in charge of management’s salaries, as well as those in charge of the family members, together with the executive board members. He also negotiated the executive board’s salary.

When Paul-Emmanuel became Chairman, he did not want to manage family members and their remuneration, nor did he want to decide on the executive board’s remuneration without introducing any controls in the process. He created a compensation committee and asked Clément Bon to take on this responsibility as he was used to doing so. However, Clément suggested improving the remuneration process and bringing in external members to the compensation committee.

I propose creating a compensation committee which should include three members in addition to myself: 1) Someone who had run a family business. I will try to speak to a CEO or General Manager who might have some time and might be willing to help me reflect on this; 2) an executive-level head-hunter; and 3) An HR manager from an international company that we know and who would be willing to share their expertise. The four of us will form this remuneration panel.

Paul-Emmanuel ensured the family that decisions on remuneration were fair and in line with the procedures of other firms in the same industry. He guaranteed them that he does not enjoy an excessive salary.

At the same time, Paul-Emmanuel wanted to involve the family members in decisions that concerned their legacy. To this end, he created an ownership committee.

**Creating an ownership committee**

In 2003, Paul-Emmanuel, along with the family members, created a new committee: the *Ownership Strategy Committee*. The aim was to give a voice to the family members involved in Jules & Romain Company, and to introduce them in the management of their legacy.

I think he said to himself, "If I don’t do this, things won’t work because at a certain point they’ll either leave the company to do something else, or they’ll no longer be interested or have a sense of belonging to the company. Secondly, they won’t be able to criticize me for not having included them in the picture (non-family member)."

The Ownership Strategy Committee would be in charge of legacy decisions. It would define and agree on the objectives of the family members regarding the management of the business. For instance, it would improve the roadmap.
Actually, the Ownership Strategy Committee was in charge of some of the missions the strategic committee previously oversaw aside from controlling and advising on strategy making. This role was now devoted to the board of directors that became under the responsibility of the Ownership Strategic Committee.

The family members decided that the Ownership Strategy Committee would be composed of seven family owners among the general partners. Romain-Paul and Jules-Emilien remained on that committee until they reached the age of 75. In contrast, the other seven family members were elected through the following process.

Every three years, the 17 family members would elect the members of the Ownership Strategy Committee. The vote would take place over two rounds. In the first round, each voter would suggest a candidate among the family members and their spouses or husbands to represent him (her). If some candidates that had emerged did not want to hold this position, they could refuse, leaving the remaining candidates as only those who accepted to be involved in the committee. Then the second round could occur. The family members (and only them) would vote to elect their representatives. In the first round, one vote was equal to one voice, compared to the second round where votes were proportional to the stake each family member had in the company. The family members were requested, when they voted, to select competent owners.

*This was how we voted in 7 members after having drawn up a little instruction manual and memo that said: When you vote, please remember that we are looking for competence, an absence of conflict of interest, a certain balance (if possible) and a combination of the different branches*
even though we have already done away with the ‘family branch’ notion, because it would serve no interest if all members came from the same family. If possible the committee should include women, etc... and now, please vote. Moreover, the process is entirely anonymous (family member).

In contrast with the Strategic Committee, the Ownership Strategy Committee brought together family members who might not be familiar with the business and belong to different family branches. They had to get to know each other and develop shared view about the management of their ownership.

We only brought up issues relating to ownership, family and eventually, if we had certain points to raise regarding the company’s corporate governance structure, we would talk about that as well. (....). Family charters and such issues were dealt with at committee level. And in this instance, there were no non-family members, so we shall discuss all the definitions that we would like to put in place, governance issue, any dirty laundry we have to air between ourselves if we are unhappy about something… we will essentially talk about family issues (family member).

The committee took several decisions. They created clear rules for the management of family members, especially for the involvement of the next generation. Family members should be at least 30 years old and have 5 to 7 years worth of professional experience outside the family business, including a managerial experience. They would have to speak English fluently and be highly educated (that is, they would be required to at least have a master’s degree). The committee developed several actions to inform family members about the management of the business, and organized activities in relation with the business.

We slowly started bringing in youngsters of a certain age so that they would have the opportunity to meet people and discover the company. Additionally, this would slowly start to generate a level of interest on their part and the rest of the following generation (family member).

These meetings and trips helped the family members who sometimes did not know each other very well develop affective ties. The family members involved in Jules and Romain Company no longer belonged to the same family branch. Consequently, they rarely saw each other during family meetings. Their shared attachment to the family business and desire to develop it in the future now became the opportunity to see each other and to sometimes develop stronger ties.

We had to start by getting them to get to know the company with the hope that they would one day like to return of their own accord. (....). Now I observe that we’re on the journey from the 6th to the 7th generation. It’s now been 3 years since we first managed to unite all generations in one single trip. We ended up being a large group with 50 of us and with this “getting to know each other” phase having gone well, we can now talk about the pleasure of meeting up and doing things together (family member).

The Ownership Strategic Committee was also the opportunity for the family members who were not involved in the business to be informed on how the firm
was managed, as the members of the Ownership Strategy Committee are also members of the board of directors. They could observe how strategic decisions were made, take part in it and observe how Paul-Emmanuel managed the family business.

The management of the business

In 2002, when Paul-Emmanuel became Chairman of the Loisau Company, he decided to maintain an executive board to run the Company. He appointed two managers as general managers – they were Etienne Bond and another manager who had spent several years in the family firm. However, in 2005, the latter left the firm. Paul-Emmanuel decided to stick with Etienne Bond who became his deputy general manager. Through the years, Etienne Bond had become used to working in close collaboration with Paul-Emmanuel and learned what really mattered with regard to running the family firm and strategic decision making. In the analysis of strategic decisions, they used to challenge each other in order to forge convictions. They also expected the board of directors’ members to challenge their decisions.

In order to introduce a system to challenge decision-making strategy, Paul-Emmanuel decided to nominate, three external members to the board of directors — in addition to the seven family members of the Ownership Strategic Committee — who were already involved. Two of them were business experts and the other an expert in finance. Paul-Emmanuel wanted to widen the board of directors’ vision of strategy making. Strategy was the unique task of the board of directors as, in the Loisau Company, the traditional task of control was under the responsibility of the supervisory board. The board members were mostly in charge of evaluating the strategy or advising the management team. Even the family owner directors were focused on improving strategic decisions or avoiding mistakes.

Within the Loisau Company’s board, the directors didn’t feel involved in supervisory activities. They were involved in missions – it was more a case of influencing the direction and future of the company rather than checking that everyday things were ticking over correctly. That was more how they viewed their role (non-family member).

When decisions were discussed in the context of the board of directors, they were analyzed within the context of the specified roadmap criteria. The aim was to get the commitment of the board members. Board directors were invited to ask questions and to evaluate if decisions were in line with the strategy of the firm. If so, they would consent to them.

Paul-Emmanuel and Etienne Bond not only looked for the board directors’ consent to strategic decisions, but they also expected the board to be unwavering in their support of these decisions, particularly in case of failure – after all, strategic risk was necessary to develop the business. However, underperformance
could occur and then be a source of conflict among the owners. However, for
Paul-Emmanuel and Etienne Bond, getting board members’ support and
commitment to strategic decisions did not mean that they were able to mask
some issues. Their main objective was to improve their decisions and in doing
so, to let board members challenge them.

I only ask for one thing and that’s to have the members of the board and my chairman to say
to me in person, “be careful here, you missed this, or here perhaps you would be better off doing
things like this”. We only ask for this because we know that we’re not immune to make
mistakes (family member).

For this reason, Paul-Emmanuel and Etienne Bond gave board members as
much information as possible to enable them analyze projects’ strength and
weaknesses in detail. They provided them with many details that many board
directors would traditionally ignore. In doing so, they prevented conflicts among
owners as risks and issues have been presented and discussed before they appear.
Sometimes difficulties can evolve in a crisis several years later. Family members
then cannot claim that they haven’t been informed. Transparency for Paul-
Emmanuel and Etienne Bond meant that they not only avoided risks and issues
presented, but sometimes they also did not hesitate to focus on their weaknesses.
However, introducing this ability to challenge among the board of directors and
management was difficult for several reasons. First, most family owner directors
shared the same perspective about the family business as they were or had been
involved in the Loisau Company or had a solid understanding of the firm and its
business. Family members had the opportunity to meet within the firm before
the board meeting, when they were involved in family meetings or in general
activity unrelated to the firm. Decisions would have already been discussed and
would be less prone to be challenged by the family members. Third, on the
contrary, the three external directors, even if they were experts in finance,
marketing and business, still faced difficulties when they really tried to challenge
management as the Loisau Company was a complex organization that required
significant time to become familiar with. External members still needed to learn
more about the firm to develop their own vision of the firm. At the time, they
mainly drew their analysis from Paul-Emmanuel and Etienne Bond’s vision and
trusted them. Paul-Emmanuel acted as Chairman, but also as CEO. Therefore,
he was involved in the decision process when it was presented to the board of
directors. Both Paul-Emmanuel and Etienne Bond earned legitimacy as CEO
and Deputy General Manager through their past performance and were trusted
by board directors. Finally, the Loisau Company was profitable. Then board
members tended to think that as there was profit, the business is going well and
there was no need to challenge strategic decisions too much.

I know the level of trust the owners have in us. (…). What I would like, while still maintaining
this level of trust from the owners, is to avoid making any awful decision at any cost. I’ve never
pretended to be all-knowing, I have never said I have all the answers. (…). We push the other
11 members of the board so that they are more in a position to challenge our decisions and push us to our limits (family member).

However, Paul-Emmanuel and Etienne Bond believed the board would be more challenging in the future. Indeed, Romain-Paul and Jules-Emilien had just left the board of directors. Considering their legitimacy, based on their experience in the business as General Manager and Chairman, board members could be less prone to challenge what they had previously said as well as their past decisions. Paul-Emmanuel would soon retire from his position of CEO and focus more on that of chairman. Then, he would be in a better position to challenge the management. Meanwhile, Paul-Emmanuel and Etienne Bond did their best to help board directors challenge their decisions. They presented their projects with as little subjectivity as possible in order to avoid influencing their analysis and sought their advice. Finally, the contribution of the board directors through their feedback was to advise management on precise questions regarding their expertise, and to help the management forge convictions about their strategic decisions.

I think he sees it as a sort of sounding board to forge his convictions, to be sure that he’s made the correct decision (family member).

Over the years, Paul-Emmanuel had developed a strategic decision structure, that improved strategic decision quality and favored family members’ commitment to strategic decisions. This decision structure helped Paul-Emmanuel build trust among family members.

I think there is a great level of trust and moreover I think the company is, quite simply, well managed – which is fundamental. So, as long as there is a well-placed management team which presents coherent projects, it becomes difficult for conflicts and non-adherence to exist. Put simply, it is a case of a family having complete trust in its leader (family member).
7. The Green Company

I'm organizing the families in such a way as to recreate a family ownership.
(Jacques-Antoine Green, Chairman of The Green Company)

Introduction to the Green Company

A brief description of the development of the firm

The Green Company is a medium-sized European family business in the food industry. Pierre Green founded the business in 1899 to produce vegetables. Pierre was a true innovative entrepreneur. He did not only produce and sell vegetables. He also used to create and sell machine tools related to his businesses. When Pierre decided to retire, he split the business into two separate activities to pass them on to his two sons. Paul Green took over the production of vegetables and developed the Green Company.

In 2009, Jacques-Antoine Green is the fourth generation to run the business. He is the CEO and Chairman of the Green Company, which has become the industry leader in Europe. The firm employs about 600 people and sells its products mainly in Europe, the USA, and Canada; 2009 turnover was more than 120 million Euros.

The development of the Green Company over generations

Over the generations, two separate businesses, one agricultural and the other industrial, have been developed.

Developing the agricultural activity

For several years, Paul produced vegetables until World War II broke out and forced him to join the military. At this time, his son, Jacques GREEN, was old enough to run the business. He did it with his mother. Jacques wanted to invest
in production, and industrialize the business to produce on a larger scale. When Paul came back home, at the end of the war, he let Jacques run the family business by himself. During 25 years, Jacques developed the family business through the production of various vegetables.

In the 1970’s, Jacques was joined by two of his children, Jacques-Olivier and Jacques-Antoine. Jacques-Olivier, the older son, entered the family business as sales manager after he completed his business education. The following year, Jacques-Antoine, who trained as an engineer, joined his father and brother in the family business as technical manager. Jacques-Olivier and Jacques-Antoine developed distinct interests in the family business over the years. Jacques-Olivier shared an interest in agriculture with his father, whereas Jacques-Antoine was drawn to innovation.

Two brothers, two business perspectives

When Jacques-Antoine entered the family business, he already had a vision of the future of the firm. He wanted to expand the industrialization of the business and develop consumer services. He also had in mind to create a new activity, that of the frozen vegetables. He then took part in the growth of the family business through the development of the market of frozen vegetable. Meanwhile, Jacques-Olivier kept growing the agricultural activity, as his father did during several years. From then on, the family business developed through two distinct activities: the agricultural and the industrial. As Alan Breen, a consultant of the Green Company, notes it, these delimited specific business areas for Jacques-Olivier and Jacques-Antoine

There were two sons who very quickly divided up their fields of action: the agricultural on one side and the industrial on the other, and the father is a real farmer (non-family member).

The two businesses both required resources to grow and Jacques-Antoine sometimes had a hard time persuading his father to invest in his side of the business. Competing needs between the two businesses revealed in fact a contrasting vision and strategy for the firm between Jacques-Antoine and his father and brother, whose goals were to increase production and to invest in land. On the opposite, Jacques-Antoine was attentive to the consumer needs and wanted to address them. It followed from this, different criteria to evaluate performance and to guide the family business’ strategy. As a consequence, Jacques-Antoine’s father and brother did not provide him much help in the development of his market. Jacques-Antoine also faced difficulties in influencing strategy making. He found some help in Alan Breen, who acted as a facilitator in strategy-making and became, over the years, a right-hand man to the family. For several years, Alan Breen helped Jacques and his sons in strategy-making, until Jacques decided to hand over the family business.
Jacques decides to pass the mantle on

In the 1980’s, when Jacques turned 60 years old, he started thinking about retiring. Deciding which of his two sons would succeed him was not easy.

The father is a genuine farmer. So it was very complicated. With a lot of respect for Jacques-Antoine and management abilities […], but with particular fondness for Jacques-Olivier, because he was the guardian of the farming fiber. […]. It was competition with Marc, the father, between acknowledgment of Jacques-Antoine’s intrinsic qualities and the company’s genetic capital. […]. What did Marc talk about, after all? He talked asparagus plants and strawberry bushes. What did Jacques-Antoine talk about? Spinners, bolts, and rivets. […]. So he may have imagined that there could one day be a part of the company that he could run; … with a little fear … that Jacques-Antoine could take the company in a direction the father would no longer understand (non-family member).

One day, at a general meeting of all the employees, Jacques announced that Jacques-Olivier would succeed him. Neither Jacques-Olivier nor Jacques-Antoine had been informed of this decision. Jacques-Antoine was disappointed as he had the ambition to take part in the development of the family business, through its leadership.

At the time, Alan Breen offered Jacques to ask one of his consultants’ team to analyze the best succession solution for the family firm. Their analysis revealed that Jacques-Antoine should succeed his father at the head of the family firm. Jacques decided to keep running the business a bit longer as this solution departed from his vision of the future for the firm. From then on, Jacques-Antoine started thinking about leaving the family business. Jacques-Antoine and his father disagreed about the way he (the father) ran the business. They faced financial problems. In addition, Jacques-Antoine wanted to build up his business. He started considering leaving Europe to create his own business. He spent one month in the United States to make contacts with potential suppliers and to find a place to set up with his family.

I told myself: ‘I’m going to go there far from my family; that way, I can make a place for myself and come into my own with my wife.’ (family member).

When Jacques-Antoine came back from the United States, the situation of the family business had deteriorated. Jacques was confident that the Company could enjoy renewed success with his two sons. He offered them to take over the firm together. Jacques-Olivier and Jacques-Antoine accepted. Jacques arranged his succession to his four children. He would hand over the family business to Jacques-Olivier and Jacques-Antoine. The two other children — Jacqueline and Jacques-Adrien — who were not working in the firm, would get financial compensation.
When the succession was completed, though Jacques was no longer involved in the family firm and no longer had a share in the ownership, he did not retire entirely. Not passed on was a business he had developed in Spain in the same industry. He decided to keep growing this activity on his own.

Jacques-Olivier and Jacques-Antoine were then both at the head of the family business. As they each owned 50% of the company, they decided to take turns as CEO. They also decided that they would receive the same salary.

So, these are the rules we made for ourselves and for the two of us always to have the same salary (family member).

Their aim was to develop the business and to make a profit. The firm had posted financial losses in previous years. The two brothers worked hard to improve the Company’s financial health. Their efforts during these years bore fruit, as three years later, the firm was more profitable than ever.
Back into the ownership

The rapid success of the firm gave Jacques the impression that the situation was unfair to Jacques-Olivier and Jacques-Antoine’s sister and brother, who were not involved in the firm.

*Jacques:* You’re lucky. The siblings aren’t in the business. Well, that won’t do. *(family member)*

Jacques-Olivier and Jacques-Antoine had a different view of the situation. When their father had organized the succession, he had ensured that each child receive an equal part of the inheritance.

*We had bought all the shares in the company, and my father had balanced it out. (...) It was done in a completely balanced way, on D Day. Because the day after D Day, it’s over, it’s no longer in balance *(family member)*.*

During two or three years, the two brothers had worked very hard to make the business highly profitable again. The recent profits resulted from their day-to-day efforts to redress the financial situation. If the family business’ value had increased those last years, it was due to Jacques-Olivier and Jacques-Antoine’s work. Yet, at the time, Jacques-Antoine and Jacques-Olivier were thinking about changing the legal structure of the firm. They seized this opportunity to suggest to their father that he buy a share — 10% — in the family business. In 1985, Jacques then became a member of the board, which met once a month. Jacques-Olivier and Jacques-Antoine reminded Jacques that he would not be involved in running the business.

For Jacques-Antoine, giving his father a seat on the board could help the two brothers improve strategy decision-making. As Jacques-Olivier and Jacques-Antoine each owned 50% of the ownership, they had trouble taking decisions when their orientations for the family business differed. If they each owned 40% of the family business, and their father 10%, their father’s voice would prevent them from strategic inertia. He would favor one strategy or another, and then there would be a majority that would lead to a decision. The participation of their father in the ownership would therefore resolve their problem of equal ownership shares.

A nuclear family

The management of the business

Despite the participation of their father in the ownership, Jacques-Antoine and Jacques-Olivier faced problems in the management of the family business.
Lacking majority in strategy decision-making

Strategy-making was not easy task as Jacques-Olivier and Jacques-Antoine’s businesses had specific economic challenges and required their own strategy. In addition, Jacques-Olivier and Jacques-Antoine had distinct orientations towards the business, and often took opposing tacks. Jacques-Antoine wanted to innovate, to develop consumer services, and to expand the firm abroad, whereas Jacques-Olivier was not interested in customer service or in selling their products internationally.

I had a brother who didn’t have the same working techniques I did. I was open, forward-looking, wanting to innovate, and spurring the company on. Whereas my brother was someone who didn’t want to travel, who sold—he was the commercial director. He sold his products. But he didn’t want to sell service. That wasn’t the company. The base was the product, not the service. A client who was unhappy could go screw himself because our product was the best there was. So, for him, that’s how it was. We couldn’t go on like that, taking two completely different approaches (family member).

In the overall management of the family business, this situation was problematic. Jacques-Antoine sometimes had to wait for his turn as Chair of the company to make decisions. In the development of his business, he felt slowed down by Jacques-Olivier as he needed his agreement to make strategic decisions.

To his surprise, Jacques-Antoine observed that his father took no part in decision-making. Despite his 10% in the ownership, the situation remained the same as when Jacques-Olivier and Jacques-Antoine each held 50% of the firm.

We created this family holding company, and I thought my father would make it possible to have a majority. (…). And my father sided neither with me nor with my brother. I realized then that my father would never side with either one of us (family member).

As Jacques-Antoine could not enact decisive decisions to develop the business without his brother’s agreement, he often needed the help of a third person to persuade him of the suitability of the decisions and get his agreement. In 1988, Jacques-Antoine decided they would no longer alternate at the head of the firm. He would hold this position all of the time. Jacques-Olivier accepted. However, for important decisions, Jacques-Antoine still needed his brother’s agreement. As his father was still refusing to take sides, decision-making remained problematic and Jacques-Antoine had to find external support to take decisions.

Striving for a majority in strategy decision-making

Jacques-Antoine wanted to speed up decision-making and to introduce changes in the management of the firm. These changes required a new governance of the
firm and making the board of directors a more efficient locus of strategy
decision-making.

We hardly had any board meetings. It was all on paper. We signed. And that was fine. We
got together from time to time. We didn’t need to have board meetings. But I wanted to structure
things and have a board that really worked (family member).

Jacques-Antoine was looking for help in strategy making, particularly for the
elaboration of the vision for the firm.

I had no input. My brother and my father were of little help. My father lived in the past, and
my brother had no view of the future. I was the only one to do battle in that (family member).

For Jacques-Antoine one solution was to appoint independent members — Alan
Breen, for example — to the board. Alan Breen, who had developed marketing
skills over the years, could also participate in strategy making. In addition, Alan
Breen was very creative. He could make Jacques-Olivier and Jacques think
differently about the business. They had worked together for several years and
knew each other very well. They trusted Alan Breen’s judgment.

He had a good rapport with the family, with my father and my brother. (…). He had worked
with my father and my brother, he had been the go-between, and then he went to a few meetings
just to listen. He was appreciated. And I took advantage—it was the first breach in what had
been a purely family board (family member).

As a non-family member, Alan Breen was considered neutral by Jacques and
Jacques-Olivier. They were aware of his relationship with Jacques-Antoine but
knew that Alan Breen would act in the interest of the firm rather than try to favor
Jacques-Antoine over Jacques and Jacques-Olivier. In the person of Alan Breen,
Jacques-Antoine found the partner with whom to discuss the business, his ideas
about the future of the firm and about the changes to be made. Alan Breen
thought the firm would do well appoint an independent member to the board.
He was grateful to Jacques-Antoine, Jacques-Olivier, and Jacques for asking him
to serve on the board and for recognizing, in so doing, his contribution to their
business. For Alan Breen, this nomination symbolized the trust they placed on
him. Alan Breen then helped Jacques, Jacques-Olivier, and Jacques-Antoine work
together and come to agreements on strategic decisions. He won support for
strategic decisions. In his new role as a board member, Alan Breen not only
facilitated strategy making but also helped the brothers give the firm a new
direction, more highly focused on customers.

Tipping the scales in favor of growth

For greater emphasis on sales and customer services, Jacques-Antoine wanted to
recruit a new sales manager to replace his brother. Alan Breen, who had a similar
view of the future of the firm, spoke with Jacques-Olivier to convince him of
suitability of the decision. This recruitment was also an opportunity for Jacques-Antoine to improve decision-making. In the near future, the sales manager could be nominated general manager. Strategic decisions would be under his responsibility. Then, Jacques-Antoine would no longer have to wait for his brother’s agreement to make decisions. Only one person would take decisions: the general manager. This would speed decision-making. Appointing an external family member as general manager would also resolve another problem between the two brothers. It would prevent them from competing for the position of general manager.

In the 1990’s, Jacques-Antoine sought to develop the firm through acquisitions. He started working with Andrew Powell, who managed a mergers and acquisitions department. At the same time, Jacques-Antoine contemplated making the two businesses more autonomous. He wanted his brother and him to be more independent of each other. As it happens, when Jacques-Olivier was not hard to convince about strategy decision-making, he was simply absent. In 2001, when Jacques-Antoine decided to make an acquisition to expand the business, he made the decision by himself, without any support from his brother. He also took on all the risks.

In 2001, the family business had grown and the industrial activity had become larger than the agricultural one. Ultimately, although Jacques-Olivier mostly let Jacques-Antoine take decisions and run the business, Jacques-Antoine still felt as if brakes were being put on his work. He did not want his children inherit such situation. When time came to think about succession to the next generation, the two brothers decided to separate the business.

**Thinking about succession**

In the 2000’s, Jacques-Olivier and Jacques-Antoine started thinking about their succession. Restructuring the family business in two separate businesses — the industrial and the agricultural — was part of the process. It appeared as an efficient solution to answer their different family configurations.

**Different family configurations**

For Jacques-Antoine, his brother’s family and his family’s relations to the family business differed greatly. They had to take into consideration these distinct configurations to organize their succession. Christine Green, Jacques-Antoine’s wife, had always shown great interest in and enthusiasm for the family business. She was committed to its success and had been involved in the business for several years. She then was in charge of public relations.
My wife—I always told her everything, because it interested her, amused her (...). My wife was in charge of public relations for a long time (family member).

Christine Green also used to take part in several other activities. In spring, for instance, she used to help the employees sell flowers. In addition, among Jacques-Antoine’s children, Antoinette, Antoine-Philippe, and Antoin Arnaud, two of them were interested in taking over the family business in the future. In contrast, Jacques-Olivier’s wife never expressed much interest in the business and her children did not seem likely to take over the family business.

But it was my brother’s wife; she didn’t want to hear anything about the company. (...). Whereas he had married a woman who already had two children and who had always underestimated the company (...). And she had obviously raised her children not to take over the company (family member).

In view of their respective family configurations, Jacques-Antoine considered the separation of the two businesses was the best solution for organizing their succession.

**Splitting the family business**

Jacques-Olivier was against separating the two businesses. In contrast, Jacques-Antoine’s position was reinforced by the differences that characterized the two businesses.

*The Company has two businesses (...). These two businesses have to be separated because the way they work is totally different. One is industrial, with large investments and much shorter product lives. Whereas everything that’s agricultural production (...) has a very long product life: ten-year cycles (...), twenty-year cycles. And the investments are relatively small. It’s research and gray matter (family member).*

For Jacques-Antoine the differences of the two activities were not without consequences on the general management of the firm which lacked coherence. According to him, despite the recruitment of the general manager, the managers had trouble knowing whether to implement Jacques-Olivier’s strategy or Jacques-Antoine’s one.

*The objective was a split, so the succession would go smoothly. (...). separating the businesses, because the codes were no longer the same. We could no longer motivate the managers on one side and those on the other because the given was completely different. One year, it was the profits, another year, it was... So the guys no longer knew who it was. Well, there’s no point leaving; there will always be profit. That’s no good; it’s better for each person to have his managing director and his own thing (family member).*
Finally, the two businesses needed resources to expand. The limited resources could generate conflicts among the two brothers. Alan Breen and Andrew Powell shared the same view with Jacques-Antoine because the company was taking that path, strategic imperatives meant the industrial side had to be given a little room, some financing. If we hadn’t decided to organize the two units, there would necessarily have been friction over the allocation of resources (non-family member).

Alan Breen and Andrew Powell helped the two brothers organize the separation of the two businesses. They helped them reach consensus and avoid conflict. If there are two brothers on the board who don’t necessarily have the same ideas and, if there is no one with them, things might not turn out well. There will always have to be one who is right, and the other who is wrong, or else neither will ever be considered right and nothing gets done and everybody leaves. Between Jacques-Antoine and Jacques-Olivier, both of whom have a lot of qualities and slightly different aims, even if only because of the composition of their families, well, you can be sure that having independent board members who temper things a little or who keep things from not being moderated, who take sides, which legitimizes the person they are taking sides with and which makes it easier to get things by the other person, who says to himself it’s not my brother forcing something on me, after all, there are reasons, there’s a consensus. So that, I think, was very important, especially in this period of separation (non-family member).

In 2001, the separation of the two businesses was completed, and the Green Company became focused on the development of the industrial activity: processing vegetables. Jacques-Antoine was finally in sole control. Though the two brothers had decided that they would be board member of each other’s activity, they agreed that they would act as a silent partner. Then, Jacques-Antoine decided to introduce changes in the management and governance of the firm.

Developing a family ownership

Alone on the board

Jacques-Antoine enlarged the board of directors and improved the management of the business.

New directors in the board

Jacques-Antoine wanted to change the role of the board of directors in strategy-making. Until then, Alan Breen and Andrew Powell contributed neutrality to strategy decision-making and helped the two brothers reach consensus. Jacques-
Antoine then expected the board of directors to support him in strategy making. He first appointed only external members to the board to make sure that emotions no longer interfered with strategy.

*I expect of a board that it be made up of professional people, people who are not swayed by their emotions. Because as soon as you bring the family in, you have more emotions to deal with, roots, things that aren’t necessarily compatible with the market and with the economic activity of the company (family member).*

He then named board members with specific expertise to help him internationalize his business and expand through acquisitions. He also asked Adrien Pol, the general counsel of the company, to join the board as an internal director. His presence on the board had two advantages. First,

*He knows all of the inside stories about the company, since he’s general counsel. He deals with all of the businesses. He is an administrator of all of the companies in the group. So he can report to the board on events just as he has experienced them and as he has seen them (family member).*

Second, the children had manifested their interest for the family business. He was someone the children could speak with if they had any questions about the business, and he was not a family member.

So the new role of the board was not only to support Jacques-Antoine in strategy making but also to manage the relationship between the family and the business and to help Jacques-Antoine manage the family members involved in the business.

In 2004, the Green Company doubled in size. A competitor had been acquired in 2001, and it had finally been folded into the Green Company. However, Jacques-Antoine was dissatisfied with the performance of the firm. He wanted to improve the management of the business.

### Managing the business

In 2007, Jacques-Antoine recruited a new general manager — Tom KENT — to revitalize the business, develop sales, and increase profits. This recruitment was an opportunity to introduce changes in strategy decision-making.

### The CEO: implementing and challenging Jacques-Antoine’s strategy

Tom Kent was an enthusiastic and dynamic CEO who did not hesitate to influence or challenge Jacques-Antoine’s strategy. Tom Kent’s responsibilities were clearly defined. Jacques-Antoine was in charge of strategy and Tom Kent
implemented it. Despite this clear separation, Jacques-Antoine remained fairly involved in the business. In particular, he was still in charge of the technical area. After all, he had spent his entire career at the firm and had developed, over more than thirty years, a rare expertise in the business that nobody else, not even among the competitors, could rival.

Jacques-Antoine was planning to retire in the coming years. He was satisfied with Tom Kent’s management and wanted to let him run the firm largely on his own. Jacques-Antoine also realized that the size of the firm required new methods of management. Methods that would contrast with his entrepreneurial style. He was confident in Tom Kent’s leadership style to make the firm grow. Jacques-Antoine then distanced himself from operations and came to act as a Chairman. He learned to work hands in hands with Tom Kent. In the person of Tom Kent, Jacques-Antoine found someone who complemented him efficiently as they had very different personalities. They formed an efficient duo. Tom Kent could find in Jacques-Antoine an expert who would be able to give him feedback and evaluate the potential success of his decisions. Jacques-Antoine remained available and involved, and Tom Kent could meet him whenever he needed. Through frequent discussions, Tom Kent got familiarized with Jacques-Antoine’s objectives — as shareholder — for the management of the firm. Tom Kent viewed his role as implementing Jacques-Antoine’s strategy. Still he did not hesitate, despite Jacques-Antoine’s strong convictions, to challenge it. Though it could be hard to get him to change his mind, Jacques-Antoine accepted from Tom Kent that he sometimes challenged his strategy, but most of all he expected from his board of directors to do it.

**The board of directors: challenging the management**

When he created the board of directors, Jacques-Antoine wanted to get support in strategy making. He also wanted to minimize strategic risks.  

*It’s hard to have a board if you don’t like being contradicted. I like to be prodded from time to time. It doesn’t do any harm. It makes you question things. And, besides, you make fewer mistakes when there are six of you around the table than when you’re alone (family member).*

To play their role as advisors, board members needed to be informed on the running of the business, the market, the competitors, etc. Jacques-Antoine made sure they received the information they needed to analyze the strategy of the firm. In addition Jacques-Antoine organized periodic operating committee meetings. These brought together the board members and the executive managers. They were organized to inform the board members of the running of the firm. They took place, three or four times a year, at Green Company headquarters. They were followed by a board meeting, composed of Jacques-Antoine and the board members during which they discussed matters brought up during the operating
committee meeting. Rapidly operating committees evolved into challenging the management.

**Informing the board members of the running of the firm**

Jacques-Antoine, together with Tom Kent, set the agenda for the operating committee meetings. Then, Tom Kent and the operations executives prepared their presentations.

_The people from the company, the managers, explain to us what they’re doing. They explain their work: the general manager, then the finance manager, the sales manager, the manufacturing manager—each manager on the operations committee explains what he does, the problems he has, or the positive changes he has made, well, that’s it. So people are well informed (family member)._ 

It is also an opportunity for board members and the CEO to discuss decisions. Board members can ask questions, make recommendations, etc. For this reason, operating committees are very informal. They facilitate constructive discussion about the business.

_They will react; they will ask question. They will make recommendations and then we’ll talk certain points over (non-family member)._ 

These discussions were possible as Tom Kent favored interaction between the board members and the operations committee members. Before Tom Kent was recruited, there was not a lot of discussion between the board and the executive members who did not see the point of having the board members take part in the operating committee meetings. In fact, Tom Kent’s expectations of the board were quite limited, because a lot of the information the board could provide him was already given by Jacques-Antoine. Still, they could help the operational executives take a step back from their day-to-day detailed work. And, for Jacques-Antoine, the analysis he could get from board members contributed to enriching his own view on the business and his strategy.

_They really have their parts to play in analyzing what we do, in asking the right questions in such a way as to get the right answers to get the answers prepared (family member)._ 

Even if Tom Kent got most of the information he needed to manage the firm from Jacques-Antoine, operating committees allowed complementary feedbacks that might challenge Tom Kent’s running of the firm.

**Challenging the management**

The board of directors remains a control mechanism. Therefore, the role of the board members could be perceived as criticizing the way the work was done. Still, this task remained to Jacques-Antoine’s role. His expertise of the business
and his day-to-day presence in the firm made aware of how the firm worked. He was in a better position to evaluate decisions and their potential success.

Still, it’s above all Jacques-Antoine who questions, who criticizes, much more than we do. (…). Jacques-Antoine, chair of the board having delegated operational management to a general manager, is still very active in the company, with his office in front of the general manager’s—he sees people every morning. So he’s active in the business, although he tries not to seem like the person who is giving orders—he tries not to short-circuit his general manager, of course, but he’s involved in operations. He sees things being done, sees them move. (…). He sees the things that are done and the things that aren’t done, that are done well, that are not done quickly, and so on. (…). He is a frequent and constructive critic. What he does helps to orient things, and so when it gets to us, Jacques-Antoine has already been turning it over in his mind, and we know he has been; so, again, there you have, in some way, the legitimacy he has with us, where we show up one morning and we find not that the action is finished but that when there’s a problem he already knows it by heart. (…). We show up three months later, we don’t know, we still don’t know, or we can be behind in some way (non-family member).

For this reason, these meetings contributed to improving the management of the business. They complemented the day-to-day discussions Tom Kent and Jacques-Antoine had. Indeed, through the questions Jacques-Antoine asked, the discussions he took part to, Tom Kent could get additional feedback from Jacques-Antoine.

Actually, the role of the board varied greatly, depending on whether the discussion took place in operating committee meetings or in board meetings. Those involved only Jacques-Antoine and the board members. Board meetings contributed to improving the management of the family business by comforting or challenging Jacques-Antoine’s strategy.

**Comforting and challenging Jacques-Antoine’s strategy**

Board meetings took the form of very informal discussions during which board members supported Jacques-Antoine in strategy making in different ways. The role of board members did not consist in monitoring Jacques-Antoine’s strategy. Jacques-Antoine was the shareholder. He founded the business, developed the market and still had the highest expertise in this market. For this reason, the atmosphere contrasted completely with the operating committees. The role of board members was rather to help Jacques-Antoine build confidence in his strategy through discussions, comments, constructive critics that challenged his view. By sharing their view on the management of the business, board members could add value to Jacques-Antoine’s analysis and prevent him from making mistakes. Jacques-Antoine expected it from them. For this reason, he not only facilitated access to information, but he paid attention to be transparent.
Jacques-Antoine relies on transparency; he seeks consensus. He makes sure that we have the information, that we have a choice in the matter, even if it means there had to be a lot of meetings, because when something turns up and a decision has to be made, he calls meetings (non-family member).

Board members’ opinion contributed to building confidence in decisions. When they shared the same view of the business, they comforted Jacques-Antoine’s analysis.

When everyone seems to be of the same opinion, we say we agree, and that lends confidence. (...). If he sees that everyone is more or less with him, without being complete yes-men, even if you always have to think that if we say yes at 50% it may be because we think it’s 40%, but if we say yes at 80% it’s because we think it’s yes at 70% and so we have to go for it. He probably makes a little correction for that—it would be logical for him to—but, in any case, if he sees we have a point of view in common, he will make a move a little more easily and a little faster (non-family member).

When their views differed, through their questions, comments, they challenged Jacques-Antoine’s analysis and forced him find new solutions or justifications to his strategy. In doing so, they helped him reinforced his strategic analysis or improve it. They could also suggest new ideas. Challenging Jacques-Antoine’s view was possible as he appointed successful businessmen to the board and developed friendly relationships. The mutual trust that developed between them contributed to building open discussions. In parallel to the management of the business, Jacques-Antoine was thinking about how to organize his succession.

Organizing Jacques-Antoine’s succession

In 2009, Jacques-Antoine decided to organize his succession. Part of the process was the development of a governance structure that would deal with the family and business considerations. Since a few years, Antoine-Arnaud Green was groomed to take over the business. When her daughter finally manifested her desire to succeed him, Jacques-Antoine decided to reconsider his succession plan.

Creating an ownership governance structure

Keeping the family in the ownership

Jacques-Antoine’s aim was to organize his succession in such a way as to maintain family ownership. Previous generations had split the family business among
children and they did not develop a family ownership. It was in this perspective that he, with his family, attended a family business seminar in 2004. 

I’m organizing the families in such a way as to recreate a family core (family member).

He expected information on how to organize the governance of the firm in a way that would shield the business from the effects of family emotions. There was a need to create a committee dedicated to family considerations.

Building a purely family locus of arbitration that doesn’t interact with the market, well, that interacts with it, of course, through dividends, but that doesn’t have anything to do with business decisions (non-family member).

During the family business seminar, questions related to the governance were discussed. Children were asked about their interest in the family business. Each child had the opportunity to express his or her interest for the business and the role he/her would like to play in the future. The three of them intended to remain in the ownership but had different project regarding their involvement in the business. Antonia, the oldest, did not want to work in the family business. She manifested a higher interest in sitting on the board. At the time, Antonia was a product manager in the United States. When she completed her business education in the United States, she decided to settle there and was hired by a firm, in a joint venture with the Green Company. Antonia worked in the same industry as the Green Company, but she did not want to enter the family business.

She decided not to go into the company, to be only on the board, to take part in the growth of the firm but not to be in management, because she wants children. She wouldn’t want not to raise her children (...). And she said that if she works for the company, she won’t have the time to raise her children, since she goes all-out. She’ll give 120% and she’ll forget. And since, for her, the company is her father, who gives 120% (family member).

Antoine-Philippe, the middle child, worked in information technology and did not want either to go into the family business, nor being involved in a board. He preferred acting as a sleeping partner.

For now, he’s working for a company and wants to stay there. That’s fine, that’s great. So, he’s living his life and one day we’ll see — he’ll have to ask (family member).

Finally, Antoine-Arnaud, who joined the family firm the year before, clearly expressed his desire to get a managerial position in the firm and to succeed his father in the future.

In view of the three children’s desire to remain in the ownership, Jacques-Antoine decided to involve them in the governance structure. He created a committee which aim was to deal with the family and business relation. The family council would therefore be composed of his wife, his children and their spouses.
Creating a family council

Jacques-Antoine started gathering the family together and organized a meeting twice a year to inform the family about the running of the business. Their main task was to organize the relationships between the family and the business. They soon decided to create a family charter that would deal with issues such as the management of the family members, requirements to enter the business, to sit on boards, distribution of dividends.

It deals with the representation of the family on the board, the rules for going into the company. (...) If we want a solid general manager, there have to be some guarantees; he has to know a grandson or a nephew won’t be dropped on him: ‘Hey, look after him.’ So he has to know there are rules, that things are clear. (...) Well, the dividend rule. How much we pay out in dividends (family member).

By 2009, the family charter was nearly finished. Jacques-Antoine had decided to delegate the creation of the charter to his family. He expected to get them involved in the governance of the family business. They would as well be committed to respect the rules of the charter, as they would have participated in its creation. Each child was assigned a task in the development of the governance of the family business. Antonia’s task consisted in writing the charter. Surprisingly, this project made no progress.

There’s a problem. Antonia didn’t do anything. And she thinks the charter is pointless, though she had agreed earlier that it was useful. But since she didn’t do anything, she says now it’s worthless. (...) Because she is very rigorous, but since she has been found at fault, she defends herself any way she can. She is at fault there. Well, we can’t hold it against her. (...) For three years now she was supposed to have done it, three years I’ve been telling her ‘come on.’ We have a meeting—there has to be something. And so the boys worked. She didn’t do anything (family member).

During the family meetings, other questions about the future of the family business were discussed. They had to think about the future of the company. Would it remain family controlled? Should they guarantee the redemption of the family’s shares for the family members who might want to sell out? All of them had to discuss these questions and decide all together.

If all of a sudden somebody wants to sell, well, the others have to be ready to buy. So there has to be a system of funds to be able to buy out whoever wants to leave. Or someone else will have to be brought in. All that has to be said. Whoever wants to leave one day will have to have the money right away, because after, it won’t be ready (family member).

Jacques-Antoine wanted to create rules for organizing the ownership and interaction of the family and the business before problems occur. As he was a member of the family business network, he regularly met other family leaders and was aware of the problems of maintaining family ownership over generations or of shielding the business from family problems. Following one of these
meetings, Jacques-Antoine decided to create a family ownership council in addition to his family council.

**Creating a family ownership council**

At the moment, Jacques-Antoine used to gather together with family business leaders regularly to discuss the problems they faced in the governance of their business due to the relation with the family. They used to discuss about the solutions they found to resolve their problems. Among these family business leaders, one of them had succeeded in developing an ownership of 500 without listing his company. For this reason, his advices were often taken into consideration. The family leader described how family considerations introduced problems in strategy making. This derived from the presence of family members during board meetings. Though they had no voting rights, they had a voice in decision-making. To resolve this problem he created a committee limited in its composition to the family members.

*He said: ‘There absolutely has to be a meeting limited to shareholders, because otherwise the family members will come first. That’s how it is with us. Look at the shareholders.’ I don’t remember anymore how many of them there were. And the family was ten times bigger because that’s what happens over heaven knows how many generations. There are ten times more of them, and the shareholders are minority owners (family member).*

Drawing on this leader’s experience, Jacques-Antoine created as well a family ownership committee. He limited the access to the family members who had voting rights.

*I have a family ownership council in which votes are cast in keeping with the number of shares in the company and the family council, where it’s one person, one vote. (…). The shareholders now are my children, my wife (family member).*

With such governance, the business would be prevented from family conflicts. Only family members who had a stake in the family business would take decisions related to the business.

*The general managers know that, for the company, it’s the shareholders who are going to vote, not the whole family. So that limits things a little. Here, interests are aligned. Because there can be other interests when you’re not a shareholder (family member).*

As a consequence, Antonia’s husband and Antoine-Arnaud’s wife would no longer be involved in the family ownership council. Jacques-Antoine observed that Antonia not only disagreed with this decision that excluded her husband from the family ownership council but also seemed to have a difficult relationship with her brother Antoine-Arnaud.

*My daughter doesn’t like it. She’s all alone in the U.S. She’s married to a German. And there’s not much communication. There’s her brother [Antoine-Arnaud] who’s a two-hour drive from*
her, also in the US, and they hardly ever see each other. So it’s not normal — there’s a problem (family member).

Jacques-Antoine wondered if Antonia wanted her husband rather than her brother, whom Jacques-Antoine had been grooming to succeed him, to take his place.

Grooming Antoine-Arnaud to succeed Jacques-Antoine

Jacques-Antoine did not bring up his children to work in the firm. He preferred to let them decide, on their own, what they wanted to do in their professional lives. In 2005, Antoine-Arnaud had manifested his desire to succeed Jacques-Antoine. Two years before, he had entered the family business. At the time, Antoine-Arnaud completed his business education and had spent three years as a financial auditor in a company specialized in accounting and auditing. He no longer wanted to work in accounting and expressed an interest in going into the family business. He relied on his experiences as an intern to meet the requirement for five years work experience outside of the family firm that Jacques-Antoine asked for. Several years before, Jacques-Antoine and his brother had created a rule for the children interested in going into the business: they would have to have five years of experience outside the family business.

In 2003, the firm needed a marketing manager. Jacques-Antoine agreed that Antoine-Arnaud could enter the business as a product manager. He became marketing manager the following year. These years of experience in the family business comforted Jacques-Antoine Green on Antoine-Arnaud’s ability to perform in his job. Still, he was wondering whether he could succeed him. He sought the help of the board members in evaluating Antoine-Arnaud’s ability to take over the firm. Jacques-Antoine and the board of directors decided that Antoine-Arnaud would spend three years in different positions of leadership in the firm and that they would then be able to evaluate his progress.

Jacques-Antoine: The thing I want, as the head of the family (...), if he’s capable of it, is for him to take it on, if he’s capable of it. Now, professionally, to judge him, we need people from outside.

Jacques-Antoine had planned to retire in 2015. In 2009, Jacques-Antoine knew that he had three years to decide who would replace him as Chairman of the family business and another three years to train his successor. Therefore, the 5 years of Antoine-Arnaud’s experience had been organized to train him and evaluate his potential ability to hand over the business.

Though Antoine-Arnaud did well as marketing manager, this position did not provide him the opportunity to demonstrate his ability to develop a business. Jacques-Antoine and the board members decided to have Antoine-Arnaud
develop the US market. They decided as well that Antoine-Arnaud should report only to the board of directors, not to the general manager, as the aim was to have Antoine-Arnaud take the helm of the firm.

My son Antoine-Arnaud (...) is there and he’s making progress. He’s being trained to take my place. The board is satisfied. (...). For now, he has his budget. He presents his results. Every year, he works with the board, with the people, so that the people can get a clear idea of his ability (family member).

Each board member relied on his professional experience, and their experience of the family business to do so. Jacques-Antoine would weigh the board’s analysis and decide if Antoine-Arnaud could succeed him.

So will he be up to it or will he not be up to it? We’ll see. So says the board. I’m counting on the board for that (family member).

To prevent discord in the family, Jacques-Antoine did not want to appear to make the decision on his own.

The decision will ultimately be mine, of course, but most of all I don’t want to decide myself, because that will cause problems in the family. So I hide behind the board (family member).

Jacques-Antoine had not yet decided about his succession. When Arthur, Antonia’s husband, recently asked to enter the family business. Finally Antoine-Arnaud might not be the only child interested in taking over the business. Antonia and Arthur could be interested as well. Jacques-Antoine, then decided to rethink his succession plan.

**Selecting the most talented family member to succeed Jacques-Antoine**

For several months, Antonia had been complaining about a change in the rules of the game, particularly, that the rules for entering the business were not respected. She disagreed with Jacques-Antoine’s decision to have Antoine-Arnaud take over as chair. Antonia suggested that she and her husband would be in a better position to succeed her father. After all, Arthur is older and more experienced than Antoine-Arnaud, although his experience is in a business quite different from that of the Green Company. Antonia had never been involved in the family firm, but had worked in the same industry as the Green Company. She held a position as product manager in a large company and did well.

My son-in-law and my daughter say: ‘We aren’t living off the company. We did our thing, we’ve had careers, and we’re fine, but shouldn’t we go into the company?’ (...). Now she says: ‘But Antoine-Arnaud hasn’t done his five years.’ Ah, that’s interesting, because (...) now Antoine-Arnaud has been working for five years. (...). ‘And he considers himself the chair of the Green Company. He had to say to her: ‘Fine, fine...’ (...) but she doesn’t like it. So, all
that, you have to be careful. (…). She disagrees. She says: ‘You’re changing the rules.’ (family member).

Both Antoine-Arnaud and Antonia envy for the position of chair of the family firm and claim they are the most legitimate for the position.

My daughter says to me: ‘I think we can contribute a lot more than he can…’ (…). And then when I say why can you contribute more: ‘Eh, well, because of my turnover, my profits …’ (…).

I said to her: ‘Well, he has turnover, he does a good job, he has clients, and he gets along with everybody.’ I see her, and she says to me: ‘Yes, but you’re closer to him.’ ‘Well, I work with him, so I can’t help but be closer to him. But when we go to your place, we feel like outsiders.’

Well, yes, but all that, it’s… But all that, well, you’re mixing emotions and work, so that’s why you have to get rid of the emotions and work only professionally (family member).

Jacques-Antoine did not want his children to clash over the chairmanship. Antonia and Antoine-Arnaud were getting along worse and worse. Jacques-Antoine fears that their relationship would grow acrimonious. He rethought his succession: Antoine-Arnaud could manage the European region and Antonia and her husband the US region. But Jacques-Antoine would still have to decide which of the three would chair the Green Company. The decision was difficult to take and it was too soon to take it. Jacques-Antoine considered alternative options for his succession if necessary.

The succession had already been facilitated for Antoine-Arnaud. When the banks had decided to retire from the ownership, they had thought about a mechanism through which Antoine-Arnaud would get shares in compensation of good results. Thus, the banks made sure the ownership would remain in the family. This was also their interest. For Jacques-Antoine, this operation would also give Antoine-Arnaud the majority in strategy making, unlike what Jacques-Antoine went through when he managed the firm with his brother.

Jacques-Antoine had also taken into consideration his daughter’s desire to chair the company in the future. For Jacques-Antoine both children had the potential ability to chair the Green Company. In the context of a choice between Antonia and Antoine-Arnaud, the board members would help Jacques-Antoine evaluate the two candidates and find a solution to his dilemma.

For the time being, Jacques-Antoine needed to make sure that Antoine-Arnaud and Arthur could work together. He decided that the three of them would spend time together and work for a while together. Jacques-Antoine wanted to determine whom among Antoine-Arnaud and Arthur was in a better position to chairing the Green Company.
8. The Yellow Company

I clearly have confidence in the fact that what we are living through is a transitional situation that is inevitable in family businesses. In fact, if there are 5 who get along, well that has its effectiveness. If we can operate in a democratic system, well that has its effectiveness. Anywhere in the Middle, we just try to get ourselves organized. (Paul-Nicolas, Chairman of The Yellow Company)

Introduction to the Yellow Company

A brief description of the development of the firm

The Yellow Company is a European family business created in 1923 by Albert Yellow, and his brother Charles Yellow. The company’s roots can be traced back to when the two brothers launched an industrial activity: the transformation of vegetables, under the name of Yellow. At its inception, they decided that a non-family member would run the company. They recruited an engineer, John Sead, to take the responsibility for production. In 1924, the first production was sold to the food industry sector. The family soon expanded its activities with the aim of producing the largest possible range of products.

In 1945, Albert prematurely died, leaving Charles as the head of the company. At the same time, the second generation family members: Albert-François, Charles-Jean, Charles-Pierre and Charles-Paul entered the business. They were joined by the third generation in the 1980s.

Over the years, the family firm has developed through internationalization (France, Spain, Italy, Germany, North America, China, and India). In 2009 it was a third generation family business which processed and sold vegetables all over the world. It employed about 6000 people and managed more than 30 subsidiaries across the globe. The company’s turnover was in excess of 2 billion Euros.

At that time, Yellow was a wholly owned family business. Made up of eight branches, the family ownership counted approximately 200 family shareholders. However, 2009 remained a period of transition as since 2004 the second generation had started handing over the business to the third generation.
Non-family members at the head of the Company

Although Albert and Charles founded the business, they decided to let a non-family member run the Company. Since its inception John Sead took part in the entrepreneurial adventure of Yellow. He was in charge of the production and played an important role in the development of the Company until he died in the late 60s.

Family members decided that Alan Boemer would replace him. Alan Boemer, who neither was a family member, undertook the industrial development of the Company in Europe and the United States of America. He held this position during 10 years, until John Groewer became CEO. Ultimately, when the first generation headed the Company, only non-family members were in charge of running the overall business. The second generation kept on appointing non-family members as CEO to run the operative business of Yellow. In their leadership of Yellow, they were successively supported by Peter Saylor and Paul Rime, until they handed over the business to the third generation in 2004.

The founding families

When they founded the business, Albert and Charles each owned 50% of the ownership of the Company. Albert who had the idea to create the business was the leader. Still, their equal stake in the ownership might cause problem in decision-making and lead to strategic inertia. The brothers decided to introduce bankers in the ownership (0.2%) to solve their potential problem of lack of majority. As a result, each branch owned 49.9% of the ownership. External members were nominated in the board of directors to represent the bankers. They were trustworthy persons who were expected to come to a final decision in favor of the whole family if necessary.

Albert and Charles got on very well and worked hand-in-hand during 20 years. In 1945, when Albert died, Charles took the leadership of the firm. The Albert branch was then represented by Albert-François, Albert’s elder son. For 20 years, Charles and Albert-François have alternatively chaired the Company. In 1970, Albert-François retired and he was replaced by his brother, Albert-Emile.

In the same year, Charles died and was succeeded by his elder son, Charles-Jean to chair the Company.

He was the eldest. (...) He had the birthright (family member).

A few years before, Charles had organized his succession to his children. He had created a legal entity named CHAJP in which each of the three sons had 26.5% and each of the two daughters 10.24%. Through this repartition of the
ownership, Charles “sought to ensure that two of his children would be in total control” (family member).

When the second generation was at the head of the Company, they pursued the entrepreneurial project started by the founders. Still, changes in ownership occurred and influenced the two families’ relationships.
Figure 15: The 3rd generation Yellow family
The second generation’s leadership

Changes in the family ownership

Challenges to trust

Loosing parity in the ownership

During several years, the management of the business was focused on the development of the Company. The family leaders decided that they would not pay dividend and rather reinvest their profit in the development of the business. As a family member caricatured: “a shareholder has no place here. We would say to a shareholder: ‘you’re really lucky to be a shareholder; now, keep quiet’”.

In the 70’s, the family had increased in size. Not all family members were involved in the business. Especially, women had no voice in the management of the family business, that is, of their ownership. Albert-François’ sisters wanted to sell out. At the time, Albert-François and his younger brother Albert-Emile lacked enough money to buy their shares. And they did not want the Charles branch to get the majority ownership. They sold 15% of the shares to a company named GEMMA which was interested in getting a participation in Yellow ownership. Although GEMMA never was represented in the board of directors, this decision created conflicts among the two branches.

Obviously, it has created tension, and these tensions went on to create inextricable situations. And it was tense, but for 20 years (family member).

Since this change in ownership, relationships among branches went through a difficult period. On one hand, equality between the two branches was no longer ensured.

When the girls sold, the Albert family branch was certainly made to feel inferior, and there was more leadership coming from the Charles branch, with Charles-Jean serving as Chairman until his death (family member).

On the other hand, the Albert branch was blame for introducing a stranger in the family ownership. Albert-François was always reminded:

You’re not playing the game, you brought outsiders into the group. Even if they do not have managerial positions, you could have at least offered us the shares (family member).
The brothers of the Charles branch had different views on this situation. Charles-Paul and Charles-Pierre “thought that their father and uncle Charles-Jean was not forging enough of a bond with the Albert branch” (family member). In contrast, they “managed to maintain good relations with Albert-François and Albert-Emile, so much so that when the opportunity to buy out their shares presented itself, everything went well” (family member).

In the late 80s, GEMMA wanted to sell their shares. Unfortunately, Albert-François and Albert-Emile could not afford buying all shares. They — especially Albert-François — gave priority to the interest of the family and accepted that the Charles branch buys the remaining shares and gets the majority voting right. For him, the important thing was for it to become a family firm once again. So this really was a key element in the company - getting acceptance [from members of his branch] for our family branch to take hold of the majority stake (family member).

Albert-François and Albert-Emile decided to give up their right on the bonus they could benefit for their loss of majority. They only asked a small amount of money (1.2% instead of 15% of shares value). In compensation, they negotiated to remain equally represented in the board of directors during six renewable years. When we took the majority stake, it was agreed that, on the Board of Directors, we would keep as many directors on both family branches. (...) So there was friction [between the two branches], but the core was kept (family member).

After the deal was completed, the Albert branch had 34% and the Charles branch 66% of the ownership. Each branch was represented in the Yellow board of directors.

**Losing voice in decisions**

During approximately 10 years, the firm was controlled by Charles-Jean, Charles-Paul, Charles-Pierre, and Albert-François and Albert-Emile. The power was mainly in the hand of Charles-Jean who was Chairman, Charles-Paul and Charles-Pierre. The sisters from the Charles branch were not involved in decision-making. And the Albert branch was in minority.

The three brothers got on very well and developed good relationships with the general manager, John Groewer. Charles-Jean and Charles-Paul did not work far away from one another, but they were localized in two different towns. Charles-Jean ran a factory and Charles-Paul worked at the headquarters and handled day-to-day business, and the commercial activity.

In the 80s, when Charles-Jean died, the most influential family members became Charles-Paul and Charles-Pierre. At that time, Charles-Jean’s children went through a period of frustration because they had pretty much been under the wing of Charles-Pierre and Charles-Paul (family member).
this is what makes his children, namely Jean-Etienne, say: 'in fact, our father died prematurely, and all of a sudden we, the next generation, we lost our defender and we were forced to suffer though the diktats of Charles-Paul’ (non-family member).

With their father’s death, the children and their mother had lost voice in decisions. They felt their interest was no longer taken into consideration in decisions about the management of the family business. This disequilibrium between branches could damage family members’ relationships.

Maintaining family unity

Charles-Paul’s informal leadership

Retaining branches equality

Charles-Paul had always been a true leader among the second generation family members. Even when Charles-Jean was Chairman.

The leader, has in fact always been Charles-Paul, who has a stronghold on leadership because he has unconditional support from his brother Charles-Pierre, who is just a year older than he is (family member).

Charles-Paul and Charles-Pierre had the majority voting rights. Together, they owned 53% of the Charles branch ownership that represented 66% of the Yellow Company. Charles-Paul and Charles-Pierre who were nearly the same age had spent lots of time together during their childhood, and had developed closed ties. Charles-Pierre was passionate about his work at Yellow. He developed expertise in procurement and logistics management, and was very successful at his job. Apart from his area of expertise, he did not show any interest in the running of the company as a whole, and he trusted his brother to take decisions in the interest of the business, and to preserve his own interests. Charles-Paul’s leadership relied as well on his abilities to convince other family members.

He was a very good salesman and he had real power that was not overtly displayed; Charles-Paul would forge ahead in a certain direction and the other three, Charles-Pierre, Albert-François and Albert-Emile, essentially followed him as one man (family member).

When Charles-Jean died, John Groewer replaced him as the CEO and Chairman because Charles-Paul did not want to hold this position, and Albert-Emile was still young. Charles-Paul was the one who exercised power but he was not interested in titles and representation. He preferred operating behind the scenes. As family leader, Charles-Paul’s principal intention was to preserve family cohesion.
“He has always had an ambition to maintain order and cohesion in the family, so that the company remains longstanding, and so that we say it is doing well” (family member).

**Preserving family cohesion**

Charles-Paul proceeded in different ways to maintain family cohesion. In leadership decisions, he suggested to nominate Albert-Emile Chairman of Yellow. This happened in the 90s after the Charles branch got majority voting rights. Even if the two decisions were not simultaneous, 

somewhat of a deal was struck: ‘you let us have the majority and now we are allowed to...’ (…). 

As a matter of fact, Charles-Paul and Albert-Emile always got along. (…). Sure, Charles-Paul thought of it as strengthening the family link, and that it would serve him well to have a satisfied Albert family (family member).

At the same time, Albert-Emile was the appropriate person for this position as an employee depicted it several years later. He was 

the face of the company, the face of communication. (…). He speaks well. He presents well. He is very pleasant. He was tasked with representing the company on the outside and he did it very well (non-family member).

Therefore, Charles-Paul paid careful attention to the Albert branch, especially he did all he could to ensure that the Alberts were comfortable and did not suffer from being a minority holder (family member).

Charles-Paul’s concern for family members was not limited to Albert branch. As far as possible, he endeavored to involve family members in the family business. In the past few years, the family noted that its influence had declined in favor of the management. To reverse this trend the family decided to nominate family members in the boards of the Yellow subsidiaries.

**And this is where we created these famous positions. One from each family thinking that we would try to find a balance; one individual per family and each would have a designated position (family member).**

In the management of family members, he ensured equality was preserved among branches. This comprised the involvement of family members in the business, their remuneration, and their evolution in the hierarchy during their professional lives.

**Initially, when it came to salary management, it was equal between the branches. At the same age, it was necessary that they evolved at the same level. We didn’t worry about what they were doing or how they were doing it (non-family member).**

In 2004, when the second generation family leaders handed over the leadership to the third generation, they nominated multiple family members in the governance. The elder children of each branch, Paul-Nicolas, Pierre-Alexandre,
Jean-Marie, François-Régis and Emile-Antoine, were nominated in the Yellow board of directors. Other family members (from each branch) in the executive committee (subcommittee of the board of directors): Christian Jan (husband of Jeanne, Charles-Jean’s daughter), Emile-Antoine, Pierre-Antoine, François-Régis and Paul-Nicolas. In the holding CHAJP, Charles-Paul ensured equal representation of the Charles’ branches through the nomination of Pierre-André and Pierre-Marine (Charles-Pierre branch), Jean-Etienne and Pierre-André (Charles-Jean branch). Charles-Paul continued to pay attention to family unity when the third generation succeeded the second generation.

The third generation’s leadership

The evaluation of the situation

When the third generation took over the leadership, it evaluated the situation of the business. The evaluation principally concerned the governance of the Company and its performance.

The governance of the Company

In 2004, the ownership was organized in multiple legal entities that gathered together the family members of the founding branches. In fact the operative business was hold by three legal entities: CHAJP (66%), AFA (21%) and AEA (13%). The first one rallied the second generation children of Charles. It was composed of three distinct holdings that respectively belonged to Charles-Jean branch (26.5%), Charles-Pierre branch (26.5%) and Charles-Paul branch (26.5%). In addition, the two sisters Charline and Charlène each owned approximately 10% of CHAJP. Albert-François and his sister Albertine were involved in the AFA. And, Albert-Emile and his sons joined in AEA. Each of the three holdings had their own board of directors. At that time, the board of directors of the operative business, the Yellow board, was composed of several family members: Paul-Nicolas (Chairman), Pierre-Alexandre, Jean-Marie, François-Régis and Albert-Emile.

*It was often a case of rubber-stamping as we had an executive committee which was pretty much a board of directors… (family member).*

This executive committee was made up of different family members of the holdings: François-Régis, Emile-Antoine, Christian Jan, Pierre-Antoine and Paul-Nicolas.
This was the interesting body. (...) Discussions were held between management and representatives of this body which was called the Executive Committee. This is mainly where investment was discussed (family member).

One of the first tasks of the new Yellow board was to hire a consultant to analyze and evaluate their governance structure. The audit revealed an ungovernable situation. The CEO was at the same time the superior of the family members who were managers, and the subordinate of the same family members who were owners. This situation was not without creating problems.

You had people [family managers] who gathered information, who were always in contact, who listened, etc. and others who returned [from Yellow company’s board meetings] and then asked ‘So how does this work? How does that work? (family member).

In addition, the governance structure did not allow an efficient decision-making process.

**Decision-making process**

Since the 70s, the family members of the two founding branches, Albert and Charles did not gather together. Except in the context of the Yellow board, holdings met separately. Consequently, the CEO had, to get his decisions approved, to present his projects to the members of each holding separately, then to the executive committee and finally to the Yellow board. During several years, decisions had gone through this process and different committees to get examined and approved. It entailed for Paul Rime to present investment projects at least four times.

And what was a little crazy, was that we asked Paul Rime to make investment presentations to the executive committee, and then another presentation to CHAJP and then a presentation to AFA-AEA. They would get together and then once it was all sorted, we went to the Board of Directors (family member).

In addition, the various boards and the executive committee differed in their composition. The CHAJP board of directors was made up of Jean-Etienne as Chairman and Jean-Antoine (Charles-Jean branch), Paul-Nicolas as CEO, and Pierre-André and Pierre-Marine (Charles-Pierre branch). None of them were members of the executive committee. Finally, the family members involved in CHAJP and in the Yellow board did not necessarily communicate with one another though they belonged to the same branch. The decision process clearly lacked efficiency and could not guarantee the performance of Yellow.
The performance of the Company

In 2004, the performance did not meet the expectations of the family members. In the past few years, the competition had intensified and the dynamic of the industry had evolved. The Company faced numerous technical changes and challenges on its markets. In the past few years, it did not seize opportunities to develop its businesses and did not make any strategic moves. The top management had kept going with the same strategy for several years and did not even have a strategic plan for the future. Family members questioned whether Paul Rime, the current CEO, was the right person to lead the Company in the future and whether the organization would still be viable to compete and achieve performance. Paul Rime had developed a hierarchical organization in which he used to decide on his own. The third generation family leaders were conscious about the inefficiency of the governance structure.

There was a sort of managerial aphasia, but in terms of governance. It was soft governance. Although on paper everything was fine. But inevitably, you had a second generation nearing its end, so there were decisions, I won’t say that were necessary, but that took too much time. (...) So you had a family that had lost its bite, a management team that did only what it had to, Paul Rime, who was inevitable less challenged, or not sufficiently challenged. (...) no concrete strategic proposal, maintenance of the status-quo. (...). I attribute it to a transition that came too late, a lack of assertion from the family leadership within the third generation (family member).

They decided to introduce changes in the governance of Yellow to improve its effectiveness and the efficiency of strategy decision-making.

Changes in the governance of the family business

Developing a new corporate governance structure

The third generation family members decided to professionalize the governance of Yellow. They changed the composition of the boards of the holdings and Yellow, improved decision-making and created a committee for the management of family members.

Changes in boards’ composition

2004 was a period of transition. Apart from Albert-Emile, the second generation retired from the Yellow board of directors. Besides the third generation family members, the family decided to nominate two new directors: Alan Grame, a former manager, and Peter Stid, an external director. It was the first time an
outside director was involved in the board. Up to now, family members had exclusively appointed internal directors.

With the arrival of Paul-Nicolas, he perhaps wanted greater legitimacy, and so we went to look for managers who perhaps had more confirmed skills (non-family member).

Professionalization of the governance would not be limited to the involvement of external directors. The composition of the governance committees — the boards of directors and the executive committee — had to be reconsidered.

The idea, in terms of governance, was effectively for there to be some cohesion between the holdings and the Yellow board. The holdings would include a member or two per branch and one of these members would sit on the Yellow board (non-family member).

The Yellow board members decided that it was impossible to be at the same time in the top management, and in the board of directors. Additionally, the nomination of a family member on the Yellow board required that this family member was a board member of one of the holdings. As a consequence, Jean-Marie and Pierre-Alexandre had to leave the Yellow board, and Christian Jan and Emile-Antoine the executive committee. At the time, Christian Jan was financial manager and Emile-Antoine Deputy CEO.

In 2006 the Yellow board became composed of Paul-Nicolas, François-Régis, Emile-Antoine, Albert Blanc (Husband of one of Albert’s daughters), Peter Saylor, Alan Grame, Peter Stid, Jean-Etienne and Pierre-Antoine who respectively replaced Jean-Marie and Pierre-Alexandre. Finally a new family member was nominated: Guillaume Louart who was not a shareholder but a second cousin of Paul-Nicolas.

In this configuration, the family members who represented their branch — Paul-Nicolas, Jean-Etienne, François-Régis and Emile-Antoine — were involved in the board of directors of the holdings, the Yellow board, and the executive committee. In addition to these changes, third generation family leaders decided to rethink the relationship between the management and the ownership so that strategy decision-making would become more efficient.

**Changes in decision-making**

To improve decision-making, the family leaders decided to simplify the process of decision. It consisted in reducing the number of presentations of the CEO’s investment projects at the family members. They would be presented at the boards of the holdings all at once.

Previously, the holdings gathered separately. Recently, they gather together. Business and investment proposals are presented and afterwards, they separate to decide (family member).

At the same time, the Yellow board was given greater role in decision-making, and the family more influence on the management of the business. Heretofore, the CEO used to take decision almost on his own.
“He had somewhat of a carte blanche to manage the company. The only time he had to defer to the Board, was to get the sign-off on investments. But for the rest, the family took a back seat.” (family member).

Peter Stid played a major role in the evolution of the governance. He had spent most of his professional life in family businesses and developed sensitivity to the cultural characteristics of a family business. Having performed during 10 years as CEO, he was well aware of the needs of a family business, especially in situations of leadership succession. He had taken part in the leadership succession between the second and third generations, and, in this context, in the development of the governance structure. In addition, he had served in boards of several family businesses. In the course of time, through discussions, he helped family members develop a new vision about the role of a governance structure and of a board of directors.

We formalized the following, making it clear in black and white: What is the purpose of a Board? What does the management team do? What does the Chief Executive Officer do? What does the Chairman of the Executive Committee do? Who reports to who? Who decides what? I did this with them but explained how it worked and citing examples that I had from other companies where I was a manager.

At the end, they had clear expectations towards external directors: “For them to challenge the management’s proposals, for them to generate proposals of their own, and for them to better organize the Board” (family member).

In addition, the development of the governance led to create three subcommittees: the nomination and compensation committee, the audit committee and the strategic committee. The main role of this latter committee was to challenge the management that is, the CEO, Rodolphe Dupret, in its running of the business.

This was the work of the strategic committee, which had not really operated as a strategic committee, but there had been the Board of Directors (...). So it is at this level that our thoughts will crystallize, and from there, we ask Paul-Nicolas to eventually respond to Rodolphe Dupret with the Board’s stance (family member).

The reorganization of the relation between the management and the ownership was not limited to the creation of subcommittees. To ensure the board members and the top management would run effectively the Company, the family members had to clarify their expectations towards the management. Board members asked family leaders to detail them in a roadmap. The roadmap would allow the management to propose relevant strategic projects and the board members to evaluate them properly.

The shareholders are aware of the roadmap, as is the CEO. This is not the strategic roadmap, but rather its framework. He knows what shareholders expectations are, implicitly understands what they mean (family member).
Creating a committee for the management of family members

During the second generation leadership, the management of family members was under the responsibility of Charles-Paul and Albert-Emile. They had contributed to the development of the business over time, they had voting rights. They were perceived legitimate to take these decisions. The situation differed for the third generation family leaders, who decided, in 2004-2005, to delegate this responsibility to the board of directors. They created a committee for the management of family members.

A body was created, a few years ago now (...), which is called the Committee of family human resources (non-family member).

The role of the committee was to examine the job applications of the family members and their career development in the family business. The idea was to ensure family members’ performance would be objectively assessed.

The 2nd generation met and could afford to judge the skill and achievements of the 3rd generation. Once the 2nd generation retires, (...) is it so easy to judge one’s cousins? (…) And so the idea was also to have an objective opinion (non-family member).

It was decided that the committee would be composed of a mix of family and non-family members: Jean-Etienne, François-Régis, Guillaume Louart and Peter Stid. The committee would be alternatively chaired by Jean-Etienne and François-Régis. The members of the committee sat up new rules for the involvement of family members in the business. Only family members with a professional experience of five years in another firm would be able to apply for a position in the family business. It was expected that family members would demonstrate competency, exemplarity and embody the family values.

The creation of the committee would bring substantial changes in the management of family members. The family leaders solicited the participation of the Human Resource Manager in the process to guarantee a fair transition with the former system and coherence with the overall management of the employees.

I was sought out create some alignment between management, operational HR and senior management, and to see how all of this could be managed (non-family member).

Besides these changes in the governance structure, the third generation family leaders attempted to transform the organization of the family ownership.

Changes in the family ownership

In 2007, Yellow celebrated its 75th anniversary. The third generation family members seized the opportunity of this event to gather together all the family members. They wish to consolidate the ownership and tighten family members’ ties.
The family fabric will begin to disintegrate – it's inevitable. They basically don’t know each other (FM).

Over time, the family had enlarged. It was then made up of approximately 200 family members. Family ties had declined. Most family members were no longer involved in the business and the interest for the business varied from one family member to another. As a family member declared, with the expansion of the family over generations,

we are moving further and further away from the founders, and sometimes we are drifting a little from the spirit and work ethic which could lead to a further separation from the perceived family aspect and from the family business itself. So now, it is clear that this is a very important issue to address, nor is it a simple one (family member).

Third generation family leaders wanted to strengthen family members’ attachment to the business. At the same time, they were conscious that some family members would be likely to leave the ownership. It was essential to give them the ability to sell out. If they wanted to retain family ownership control, they had to organize it before the second generation ownership succession was completed.

Third generation family leaders hired a consultant to help them organize the ownership transition between the second and third generations.

This was the action to be taken – bring into play family members who were previously not in the picture so that the 4th generation, the children, would not say: What is this thing? We don’t want anything to do with it? Let’s sell and be done with it (family member).

The consultant contributed greatly to facilitating communication between third generation family members, and gave voice to those who had never been involved in the business. For the first time, the women had the opportunity to take part in the project. The consultant suggested that family members work in teams on different topics to guide the family’s reflection on the relation it wanted to organize between the family and the business. These topics concerned the involvement of the young generation, the creation of a family council, the communication within the family, the family values, the liquidity of the capital, and the family project.

Some teams finalized their analysis and suggested the development of new procedures. For instance, rules were established for the involvement of the fourth generation in the business. Requirements were asked to ensure their ability to hold a position in the business and perform. For other teams, it was more difficult to achieve their work as they were not supported by the second generation who still had the voting rights and would decide at the end.

I joined the team that worked on the idea of the ‘family council’ and I realized that the second generation were not at all happy with the idea of a family council. (...) I tried to highlight that
better communication was needed, that some in the family were suffering. I was met with complete denial (family member).

Actually, the second generation was afraid these changes would disturb the family equilibrium and generate conflicts. Thus, the second generation family leaders slowed down the process and did not facilitate the reorganization of the relationships within the family. This resistance to change was not limited to the reorganization of the relationships within the family ownership. They were also manifested in several decisions that concerned the family business.

Resistance to change

Going back on strategic decisions

Organizational changes in Yellow

As new chairman, Paul-Nicolas started discussing with the board members about the performance of Yellow, its organization, its markets. They came to the conclusion that the organization needed improvement. They hired a consultant to audit the organization of Yellow who recommended organizing the Company by regions instead of countries, including European countries. In this new organization, Europe would be considered as a unique country. The European factories and commercial subsidiaries would report respectively to the industrial and commercial managers of Europe, who in turn would report to the executive manager of Europe.

European subsidiaries would essentially lose part of their decision-making power. Some managers complained about this decision. Among them was, Alain Talle, the CEO of the Italian subsidiary. Alain Talle, who had spent 40 years working with Charles-Paul, knew him very well, and persuaded him the decision lacked relevance. Charles-Paul, who fully trusted his judgment, discussed with the second generation family leaders — Albert-Emile, Albert-François, and Charles-Pierre — to get their support. Though the decision had been approved by the Yellow board and the executive team was ready to implement it, the second generation brought his veto. They interfered in the decision process and impeded the change from occurring.

"be twisted our arm and forced us to rethink the organization which we had agreed upon. This all lasted 3, 4 or 5 months. The board, which had approved the decision then went to the other side. (...) And all of a sudden, we were taking a step backwards (family member)."
Developing the business through acquisitions

In 2005, the executive team, with the support of the board of directors, decided to develop activities in Asia. They selected a firm to acquire and brought negotiations to a successful conclusion. They presented the project to the board of directors which approved the decision and gave its agreement to complete the acquisition. At the time, the Company was faced with performance problems. The financial results decreased. Several family members were afraid the acquisition would increase the firm’s difficulties. The second generation family leaders decided to forgo the acquisition.

*We had signed to complete the buyout of the company and then they forced us to say, ‘no’ (family member).*

It was not the first time the second generation hindered strategic decision-making.

Recruiting a new CEO

At the end of 2006, the Yellow board of directors decided to dismiss Paul Rime. Since 2004, the board of directors had planned to introduce changes in the organization of Yellow and came to the conclusion that Paul Rime was not the appropriate person to implement these changes. Paul Rime had pursued the same strategy over several years, and did not develop new markets or innovation. Even if he never implemented a decision without Charles-Paul’s agreement, he used to work and decide on his own, and did not collaborate with the executive team or the board. He was the opposite, in terms of leadership style and decision-making process, to the kind of CEO the third generation was looking for the management of the business. Board members decided to appoint a new CEO. They had nominated Christophe Durand and Bertrand Dupont deputy managing director. The new CEO, who was expecting to join the Company in the next six months, would run the Company together with the two deputy managing directors. Meanwhile, Christophe Durand and Bertrand Dupont would work with Paul-Nicolas, who would act as CEO. The nomination of Christophe Durand, who was responsible of Research and Development, as deputy managing director clearly highlighted the emphasis the board wanted to put on innovation.

In spring 2007, Rodolphe Dupret was approached and the board agreed to recruit him. The decision still needed the validation of the second generation, which vetoed the decision as the remuneration was partly composed of stock options. When the third generation suggested that Dupret reconsider the composition of his remuneration, he turned down the position at Yellow. The family finally came to an arrangement with Rodolphe Dupret who joined the Company at the end of 2008.
Dismissing a board member

In 2008, the family decided to change the composition of the Yellow board. Second generation family members decided that Peter Stid’s mandate would not be renewed. The majority of third generation family members disapproved this decision. Peter Stid had played an important role in the changes implemented between 2004 and 2008.

It was a regrettable situation because he brought a lot to the board (family member).

A few years later, some family members deplored that “he was too brutal” in his management of family members. Peter Stid had been involved in the committee in charge of the management of the family members, together with Jean-Etienne, François-Régis and Guillaume Louart. Peter Stid was the kind of man who used to communicate sincerely, might it be perceived a little be rough. When Pierre-Antoine’s performance was assessed by the committee,

be did not receive a favourable review and as he is quite emotional, (…) he was very sensitive about this. He felt very aggrieved, very unsettled and then everything went wrong, with him eventually ending up in my office in a troubled state and saying “I’d like to just leave’ (family member).

Pierre-Antoine asked the family to dismiss Peter Stid otherwise he would leave. In particular, he talked with his father who influenced Charles-Paul. It was then decided that Peter Stid would retire from the Yellow board. At the same time, Pierre-Antoine would be replaced on the board by an external member who would represent the Charles-Pierre branch: Alain Courme. The decision to dismiss Peter Stid manifested once again Charles-Paul’s priority of protecting the family from conflicts.

They prioritized the family. They found Peter Stid’s manner of handling things a bit too direct or brutal. (…). Ultimately, even though they might not have all been in agreement, for the sake of peace within the family, he could be sacrificed (family member).

The main concern of Charles-Paul was to retain control of the ownership in order to ensure the third generation would not take actions that would damage the family cohesion.

Retaining control

In order to complete the leadership succession, the third generation family members contemplated creating a family council to represent the family shareholders. The second generation agreed with this idea. Though it had its own view on the family council’s role and composition. Both perspectives differed significantly with one another. The real question was whether the family
members would merge the branches’ holdings to facilitate the representation of the family interests.

Creating a family council

With the expansion of the family in numerous family members and the leadership succession to the third generation, family members decided to create a family council. For the third generation, it was part of the succession process and would help the third generation family members organize their relation to the business.

Its mission would be “deal with all family problems, to help implement the charter, to deal with ethical problems within the family, things that go even as deep as the foundations of the family – things like that. Basically, everything that is not strictly related to business” (family member).

The members would be elected by the family members and represent the family as a whole.

As we are 8 branches in the third generation, I would have liked to have a representative from each branch (…) who would be appointed by his or her peers. In other words we would ask the family to sort of fill out an application form to be part of the family council. And then we would try to have someone who represents these 8 branches, of a minimum age, a man or woman, working within the family business or not…essentially trying to find an appropriate balance. And although the distribution of shares is not equal between all branches, we would be giving each branch a voice at the table without taking into account the percentage of shares they hold (family member).

This family council could not yet see the light as the second generation had a slightly different view about its role and composition. It should be held regularly to discuss the main decisions about the business.

In line with Charles-Paul’s thinking, it is essentially a general meeting where those who hold the voting rights were able to take a stand on particular issues (family member).

As a consequence, concurrently with the second generation family council, an informal family council emerged made up of some family members of the third generation. Those involved in the board of directors of the holdings gathered together to discuss how to organize the succession of the leadership, and the relation between the family and the business.

This is what François-Régis called the family council. What he had in mind was a board for the holding companies. (…). We are 7 on our side and they are 5, so that makes 12 people in total. That is what the family council should be (family member).

This informal family council lacked legitimacy, as its members were not elected by the family. It also had no decision power as the second generation family members still had the voting rights and did not recognize it legitimate either. For the third generation family members the solution lay in the merger of the holdings, CHAJP, AFA and AEA.
Merging the branches

In contrast with the second generation family members who were 5 — Albert-François, Albert-Emile, Charles-Jean’s widow, Charles-Paul and Charles-Pierre — the third generation family members were almost 200 in number. Family members came to the conclusion that third generation family members were too numerous to keep deciding all together. They contemplated reorganizing the ownership and considered merging the holdings. The merger of the holdings would introduce significant changes in the allocation of power among family members. At the second generation, the coalition of two branches — Charles-Paul and Charles-Pierre — had the majority voting rights and could determine decisions. With the merger, the branches would each have approximately 3% of voting rights, except Charlène who would have the majority voting rights with its 6%. The family members would have to find a solution to reach consensus in decision. In addition, some family members might want to leave the ownership structure. The family would have to let family members decide if they would remain committed to the development of the family business through their involvement in the management or in the ownership. It also would have to favor cohesion among family members in order to allow an effective management of the business.

I think that, on one hand, it is essential that some sort of main core is re-established, which will help to stabilize and preserve the group. The current difference with CHAJP, which at present is the unofficial main core, is that this new core which will result from the merger (certainly if there is a liquidity fund alongside it) and will be one that is wanted and that has been decided upon. While at the moment, this is an imposed core, linked to inheritance and the desired structure of the founders (non-family member).

Not all family members agreed with merging the holdings. In the Charles branch, some were not keen on losing their majority voting rights. In the Albert branch, some family members might have been willing to merge the holdings though they were reluctant to pay the bonus associated to the loss of majority to be suffered by the Charles branch.

In 2009, the branches had not yet reached consensus. Second generation family members slowed down the process as they were afraid this decision would create conflicts among family members and lead to an ownership break-up.

I put myself in the shoes of the second generation. It’s quite hard to let go of something. Charles-Paul dedicated his entire life to it. He really wants it to work well. (…). I heard Charles-Paul say that he would rather blow up the company rather than relinquish it. He said this because for him the company’s best interests came even before any strong ties he had with his own son. It is almost an Abrahamic sacrifice (family member).

As long as the second generation did not accept to merge the holdings, changes in the ownership would be difficult to implement. Arnaud Gil, in charge of family office, was quite confident that a consensus would be reached. The merger of
the holdings would make the creation of a family council possible which would represent the interests of the family.

*With the family council, the idea is to have representation for all family members with an amalgamation of operational and non-operational family members. (…). We at least have the intention to get ourselves organized and start implementing good practices. So, we know that when the family council reaches a certain threshold of development, a solution will be found (non-family member).*
9. Understanding Collective Trust Erosion

Erosion of trust may be perceived as a naturally occurring process over time. Still, it is not inevitable. Understanding how trust erodes in Multiple Branches Family Firms can prevent its occurrence, and can give insights into the actions to take to sustain it. I develop the idea that the family expansion in multiple branches is a critical context for the maintenance of collective trust in family firms. The development of the family in branches can lead to changes in family identification and to family collective trust erosion.

This chapter explores the process through which family collective trust erodes in Multiple Branches Family Firms. It offers, throughout the analysis of the four cases, a detailed reading of how identification with the Family changes when the family branches out, and how the grounds for Family (superordinate group identity) collective trust may no longer be perceived to be present. I identify two triggers of collective trust erosion that signal and follow from changes in Family identification: the denunciation of the familial nature of the family leaders’ procedures in business situations, and the denunciation of family leaders’ illegitimate ways of qualifying family members. I propose that with this change in Family identification — which may lead to multiple possible and conflicting identifications — membership in the Family may no longer be shared to generate Family collective trust.

This chapter is structured as follows: it first presents the domestic way family leaders engage in business situations as it constitutes the foundation of the Family collective trust that characterizes family members in the early stage of a firm’s development. It then describes how family leaders’ procedures are denounced by family members when the family branches out. This denunciation manifests varying and potentially conflicting stereotypical norms about the category family member, and follows from a change in identification. It also presents how, with the development of the family in branches, family members’ continuous becoming is revealed in emerging identification with the branch, and declining identification with the Family. Finally, it proposes how, in this context of declining Family identification, family members may perceive vulnerability in engaging in trusting behaviors. As a result, Family collective trust can erode.
Family collective trust

In the early stages of a firm’s development, collective trust relies on family shared membership. It is manifested in the familial nature of family leaders’ procedures. These reflect a domestic way of engaging in business situations. These procedures constitute grounds for the existence of Family collective trust among family members.

The family leaders’ procedures: a domestic way of engaging in business situations

In this section, I draw on the self-categorization theory (Turner et al. 1987) and the Economies of Worth (Boltanski and Thévenot 1987, 1991) to characterize the features of the Family social category. The properties of the Family social category can be perceived in terms of a Family prototype i.e. a “fuzzy sets, not checklist, of attributes (e.g., attitudes and behaviors) that define one group and distinguish it from others” (Hogg and Reid 2006: 10). These characteristics are manifested in the family leaders’ procedures in business situations. Family leaders reflect the norms and values of the family. They are representatives of the Family social category; as prototypical members, they best embody the group (Hogg and Terry 2000). Their procedures in business situations manifest the features of the Family prototype.

The Economies of Worth provides a framework for capturing the features of the group prototype using the main elements that characterize the worlds (subjects, objects, relation of worth, and the investment formula).

The domestic world (Boltanski and Thévenot 1987, 1991) is fecund to capture the peculiar and intrinsic familial nature of the relationships that characterizes the members of a family in business situations. This nature revolves around the notions of generation and reproduction. The emphasis is on individuals’ belonging to a same lineage. Relationships are considered in relation with the household and whether they unfold inside or outside the household. Inside the household, individuals are distributed according to the roles that they play in the reproduction of the family line.

Family leaders’ procedures exhibit a domestic way of engaging in business situations. They are expressed in the subjects and objects involved in situations, the nature of their relationships, as well as the principle of investment of family members in these situations.

The subjects involved are individuals who feel a sense of belonging to a same family. Their relations are hierarchical and rely on a principle of subordination based on engenderment. They derive their worth from their relations with others.
Understanding Collective Trust Erosion

This relation of worth is based on authority which originates from the primacy of the elder over the younger in the generational chain. Authorities may be the founders, fathers, mothers, uncles or aunts. They are the forebears, the elderly, those who are superiors in the generational chain of beings and responsible for the inferiors, the young, sons, daughters, siblings, and cousins.

The responsibility that the superiors have of the inferiors originates from the former having given birth to the latter and their duty to “share with them, according to their rank, the qualities that constitute their own worth” (Boltanski and Thévenot 2006: 166). It also comes from their creation or development of the business, and their possible intention to hand it over to the young. The superiors are benevolent and thoughtful towards the inferiors.

In business situations, the authority is the family leader(s). He/she (they) is (are) the elder family member(s) who founded the business or succeeded the founder(s) and took over the family business’ leadership. He/she (they) may be involved in the running of the business, but he/she (they) foremost represents the family ownership and ultimately has control over business’ decisions.

The objects are determined by the way they support and maintain generational relationships among persons. Upbringing is the main object through which the domestic way is revealed. It concerns the way family members were brought up and is manifested in the family culture. Through upbringing family members are transmitted values, behaviors, shared experience about the family business; they are instilled a relation with the business and a project for the business.

At the essence of the domestic world is the permanence, the continuity of a tradition. It is guaranteed by the nature of the relationships that links objects and subjects and revolves around upbringing. These relationships consist in giving birth, reproducing, training, receiving and returning.

In the family business, domestic relationships ensure the continuity of the development of the business over generations. Continuity involves family members entering the business, running it or at least remaining in the ownership to retain control over it. Tradition and continuity can be considered in a more or less restricted meaning. It can refer to the continuity of the management and development of the business, and include the constancy of an entrepreneurial spirit, or in a more restrictive sense, it can refer to the persistence of the same rules and perspectives in managing the business.

The investment formula is the rejection of selfishness. It promotes consideration for others, as well as the development of harmonious relationships. The worthier have duties and responsibilities over the less worthy that they include as if they had created them.

The domestic way of engaging the world was observed in three kinds of business situations: the management of family members, business decisions, and leadership succession. It revealed the familial nature of the family leaders’ procedures in these situations, and the features of the Family social category, i.e. the stereotypical norms associated with the category family member. I now analyze
the nature of family leaders’ procedures in the four cases. Appendix 2 presents the data supporting the interpretation of Family leaders’ familial procedures in business situations.

A domestic way of engaging in the management of family members

The management of family members is under the responsibility of the family leader(s). They decide on the rules of recruitment, remuneration and career development of family members. Family members’ involvement is directly linked to the relationship that they have with the family leader(s). This relationship involves that their belonging to the same family, and having shared values and rules for the management of the business as transmitted through their upbringing. The involvement of the younger generation, the successors of the elderly family leader(s), ensures the continuity of the business over time.

In Wheels, familial procedures has governed the management of family members since its inception. The company was created by André who developed it with the intention of handing it over to his children in the future, and more generally to let them benefit from it. When the four sons got older, they were offered positions in the family business. Their recruitment was not subjected to any skill requirements. Their link with the founder, their father, was enough to justify their involvement. Louis, Paul, Édouard and François demonstrated the same entrepreneurial spirit that had led their father to found the family business. They contributed greatly to the development of the business. For Louis, Paul and François, this meant developing the activities initiated by André, and for Édouard, this was achieved through the creation of his own business: the office furniture.

After André’s death, his four sons became the family leaders. They were responsible for the management of the family members. They kept up with the same familial procedures for the management of the third generation. Thus, Louis-Alexandre and Paul-Adrien joined the family business as they were Louis and Paul’s sons, and their successors. In all of the eight third generation family members (nephews) joined the business. In 1997, when Louis and Paul retired from the management, François remained in charge of managing family members.

In Green, when Jacques-Olivier and Jacques-Antoine joined the Company, they had completed their business and engineering studies. Their involvement in the family business did not entail any skill requirements. It followed from their relation with the CEO, their father. Jacques expected his two sons to succeed him in the future, and further develop the business. Jacques-Olivier and Jacques-
Antoine knew the business because their father was developing it while they were growing.
Both Jacques-Olivier and Jacques-Antoine showed the intent, and had personal qualities, to perpetuate the entrepreneurial tradition of the family, and also to succeed their father. Walking in his father’s footsteps, Jacques-Olivier was interested in agricultural activities. And like his grand-father, Jacques-Antoine demonstrated entrepreneurial and innovative skills, and developed an industrial activity. Both managed their activity separately.
When Jacques-Olivier and Jacques-Antoine took over the family business, they became the family leaders. Overall, they kept up with the same principle except — after considering another family business leader’s experience — they decided that their children would have to demonstrate successful business experience of five years outside the family business before joining it.

In Loisau too familial procedures were also observed in the management of family members. When Jules and Romain ran the company, they let their sons Jules-Alexandre, Jules-Olivier and Romain-Paul join the Company without any skill requirements. Following their fathers, the cousins demonstrated true entrepreneurial abilities, and expanded the company substantially, especially through internationalization.
When they became family leaders, they followed the same principle in the management of the family members. The familial bond they had with the family members motivated their decision to let them join the business. Since Loisau’s inception, the philosophy of the family leaders for their management of family members has been to let the younger generation join in as soon as possible, and then evaluating their abilities to reach the top management in the future. It was irrevocably decided that members could not remain in low hierarchical positions. Family members deemed not to have the potential to hold top management positions had to leave the business.
The decision to reorient a family member in his career, often through a spin-off, fell under the family leaders due to their primacy in the generational chain of command. They had founded or developed the business and hence were legitimate to decide whether the young generation could maintain the tradition and keep running the family business. To evaluate family members’ abilities, the family leader(s) got information from their non-family managers. Clément Bon played this role for several years. He knew Jules and Romain as they lived in the same town. He had closely worked with Jules-Alexandre. He knew the company quite well and shared the family’s values. Through this process, family leaders ensured that they maintained family values and continuity in the management of the business over generations.

In Yellow, the Company was created by the two brothers, Albert and Charles, who let their sons join the business at the beginning of their professional lives.
The second generation brothers and cousins were allowed to get positions in the company because they were the descendants of the founders. Most of the second generation family members remained in the business and made their professional careers in the company. When the second generation took over the leadership of the business, they kept up with the same rule.

Since the beginning of the business, the family had decided to appoint a non-family member as its CEO. Several years later, family leaders worried about the influence of non-family managers in the company. They decided to involve more family members to ensure the representation of the family in the company. Family members were not assessed on their performance in the business; as above all they were expected to represent the familial ownership.

A domestic way of engaging in business decisions

Business decisions refer to the process of strategy-making as well as its outcome: decisions about the management of the business. The familial procedure involves that business decisions are under the responsibility of the family leader(s). This responsibility involves taking part in strategy making and/or approving/disapproving decisions about the family business. Family leader(s) may hold a position in the top management, and/or acts as a board member(s). Naturally, family leaders can have a voice in business decisions without acting formally as the top manager or a board member, due to their voting rights.

The features of the Family prototype are manifested in the nature of the persons who participate in strategy meetings and the nature of the arenas where business decisions are made. Family members and/or leaders are involved in business decisions which could occur in family arenas.

The domestic way of engaging in business decisions is revealed in the propensity of family members to behave for the continuity of the previous generation(s). It may be reflected in the reproduction of the founder's entrepreneurial spirit and a disposition of the following generations to develop new or existing activities. It is also manifested in the reproduction of rules and behaviors of former family members in strategy making.

In Wheels, a domestic way of engaging in business decisions was manifested in the nature of the subjects involved in the business decisions. After André’s death, the four sons became the family leaders. They played the main role in decision-making and took the major decisions on their own about the business. Non-family members had no influence on strategic decisions whatever the relevance of their analysis.

To beginning with, the four brothers were young dynamic entrepreneurs, making career progress and managing their own activities. In keeping with their particular qualifications, they divided the business among themselves. This situation was potentially conflicting as the four brothers sometimes had competing interests.
and struggled for financial resources. Family unity was preserved by the mother. She paid great attention to maintaining harmonious relationships within the family, especially among her four sons. For this reason, after the takeover of the family business by the children, the four brothers had decided with their mother Marguerite that they would periodically hold strategy meetings at the family residence. Marguerite attended these meetings without taking part in the decision-making. She guaranteed that no conflict occurred and plagued the family business. Marguerite’s attendance in these meetings helped maintain cohesion among the four brothers who might have fallen into conflict. The mother personified the family authority and ensured the continuity of the family business. She ensured that the four brothers avoided conflicts and managed the overall business together.

In Loisau, business decisions were made by the family leaders, Jules and Romain, until they decided, at the age of 60, to retire from day-to-day operations and to hand over the leadership to the next generation. Jules and Romain then joined the board of directors which at that time included four bankers representing 33% of the company’s ownership. In practice, the board was a formality. It only intervened in the management of family members, and for important investments. The three cousins specialized in distinct activities: each supervised his own activity and managed to maintain his autonomy. During 40 years, till Jules-Alexandre retired, the three cousins worked together and got on very well. They developed the firm and internationalized it. Through the years, the cousins developed strong skills and built legitimacy. Jules-Alexandre — a true entrepreneur, always quick to invest in production, making the company the first mover — was recognized for his role as chairman. However, for important decisions such as recruiting or investing, he had to consult Jules-Olivier and Romain-Paul and get their agreement. From 1970 till 1985, all major decisions were made together during family meetings that took place at the company’s office every Saturday morning. In 1985, when Jules-Alexandre retired, Jules-Olivier joined the board, Romain-Paul and Clément became general managers and Jules-Emilien was nominated the chairman. Romain-Paul and Jules-Emilien became family leaders, both representing their own branches. They were responsible for business decisions and the management of family members. They made decisions together with Clément and kept the board informed.

In Green, Jacques was the family leader till he handed over the family business to Jacques-Olivier and Jacques-Antoine who then each owned 50% of the company and became the new family leaders. They were at the same time on the board of directors, and at the head of the company. Four years later, when
Jacques bought a share — 10% — in the family business, the two brothers remained the main decision-makers as the three of them agreed to this decision. The brothers had divided up their fields of action: the agricultural on one side and the industrial on the other. The two activities required resources to develop and grow. From the beginning, Jacques-Antoine had had a hard time persuading his father to invest in his activity as, despite the potential growth of the market, this new activity was not in continuation of the business that Jacques had developed. When Jacques-Olivier and Jacques-Antoine succeeded their father, Jacques-Antoine thought it would be easier for him to develop his activity. In reality, he kept facing difficulties as the two brothers had different views and perspectives about the future of the business. Jacques-Antoine wanted to innovate, and expand the firm abroad, and develop consumer services. Jacques-Olivier was not focused on consumer needs or on internationalizing the firm, and he wanted to keep growing the agricultural activity. They hardly ever shared the same perspective about strategy making.

To avoid conflict for the leadership position, Jacques-Olivier and Jacques-Antoine decided that they would alternately head the company. This solution was not satisfying for Jacques-Antoine. He always felt slowed down by his brother who was more risk averse. After several years, Jacques-Antoine decided that they would no longer alternate and he would head the company. Jacques-Olivier accepted. Though for important decisions Jacques-Antoine had to get his brother’s agreement.

Even though governing the business all together was not an easy task, Jacques-Antoine tried hard to work with his brother and managed to avoid splitting the business into two activities. In dealing with this situation, Jacques-Antoine specially took care of family relationships, and cohesion as well as preserving the family business.

In Yellow, business decisions were taken by a non-family CEO though these fell under the responsibility of Albert and Charles. When they founded the business, Albert and Charles decided to appoint John Sead, a non-family member, to act as CEO of the company. However, Sead needed their approval for important decisions.

When the leadership was handed over to the second generation, it decided that the business would remain run by non-family members. Family leaders were the involved members of the second generation: Albert-François, Albert-Emile, Charles-Jean, Charles-Paul, and Charles-Pierre. They all showed willingness to keep developing the business. Except Albert-François who soon quit the top management, family leaders spent their professional lives in the business. They played different roles. Charles-Pierre was in charge of procurement and logistics management. Charles-Paul, though he was not CEO or chairman, had the responsibility of the overall business. Albert-Emile was Chairman. Actually, the main decision-maker was Charles-Paul. Together with Charles-Pierre, they all had
the majority voting rights. In addition, Charles-Paul had the ability to rally his cousins and get their support.

**A domestic way of engaging in leadership succession**

Leadership succession is a specific kind of decision in which the domestic world usually prevails. The superiors are the family leaders who started the business or contributed to its development. They expect their descendants, the inferiors, to continue developing it over generations. Their expectations revolve around preserving continuity and tradition. Tradition may be perceived in terms of permanence of the entrepreneurial spirit or in a more restrictive sense as developing the same business, and maintaining the same rules. The reproduction of family values in managing the business are important.

In *Wheels*, leadership succession between the first and second generations occurred under tragic circumstances. When André suddenly died of a heart attack, his succession had not been arranged. His children were the persons who organized it with their mother. The six children manifested a desire to take over the business and to continue developing the company that their father had created. Leadership succession involved nominating a CEO who would succeed André in the overall management of the business. The brothers decided that François — who had worked closely with their father — would hold this position. They also decided that Louis, the firstborn — the oldest in the generational chain of beings — would act as chairman. Several years later, when Louis and Paul retired from Wheel’s day-to-day operations, they made certain that their sons were nominated to the executive committee. Their involvement in the committee gave Louis and Paul comfort that they would ensure a continuity to what they had created.

In *Loisau*, when Jules and Romain retired from the top management, they handed over the leadership to their sons who were already involved in the business. Jules-Alexandre was nominated chairman. At that time, he knew well the industry and was a little older than his brother and cousin. Several years later, Jules-Alexandre had to think about ceding the leadership to his son Alexandre-Paul who too was involved in the company. In the 1980s, when Jules-Alexandre was getting close to retirement, he decided to separate the business into two distinct activities. His idea was that he and Clément would manage one activity and Romain-Paul would manage the other one. This organization of the business would have facilitated a future succession to the third generation with each branch taking charge of one activity: At that time, Jules-Alexandre did not present this decision as a project of leadership succession.
but as a strategic choice and did not get the agreement of the board, especially of Jules and Romain.

Subsequently, when Romain-Paul and Jules-Emilien retired from their leadership positions, they appointed a non-family member, Clément, to head the company as no one, from among the next generation’s family members, could be considered for the position of CEO. Paul-Emmanuel had performed well, demonstrating strong management skills over the years; nevertheless, he was 33-years-old and lacked the necessary expertise to assume the position of CEO of the company. The family decided to hand over the leadership to the person who knew the Loisau Company best: Clément who had spent 20 years working closely with Jules-Alexandre, Jules-Olivier, Romain-Paul and Jules-Emilien. Family leaders trusted him to run the company in the interest of the family and the continuity of the founders. At the same time, they nominated a family member, Paul-Emmanuel, as general manager to conjointly run the business and be trained as future CEO. Romain-Paul had always wanted his sons to succeed him as long as they had the ability to run the company as this would guarantee the continuity of the family business.

In Green, the principle, since the inception, had been handing over the leadership to the children involved in the business. It started with Pierre who split the business into two separate activities to pass them on to his two sons. It was followed by Paul who let his son run the business when he was forced to join the military. Several years later, following the same principle, Jacques decided to cede the leadership of the company to Jacques-Olivier and Jacques-Antoine. When Jacques first decided to hand over the leadership to Jacques-Olivier, it was not only because he was the firstborn but also because he was confident that Jacques-Olivier would ensure the continuity of the business. Jacques-Olivier kept growing the agricultural activity that Jacques had started. In contrast, Jacques-Antoine had entrepreneurial abilities and could take the company in a direction that would break with the historical business.

When Alan Breen’s consultancy team analyzed two of leadership succession scenarios, one in which Jacques-Olivier would become the CEO, and the other one in which Jacques-Antoine did, Jacques realized that these two situations departed from his vision for the future of the family business. Finally, in 1981-1982, he asked both Jacques-Olivier and Jacques-Antoine to take over the leadership of the company.

A few years later when the company was enjoying renewed success, the rapid increase in its financial performance gave Jacques the impression that it was unfair to his two other children, Jacqueline and Jacques-Adrien. Although the succession had been organized in a fair manner between the four siblings, Jacques considered that Jacqueline and Jacques-Adrien should also benefit from the recent profits of the business he handed over to Jacques-Olivier and Jacques-
Antoine. Consequently, Jacques bought 10% of the shares in the family business that his children would inherit in the future. Later, Jacques-Antoine contemplated to handing over the business and its leadership to his children. He thought they would ensure that the business keep growing in the future. Those who had the ability and the willingness to head the company would succeed him. Antonia and Antoine-Arnaud showed an interest in playing a role in the business. For Antonia wanted to be a board director and Antoine-Arnaud to succeed his father.

In Yellow, the domestic way of engaging in leadership succession meant that the firstborn succeeded his father. Thus, Albert-François succeeded Albert as chairman and alternated as the head of the company with Charles until he quit. Later Charles-Jean succeeded Charles. When Charles-Paul decided to retire from his positions on the boards of directors, he nominated his firstborn Paul-Nicolas, as Chairman. This logic also applied to the other branches involved in the business. Naturally, this procedure was implemented as long as the firstborn agreed to hold the position. Otherwise, another sibling had to represent the branch in the family business. It was important for involved branch leaders to ensure the continuity of the family business through the involvement of their offspring.

A positive expectation based on Family membership

Family members’ trust in each other is observed in the trusting behaviors that they manifest in their interactions. In the context of a family firm, it can take different forms: taking part in the management of the family business, letting involved family members manage the business without monitoring them, voluntarily accepting family leaders’ decisions about the management of the business, as well as remaining in the ownership. It follows from an overall expectation that family members — whether they are involved in the business or not — have of one another that they will behave according to the norms, values, and all other characteristics of the Family prototype. This background expectation has acquired over time a taken-for-granted quality (Kramer 2010). Hence, trusting may mean reproducing the same procedures in the management of the business without questioning them, or perceiving any vulnerability in their implementation.

This trust is collective. Though, depending on the size of the family, family members may know one another very well, not all family members can be involved in the business, and know how each one acts in the context of the management of the business. Family members may have developed interpersonal trust in each other in their childhood, yet they may not all be tied by personal identification, and the related identification-based trust that entails that family
members identify strongly with other family members’ needs, preferences, and priorities up to a point that they perceive them to be their own (Lewicki and Bunker 1996). Families are subjects to various issues (parent-offsprings relations, sibling competition, gender differences, etc.) that make their functioning specific and family members’ relationships potentially conflicting. The priority given to kin relationships, “the desire to help and support those who share your genes, whether they be siblings, parents or offspring” explains why some family firms do not disrupt (Nicholson 2014: 129). It is from their shared family membership that family members can derive their trust in one another.

Family membership materialize in the family group prototype and its set of attributes. The salience of domestic objects, subjects, and relation of worth in business situations influences family members’ judgments about one another’s trustworthiness. In this perspective, family leaders constitute particular subjects. The signals they send to family members represent a source of trust (Kramer 2010; Kramer et al. 2010). Through their procedures, they provide family members important information about their identity. First, the domestic nature of the procedures manifests a shared membership in the Family, as they exhibit the features of the group prototype. Second, family leaders communicate family members, through their procedures, that they are valued, and respected members. These fair treatment and decision-making processes influence group identification and lead to cooperative behaviors (Tyler and Blader 2003). In this latter perspective, the constructive role that the leaders play in setting positive expectations about other members’ trustworthiness is linked to the fairness of their procedures. These provide group members information about their status in the group and influence their willingness to cooperate. These two dimensions of shared Family membership lead to expectations of continued adherence to Family procedures. This Family collective trust was observed in Wheels. Appendix 2 presents the data supporting the interpretation of Family collective trust.

In Wheels, when the three brothers handed over the leadership, collective trust characterized the second generation family members. There were six siblings who were equal owners. The three brothers in charge of the management of the business trusted their brother and sisters’ willingness to remain in the ownership. And the brother and sisters trusted their brothers’ intention to run the business in the family’s interest. This trust was not entirely due to the personal knowledge that they had of one another — derived from direct interaction — as non-involved siblings lacked information about their brothers’ management of the family business. Pierre had left the company several years earlier and the sisters had never been involved in the business. As a result, they — especially the two sisters — had no opportunity to regularly interact with their brothers in the context of the family business, and to learn how they behaved in this context. They did not really know how they managed the business, and had no information to predict their behaviors. However, the siblings trusted one
another. Each year the brother and sisters signed the books without monitoring the involved brothers’ management in general meetings as they were not held. They trusted the three brothers who were the members of their family. This collective trust had two sources. First, a taken-for-granted expectation that the brothers would manage the business in the interest of the family continuing what their father had set up. The brothers had been involved in the firm when their father was heading the company. After his death, they had kept with the same functioning, and still gathered, at the family residence, for the strategy meetings. And the business was doing well. Their positive expectations also followed from certain characteristics — shared upbringing and childhood — of their Family prototype. Second, they trusted their mother, who attended the brothers’ strategy meetings, to act in the interest of the family. The mother played an important role in generating positive expectations as the children trusted her. She had raised them and instilled family values in them. She had also always been caring and benevolent.

This Family collective trust was challenged when the family branched out, and multiple family members from different branches interacted with each other in the context of the family business.

When the family branches out

With the development of the family in branches, some family members came to denounce the family leaders’ procedures in business situations. Denunciations concerned the familial nature of family leaders’ procedures as well as the illegitimate qualifications of family members in business situations. These denunciations signaled changes in family members’ identity perceptions.

Denouncing the familial nature of family leaders’ procedures in business situations

In this section, I draw on the Economies of Worth to explore how the familial procedures of the family leaders are denounced. The characteristics of the domestic world used in the previous section to define the Family prototype are criticized. Characteristics of the industrial, market and civil worlds are advanced as substitute features for the category family member.

As the family increased in branches — with business situations involving uncles/aunts and nephews/nieces, and/or cousins’ relationships — family members started denouncing family leaders’ procedures. Denunciations
consisted in criticizing the domestic way of engaging in business situations. Critiques revolved around the nature of personal bonds that presided over the management of family members, business decisions and leadership succession. Critiques were manifested in the subjects, objects, and relations invoked to support the critiques. Critiques consisted in contesting family leaders’ authority, denouncing lack of efficiency and competence, worthing freedom from personal relationships and collective action. These critiques arose from the younger generation which called into question the legitimacy of the family leaders’ authority and expressed their willingness to be liberated from the weight of personal dependencies. It also came from some of the family leaders who raised the issue of the inefficiency of the personal bonds and of a lack of collective action in business situations. Conversely, different ways of engaging in business situations were perceived more legitimate as compared to the domestic one. They came in a variety of forms, either relying on industrial, market or civic justifications. The subjects invoked included professionals, experts, sellers, businessmen, collective persons, and representatives; the objects were criteria, performance, legislations, procedures, and legal forms. Family members’ qualification were expected to be based on their skills, performance, efficiency, wealth, and ability to favor the general will. Suggested relationships among beings were about functioning, organizing, optimizing, getting, negotiating, unifying, and debating democratically. The familial nature of family leaders’ procedures was denounced in three business situations: the management of family members, business decisions and leadership succession. These denunciations were observed in Wheels, Loisau, Green, and Yellow cases. Appendix 3 presents the data supporting Denouncing the familial nature of family leaders’ procedures in business situations.

**Denouncing the domestic way of engaging in the management of family members**

In the management of family members, critiques consisted in contesting the family leader(s)’ authority based on his primacy in the general chain of beings. Similarly, the rules of recruitment, remuneration and career development were questioned when they depended on personal relationships with the family leaders. Finally, in their assessment of family members’ performance, the propensity of family leaders to sacrifice the financial results of the company to preserve harmonious family relationships was called into question. These critiques came from the younger generation which questioned the family leaders’ legitimacy to manage their careers in the business, or the family leaders’ criteria for managing family members. They also came from family leaders who invoked
the inefficiency of this process as also the risk of conflict between family members and their influence on the family business.

In Wheels, the family developed into six branches when the siblings had children. Denunciations of the familial nature of family leaders’ procedures in the management of family members started with the involvement of the third generation in the business. Family leaders’ procedures were denounced when family members from different branches started interacting with one another. In these situations, the younger family members called into question the authority of the family leaders to decide on their professional careers.

For instance, after he completed his MBA degree in family business, Emile-Vincent — a nephew of the family leaders — was considering entering the business. He was hesitating as working in the family business — especially in the four-wheeled activity — was not attractive. Joining the core business involved working under the authority of at least one of the — four brothers’ — family leaders. Their primacy in the generational chain of command — they were the former generation and greatly participated in the growth of the business — allowed them to take all decisions about the business, including the management of the younger generation. And they were authoritarian. In a professional context, Emile-Vincent rejected this nature of authority based on engenderment. He did not want his career to depend on the goodwill of his four uncles. Emile-Vincent had attended university and had a previous positive working experience of five years outside the family business. He then got an MBA degree, and he did not expect his uncles to train him neither to succeed them. In return, he did not want them to manage his career according to their primacy in the family and the business.

François realized that familial procedures dissuaded talented third generation family members from joining the company. He offered Emile-Vincent the management of a new activity apart from the core business. This position gave him an opportunity to work in the family business. He could manage his career on his own — according to professional criteria — instead of being expected to return to the family leaders — the elderly — what he received from them.

Family members also denounced the familial procedure of maintaining a family member in his position in the family business because he belonged to the family. It concerned family members who had been involved in the business — because of their ties with one of the four sons, the family leaders — and who did not perform in their jobs. Some non-involved third generation family members complained about this procedure. Maintaining inefficient or underperforming family members in their positions had negative consequences for the performance of the business.

As family members criticized the domestic way of engaging in the management of family members, they preferably invoked professional recruitment, career development and assessment for family members, and substituting the
reproduction of familial procedures with professional criteria. In a nutshell, they expected professional criteria would guide family leaders’ procedures in the management of family members.

In Loisau, the management of family members meant that they could join the business because of their familial bond with the family leaders. As family members could remain in the business only if they performed and demonstrated abilities to hold top management positions in the future, no one complained about family members’ performance. In contrast, some family members denounced the lack of smoothness in the selection process. Olivier-Vincent joined the company when Jules-Emilien was Chairman and in charge — with Romain-Paul — of the management of family members. Olivier-Vincent had mixed memories of his first years at Loisau. Only six months after he joined the Company, he was asked to run a factory in which he had to deal with critical issues. Though Olivier-Vincent acknowledged that he was supported by the family and the management, he deplored the fact that he lacked experience and training to face complex business situations. He would have favored a more gradual career evolution, based on professional criteria, before reaching a managerial position.

In Yellow, too family leaders’ procedures were also denounced when the third generation took over the leadership. Since its inception, the philosophy behind the management of family members had been to let them enter the business, mainly to represent the family. They were not expected to perform, or hold top management positions. In addition, family leaders sought to maintain equality among branches, and assigned family members positions in the management and in the governance structure. These procedures were called into question. Third generation family members criticized the management of family members for its lack of performance. They disagreed with the idea that family members could be involved in the business — without any skill requirements — to represent the family.

Denouncing the domestic way of engaging in business decisions

Denunciations of family leaders’ procedures in business decisions took different forms and manifested varying alternative expectations. The subjects — the family members — were no longer perceived to be relevant to the situation. Excessive authority by a family leader towards other family members was criticized, so was the nature of this authority (based on the primacy in the generational chain of command). The influence that the generational bond between family members had in strategy making was also denounced. It
prevented unity and collective action. Reproducing, receiving and returning were no longer key words in business decisions. Family members expected business decisions to be made by professionals and experts, and ensure collective action. Responsibilities would be based on expertise, performance, and representation, rather than primacy in the generational chain of command. Low or lack of efficiency was deplored. The key words in business decisions were expertise, performance, optimization and collective action. These reflected the emergence of an industrial and civic ways of engaging in business decisions. Denunciations of familial procedures and the valorization of business ones in terms of industrial or civic justifications were observed in Wheels, Green and Yellow.

In Wheels, several family members, among them Edouard and François, felt that familial procedures could no longer be tolerated in strategy making for an efficient management of the business and also for family cohesion. The involvement of the third generation in the business, and the influence of the familial hierarchical relation of dependence between the family leaders and their children on strategy making made the rules of the game more complex. Conflicts might occur and threaten family cohesion. When the four brothers headed the family business together, each ran his own activity. For important decisions that required them to decide together, they learned how to negotiate to win support. Strategy making resulted from negotiations and alliances among the brothers. Though this process led to partially sacrifice the overall performance of the group, it was not detrimental to the business and preserved good family relationships. With the involvement of the third generation in the business, second generation family members started criticizing this process as strategy meetings were planned to discuss each project, and analyze its relevance in regard to the overall strategy of the group. Instead, the brothers used to making alliances with the others to get their project approved, or ignored others’ opinions, and implemented what they had already decided. This process was no longer effective. This familial way of engaging in business decisions meant that third generation family members reproduced second generation behavior and increased the inefficiencies of strategy-making. In addition, François was afraid that strategy decision-making would jeopardize family cohesion. The siblings had succeeded in avoiding conflicts though the process was potentially highly conflicting. The mother had played a major role in this. To avoid conflicts, the four brothers had been working separately. With the involvement of the third generation working in collaboration was necessary. Hence, avoiding conflicts became more difficult as family members belonged to different branches. The mother was getting older, and would no longer be able to mitigate family tensions.
In addition, some non-involved family members from the third generation criticized strategy making. They denounced the lack of efficiency in familial procedures in business decisions.
In Green, the denunciation of familial procedures in business decisions came from Jacques-Antoine who thought that the decision-making was slow and difficult to implement. Till 1988, when the two brothers alternated at the head of the company, it often took Jacques-Antoine a lot of time to come to a decision. In fact, he had to wait until it was his turn to run the company. In 1988, when he considered launching the mass-market products, he faced difficulties and spent a lot of time trying to convince his brother who was against this strategy. When he decided to recruit a new sales manager, it took him four years to implement this decision. In 2001, when they decided to buy a competitor, Jacques-Olivier did not show up. Jacques-Antoine put up his personal property to borrow the money and bought the competitor. Jacques-Antoine had dealt with this situation to maintain family cohesion. In the 2000’s, when Jacques-Antoine started thinking about leadership succession, he was convinced that the way strategy-making was done was no longer sustainable.

In Yellow, the denunciation of familial procedures concerned the inefficiency of the strategic decision structure and the lack of competence of some family members involved in the governance structure. Critiques concerned the nomination of family members in the governance structure to succeed and represent their father instead of for their competencies. Critiques denounced the inefficiency of the decision-making structure because of a lack of consistency in the composition of the executive committee, the Yellow board, and the legal entities’ boards. Besides, insufficient communication between the family members involved in these different committees and boards was also criticized. Additional inefficiency was attributed to the governance structure. As each branch of the family had its own board of directors, the CEO had to repeat the same presentation on strategic projects or investments to each committee and to the board.

This was only a part of the problem as the decision-making process also suffered from another form of inefficiency: the involvement of numerous family members on the boards of several business units led to inefficient bottom-up communication between these family members and their fathers — the former family leaders — who had normally retired, but took such opportunities to intervene in decisions. This situation created misunderstandings and inefficiency in decision-making. Third generation family leaders and family members denounced this process that impeded strategic decision-making.

Finally, third generation family members attributed the inefficiency of strategy-making to the excessive control that second generation family leaders had over decision-making. When the third generation succeeded the second one, Paul-Nicolas became chairman. Third generation family leaders — those involved on the boards of the legal entities CHAJP, AFA and AEA — decided to introduce changes in the governance, strategy and organizational structures. These changes
departed from the second generation traditional way of making decisions. Some decisions had to be put off repeatedly as the second generation intervened and reversed these decisions. For instance, a decision to change the organizational structure was overridden. It would have involved for several non-family managers — who contributed to the development of the family business with the second generation — to lose control over their business units. Second generation family leaders impeded this change as they trusted non-family managers’ judgment — they had shared values, behaviors and experiences — and expressed their disagreement about this decision. Actually, second generation family leaders wanted to preserve the continuity of the business and to keep strategic decisions under control.

**Denouncing the domestic way of engaging in leadership succession**

Leadership succession is the process whereby the leadership is handed over to the next generation. The domestic way of engaging in leadership succession meant that the less worthy, the younger, benefitted from the worthiest, the elders, (the family leader(s), the founder). Family leader(s), especially, when s/he/they founded the business may have wanted to share with the younger generation “the qualities that constitute their own worth” and for example the leadership of the business he/she/they created. The family leader(s) may want his/her/they offspring to succeed him/her/they as he/she/they created them and brought them up. The denunciation of the familial nature of family leaders’ procedures in leadership succession consisted of criticizing the fact that family members would succeed family leaders due to their familial bond without enough consideration of their competence. It also involved denouncing family leaders’ excessive authority when it led to the nomination of a successor without family consultations. Instead professional procedures were invoked. They relied on criteria in terms of competence, and expertise. In addition, family leaders were expected to represent the interest of all. Such a denunciation in leadership succession were observed in Wheels, Loisau and Yellow.

**In Wheels**, leadership succession from the second to the third generation unfolded at two times. It started when Louis and Paul retired from the management. At that time, the four brothers had decided to set up a new governance structure with a formal board of directors in which Louis and Paul would act as directors. The executive committee was to be organized by business units: the two-wheeled vehicles, four-wheeled vehicles and office furniture. The managers in charge of these units were members of the executive committee. Consequently, Louis-Alexandre and Paul-Adrien, sons of Louis and Paul respectively, who worked in the four-wheeled activity at a lower managerial level
could not be part of it though, Louis and Paul had decided that they would be involved in the executive committee. So, they could succeed their father and play a role in the running of the business and inform their father about the management of the business. Non-involved family members criticized this decision which did not satisfy professional criteria.

The second stage of leadership succession unfolded when Edouard and François decided to retire from their managerial positions. Edouard as general manager of the office furniture unit and François as CEO. François — who had no child involved in the business — thought that the best candidate for succession was his nephew Emile-Vincent. He trusted Emile-Vincent, and his ability to hold the position. Emile-Vincent was highly educated, and had several years of experience in the business. He was a family member, and, as family owner, he was concerned with the future of the family business. Among the family members involved in the business, Emile-Vincent — who was in charge of the four-wheeled unit — had the higher managerial position in the company. Unfortunately, Emile-Vincent had not been successful in the management of an acquisition made in 2003. Some family members claimed a lack of competence and denounced the family leader’s familial procedure for keeping Emile-Vincent in his position. They not only criticized the fact that he was not dismissed from this position but also that he was considered François’ potential successor. Not all family members trusted him to represent the family and run the Company in the family’s interest.

In Loisau, the denunciation of familial procedures in leadership succession mainly involved criticizing Jules-Alexandre’s excess authority. Since the succession of the leadership to the fifth generation, Jules-Alexandre had been the chairman though for important decisions, he needed Jules-Olivier and Romain-Paul’s agreement.

In the 1980s, when Jules-Alexandre decided to separate the business into two distinct activities, he took this decision without consulting Romain-Paul and Jules-Olivier. Romain-Paul who had always worked well with Jules-Alexandre disagreed with this decision which he considered irrelevant, and contested his excessive authority. Even the managers did not understand this decision. Board members also denounced Jules-Alexandre’ authoritative decision-making process.

Jules-Alexandre’s intention, in taking this decision, might have been organizing his succession to the next generation, with each branch handing over one activity. Except that Jules-Alexandre did not explicitly communicate his intention as his brother and cousin might have disagreed. In the end, the decision was not implemented.

In Yellow, third generation family leaders struggled in exercising their leadership as the second generation family leaders retained control over the business. The third generation denounced their excessive authority, their intrusion in the
management, and their desire to maintain the same management of the business
even though the company and its environment had changed.
To organize their leadership, third generation family leaders had decided to
implement several changes in the governance of the company. Some of them
were diverted from their initial goal by second generation family leaders. One
example is the creation of a family council that represented the will of the family.
Second generation family leaders were very enthusiastic about this project. They
considered it a way of remaining informed about the main decisions in the family
business, and to approving or disapproving them. Second and third generation
family leaders had a slightly different view about the role of this family council.

Family members’ denunciations reveal different kinds of judgments about family
leaders’ procedures in business situations. They called into question:

- their excessive authority based on their primacy in the generational
  chain of beings
- their propensity to favor generational bonds
- their priority given to harmonious family relationships, and equality

In their justifications, family members advanced alternative ways of making
decisions. They displayed characteristics of the industrial, market and civic
worlds:

- an authority that allowed detachment from the chain of belonging
- relationships that favored an efficient functioning, and collective
  action
- priority given to efficiency, performance, and collective interests

The denunciation of family leaders’ procedures was not limited to the
denunciation of the familial way of engaging in business situations. It also
included the denunciation of their illegitimate ways of qualifying family members.

**Denouncing family leaders’ illegitimate ways of qualifying family members**

In this section, I draw on the Economies of Worth to analyze how family leaders’
illegitimate qualifications are denounced by family members. For Boltanski and
Thévenot (1987, 1991), operations of qualification consist of assessing one
another in everyday situations. A qualification results from a process of
categorization, and needs to be legitimate to rely on elements of judgment that
are well-founded, that is, appropriate to the situation and congruent with one
another. These elements are the different components of a world. The process through which qualifications are carried out reveals the procedures that family leaders use for qualifying family members.

I propose that family members’ denunciations of family leaders’ illegitimate qualifications communicate that the qualifications were not carried out properly in the business situation. It means that the qualifications did not rely on justifiable principles. This happens when objects and subjects that belonged to a different world are unjustly taken into consideration in the evaluation of the family member in the business situation. Worth or deficiency are respectively “transported” when a family member is unjustly overvalued/upgraded or undervalued/demoted. Illegitimate qualifications may also have come from a disagreement about the world in which the attribution of worth should be carried out.

In this stream of research, denunciations of illegitimate qualifications concern categorization that rely on elements of the domestic world. In the domestic world, the emphasis put on personal relationships means that worth depends on the position that individuals occupy in a chain of personal dependence. It is grasped in terms of worthier than… less worthy than (Boltanski and Thévenot 2006: 164). The relation of order can be established by reference to the generation, tradition or hierarchy as these three terms all have engenderment as principle of subordination and relate to individuals who have a feeling of belonging to the same household. Relations between subjects show the sense of belonging that individuals may feel for a same or different household. Within the household, relationships concern intimates, for instance, they are characterized by thoughtfulness, attention, and propriety. Outside the household, relations with outsiders, relationships may be cordial. Within the household, beings are ranked according to the role they play in the reproduction of the family line. While the less worthy are deferential towards the superiors, the worthier share the qualities associated with their worth with the inferiors as they are responsible for them.

With the development of the family in branches, illegitimate qualifications were denounced by family members in the management of family members, business decisions and leadership succession. Appendix 3 presents the data supporting Denouncing the family leaders’ illegitimate qualifications of family members.

**The management of family members**

In the management of family members, denunciations of illegitimate qualifications were of concern to family members who felt they were “demoted”, or that other family members were “upgraded” as the same elements of judgment were not applied to all family members in a similar business situation. In this perspective, family leaders’ procedures were not perceived to be well-founded that is, appropriate to the situation and congruent with one another. These
denunciations signaled differences in the way family members were qualified, and perceptions of illegitimate qualifications. Denunciations of illegitimate qualification also revealed a disagreement about the world in which the operation of qualification was carried out. In this process, the domestic and industrial worlds were in contention. The development of the family in branches led family leaders to qualify family members in different ways, and created the perception that these qualifications were illegitimate.

In Wheels, though familial procedures governed the management of family members for several years, they did not apply in the same way to all family members. Differences were observed in the recruitment of third generation family members. When Louis-Alexandre and Paul-Adrien were old enough to enter the firm, they were offered positions in the business. In contrast Jean-Etienne was not allowed to join in. The familial procedure was perceived illegitimate as it involved that Louis-Alexandre and Paul-Adrien, who were the descendants of Louis and Paul, could actively take part in the development of the business in the continuity of what their father has done. In contrast, Jean-Etienne, who was Jeanne’s elder son, a branch that was not involved in the business, was turned down. The reasons for taking this decision were unclear. Family members might have concluded that the familial procedures for the management of family members favored family leaders’ in-branch bonds over out-branch ones, and as a consequence they favored in-branches over non-involved ones.

In Loisau, the management of family members also involved upgrading family members who had a closer bond with involved family leaders or family members who belonged to the same branch. This procedure was denounced by out-branches’ family members who perceived it as illegitimate at it was based on a bond with the family leaders. Family leaders decided on the involvement of family members in the business without clearly justifying their reasons. Such decisions gave family members the impression that family leaders favored their offspring to ensure continuity in the management of the business.

In Yellow, when Charles-Paul realized that too many family members were involved in the business, he decided that his son Paul-Edouard, who had expressed his willingness to enter the business, would not join it. Charles-Paul wanted to demonstrate exemplarity and hoped that other family branches’ leaders would follow his example. Paul-Edouard considered this decision illegitimate. He was one of the family leaders’ descendants, and wanted to take part in the development of the business.
Business decisions

In business decisions, illegitimate qualifications refer to family members who felt undervalued or who felt that other family members were overvalued due to their bond with the family leader(s). Denunciations manifest a perception of a qualification that was not carried out properly. This was observed in Yellow.

In Yellow, Jean-Etienne’s branch denounced illegitimate qualification in the management of the business. They lost their father when they were young, and had problems having voice in decisions. Their mother had never been involved in the business and was not aware of its functioning. The children were much younger than their (uncles) family leaders, and did not listen to them when they expressed their opinions. Their main concern related to the payment of dividends. Second generation family leaders did not allow this as they preferred reinvesting the profits to finance the growth of the company. Through this decision, they paid no attention to the Jean-Etienne branch’s needs, notably in the context of their father’s succession. This branch felt that it was unjustly demoted because they were younger in the generational chain and since they no longer had their father to represent and defend their interests, they were not given voice in decision-making though they had voting rights.

Leadership succession

In leadership succession, as well, illegitimate qualifications are a result of the assessment of a family member not carried out properly. Often family leaders tend to upgrade their own children at the expense of family members from other branches. The domestic way of engaging in leadership succession entails that family leaders are prone to upgrade their own family members based on their shared upbringing, family values and norms. Family members prefer to share what they created with their own children. Because they also created their children, they trust them to ensure the continuity of the business they founded or contributed to in developing. For these reasons, family leaders may be prone to hand over the business to their own children or those with whom they have the closest ties. Denunciations of illegitimate qualifications can also concern family members from the same branch and reveal conflict between siblings or cousins.

In Wheels, an illegitimate qualification was especially denounced when François wanted to nominate Emile-Vincent as CEO to succeed him. For some family members, this qualification was illegitimate as Emile-Vincent had not been successful in the management of the acquisition of the Swiss Group. They
invoked his lack of competence and lack of consideration for the family’s general interest.

**In Green**, Jacques-Antoine denounced an illegitimate qualification when Jacques informed his sons that Jacques-Olivier would be his successor. Jacques-Antoine disagreed, as he thought he was as competent as Jacques-Olivier to run the company. This decision manifested Jacques’ priority for continuity when he chose Jacques-Olivier as he had the agricultural fiber. In contrast, Jacques-Antoine had developed a new business.

Several years later, Antonia denounced an illegitimate qualification when Antoine-Arnaud was trained to succeed his father in the future. She invoked lack of consideration for professional criteria and advanced her husband’s better performance to hold the position of chairman.

Denunciations of illegitimate qualifications often reveal a disagreement about the characteristics (worlds) used by family leaders to qualify family members. In business situations, four different worlds are invoked to qualify family members: the domestic, the industrial, the market and the civic worlds. Illegitimate qualifications derive from the consideration of domestic characteristics to assess family members’ worth in business situations (privileging close familial bonds, avoiding conflicts among family members, etc.). Two situations can be distinguished. First, considering family characteristics for assessing family members is not invoked, but it is the way the assessment is carried out that is denounced. This does not apply in the same way to all family members. Second, the consideration of family characteristics to assess family members is called into question. Other criteria are advanced to evaluate family members’ worth: competence, ability to create value and represent the collective of family members. This latter denunciation reveals a change in the expected behavior that family leaders and family members should have to qualify family members, that is, to evaluate their worth in business situations.

Family members’ denunciations of the family leaders’ familial nature of procedures and illegitimate qualifications of family members in business situations signaled a change in family members’ identity perceptions.

**Changes in family members’ identity perceptions**

The development of the family in branches led to changes in family members’ identity perceptions. This was manifested in their self-perception and in their perception of family leaders’ unfair treatment.
Changes in family members’ self-perception

Changes in self-perception are observed in the emergence of varying and conflicting stereotypical norms associated with the category family member, and in the propensity of family members to compare one with the other in family and business situations. Appendix 4 presents the data supporting the Changes in family members’ self-perception.

Varying stereotypical norms about the category family member

The denunciations of the familial nature of the family leaders’ procedures in business situations, presented in the previous section, signal a change in family members’ self-perception. Family leaders reflect the values and norms of the Family prototype and best embody its characteristics. When family members denounce the procedures, they communicate that the family leaders’ behavior is not consistent with the stereotypical norms that family members associate with the category family member. At the same time, family members reveal their own representation of the category family member in business situations. Through their denunciations, family members explicit and justify their views on family leaders’ procedures. In this process of justification, they make clear the values and behaviors that they associate with the category family member, that is, its internally graded structure. Disagreements between family members (including the family leaders) about the family leaders’ procedures indicate that they no longer associate the same features with the category family member. These disagreements can announce the existence of varying and potentially conflicting features. These features are reflected in the denunciations of family leaders’ procedures. They differ on whether the emphasis is put on domestic characteristics (reproduction, priority to the generational link, family unity), or on a combination of domestic, industrial, market and civic characteristics (professional criteria, value creation, collective representation). All these are identity characteristics that can conflict with each other. Table 2 gives the domestic features of the category family member and the denunciations by family members of these characteristics from the perspectives of the industrial, market and civic worlds; these constitute alternative ways of characterizing the family member category for family members.
<table>
<thead>
<tr>
<th>Business situations</th>
<th>The domestic features of the family member’s category</th>
<th>The varying alternative features of the family member’s category</th>
</tr>
</thead>
</table>
| Management of family members | • Family leader’s authority: based on the primacy in the generational chain of command  
• Management of family members: based on the bond with the older generation  
• Recruitment that maintains equality between branches | • Family leader’s authority: based on the primacy in the generational chain of command  
• Management of family members: based on professional criteria  
• Recruitment and management of family members: based on professional criteria | • Family leader’s authority: based on the primacy in the generational chain of command  
• Management of family members: based on professional criteria  
• Recruitment and management of family members: based on professional criteria  
• Management of the business: based on the ability to increase the value of the business  
• The business as an object that family members possess and want to increase in value (to increase the value of their property)  
• Family leader’s authority: based on the ability to renounce the satisfaction of his private interest and to favor the interest of all family members  
• The business as a collective asset that belongs to all family members |
| Business decisions | • Family leader’s authority: based on the primacy in the generational chain of command  
• Reproduction of familial procedures in strategy-making  
• The business as an extension of the family (the elderly) | • Family leader’s authority: based on the primacy in the generational chain of command  
• Management of the family members: based on professional criteria  
• Professional procedures of strategy-making and performance of decisions  
• The business as an object that family members want to manage efficiently | • Family leader’s authority: based on the ability to increase the value of the business  
• The business as an object that family members want to manage efficiently  
• The business as an extension of the family (the elderly) |
| Leadership succession | • Family leader’s authority: based on the primacy in the generational chain of command  
• Link of the successor with the older generation | • Family leader’s authority: based on the primacy in the generational chain of command  
• Competence of the successor | • Family leader’s authority: based on the ability to increase the value of the business  
• Successor: elected by the family members |

Table 2: Varying stereotypical norms associated with the family member category
The various stereotypical norms presented in table 2 reflect different representations about the nature of the family leaders’ authority, the relationships between family members, the relation of worth, and as a consequence of family members’ behaviors and expectations in business situations. When the family branches out, it is possible to notice, in the emergence of the different representations, one can notice a higher emphasis given to the notion of performance. Family members are expected to perform while — in the early years of the firm development — they might be welcomed in the company without systematic performance expectations. This was revealed in the critiques about the overemphasis put on the generational link, on the priority given to reproduction and engenderment, and on harmonious family relationships at the expense of efficiency or value creation in the business situations. It was also manifested in the nature of the denunciations coming from the industrial perspective. Family members expected authority to derive from competence, and demonstrating the ability to increase the value of the business, the introduction of professionals — family and non-family members — in business situations, and using professional criteria to guide family leaders’ decisions. In their justifications, family members referred to competency, efficiency, and performance. The business not only represented a legacy of the founder, but was also a good that needed to be run efficiently.

At the same time, and perhaps as a consequence, the family member category evolved for some family members as they gave greater consideration to the role of the owner. Involvement in the management was conditioned by family members’ performance. Otherwise involvement in the ownership might be favored. In this perspective, in parallel with the professionalization of the management of the business, some family members also looked for performance in terms of profitability. This was expressed in the critiques that came from the market perspective. The family business may then look like a “salable” good whose value is expected to increase, and the family leaders should make it more profitable and ensure family owners sufficient dividends.

Finally, the nature of relationships between family members evolved, and this is revealed in the stereotypes of the category family member. Family members involved in the management expected to be free of personal dependencies that often characterized familial generational bonds, and to take professional responsibilities towards the elder family members. Family leaders were expected to represent the interest of all family members instead of the interests of their sole branch. This was expressed in the critiques of the domestic world in which the family leader’s authority was based on his primacy in the generational chain of command. Denunciations also came from the civic world. Family leaders were expected to renounce the satisfaction of their private interest to favor the interest of all family members. The business represents for some family members a collective good that family leaders should manage in the interest of all.
The coexistence of varying and potentially conflicting stereotypical norms influenced the extent to which family members self-categorized as *family member*. In the self-categorization theory, normative fit is the process through which individuals’ behaviors are recognized consistent with the stereotypical norms of the social category. It corresponds to “the degree to which reality actually matches the criteria which define the category” (Turner et al. 1987: 55) and conditions the extent to which the category becomes salient in a particular context. When family members denounce family leaders’ procedures, they recognize that family leaders’ behaviors no longer fit with the stereotypical norms that they associate with the category *family member*. Normative fit cannot occur and *family* identification may no longer be salient.

The varying and potentially conflicting stereotypical norms associated with the category *family member* constitute the first signal of change in family members’ self-perception. The second is the growing propensity of family members from different branches to compare themselves with the others, and perceive higher dissimilarities between than within family branches.

**Comparing with one another**

With the development of the family in branches, family members came to compare themselves with the others. Turner et al. (1987) called this process of comparison, comparative fit. In this process, family members use the stereotypical norms they associate with the category *family member* to compare themselves with the others, and identify relative similarities or dissimilarities between them. Stereotypical norms are depicted in terms of attributes of the domestic world: the subjects (elders, the youngsters, grand-father/grand-mother, father/mother, siblings, etc.), the objects (upbringing, family values, etc. including in relation to the family business) and the relationships (generational link, proximity, intimacy, reproducing, training, receiving and returning, etc.). These attributes are used by family members to compare with the others in business and family situations. Comparisons mainly revolved around upbringing and family members’ relation to the business. Upbringing plays an important role in self-categorization. It is essential for an individual’s self-definition and need for differentiation from others. Upbringing encompasses family values, behaviors, culture, life experience, and language, and symbolizes the extent to which family members feel belonging to a same lineage. Close to upbringing is the experience family members developed with the business during their childhood, and through their parents’ experience. Over time, family members used to perceive relative higher similarities between family members from a same branch, and relative higher dissimilarities between family members from different branches. Perceptions of dissimilarities can develop progressively as the family enlarges in multiple branches over time and generations. They can also arise more rapidly in situations of leadership succession as observed in Green.
With the passage of time, comparisons can reveal an increasing perceptions of dissimilarities between family members in family and business situations. Upbringing — which is the main object through which a relationship is engendered between family members — may no longer be shared. The sense of belonging to a same lineage may wane as family members’ ties can become very distant in the hierarchy of family relationships. Family members not only have infrequent interactions but they may not refer to the same elder in the generational chain of command. In this situation, the stereotypical norms associated with the category family member differ significantly from one family member to the other, even up to the point that the category family member no longer accounts for situationally relevant similarities and dissimilarities among family members. In family and business situations, relative similarities and dissimilarities may instead be correlated with the features of the category family owner. Therefore, over time and generations, family members may no longer feel a sense of belonging to the same family. Eventually, they might perceive each other as owners of a family business rather than as members of a same family. This was observed in Loisau. Comparisons were observed in Green, Wheels, Yellow and Loisau in different ways as each family evolved differently.

In Green, when Jacques-Antoine and Jacques-Olivier were involved in the family business with their father, they both acted as siblings tied by their common belonging to the family. Jacques-Antoine always distinguished himself from his brother Jacques-Olivier. They decided to divide up the business to preserve their autonomy and individuality. Despite their different perspectives for the future of the business, they managed to work together and to develop the family business together during the main part of their professional lives. When the brothers decided to organize their succession, Jacques-Antoine considered their differences. These not only concerned the two brothers but also their spouses and their children. Jacques-Antoine compared both families and observed differences between their wives, their relations to the business, and the upbringing that their children had received, especially about the business. Differences no longer concerned Jacques-Olivier and Jacques-Antoine but extended to other branch members who differed from each other. Since that time, Jacques-Antoine claimed that differences between the two businesses were too important to keep managing them in the same way. Each activity required its own rules of management. Splitting the family business into two distinct activities was his solution to hand over the business to the next generation.

In Wheels, with the development of the family in branches, family members, noticed differences among each other, as they compared themselves with the others. Comparisons took place in family and business situations and reflected differences in terms of upbringing, relationships, and experience in the business.
Upbringing was the main characteristic that family members used to signal their relative similarities/dissimilarities in family situations. As is often observed in family relationships, comparisons also referred to the relative higher frequency of interaction among branch members than between members from different branches. Comparisons emphasized the relative higher intimacy and proximity that existed between siblings, that is, in relationships that unfolded in the household, and the branch, than between cousins, that is, between different branches. Linked to upbringing was the relation that family members had with the business during their childhood that drove their perceived relative higher similarities/dissimilarities with other family members. This was reinforced when branches had varying familial procedures in business situations. In their comparisons, family members communicated their perceived relative higher similarities among siblings — family members from a same branch — than between cousins — family members from different branches. These were expressed in locutions such as “nest” to manifest the relative higher similarities that characterized siblings in comparison to cousins, and a “different world” or a “limited common experience” to point out more dissimilarities between cousins in comparison to siblings. These relative similarities within branches and dissimilarities between branches were observed both by second and third generation family members. The more the family size increased over generations, the more the family members perceived relative higher differences among each other in their relation with the business. Third generation family members, they noticed variations in their attachment to the business.

In Yellow, differences in perceptions also characterized family members, and were manifested in their comparisons with one another. In their comparisons, family members mainly pointed out varying familial procedures in business situations. When the research was conducted, the family was made up of more than 200 family members. It was just as likely that they no longer used pure family characteristics to compare with one another. Relative higher perceived similarities within branches and relative higher dissimilarities between branches were especially observed in the involvement of family members’ in the business. These were also observed when family members compared branches’ internal organization, and structure in relation to the business. For instance, some branches still had a family leader from the second generation to represent them while others did not. This situation created a feeling of distinctiveness between branches.

In Loisau, when the research was conducted, the size of the ownership was around 100 family members, with less than ten family members involved in the business. As in the case of Yellow, family members no longer compared themselves with the others in terms of family characteristics. They acknowledged that they had less interaction with out-branch members than with in-branch
members. The generational link, which was the grand-mother, no longer invoked similarities and a sense of belonging to the same household. Relative similarities and dissimilarities mainly concerned their relation with the business. They perceived relative higher similarities in their experience and attachment to the business within branches than between branches. These perceptions greatly increased over generations, and particularly between involved and non-involved branches. Involved members deplored that the attachment greatly differed between involved and non-involved branches. With the growth of the family, and despite blood ties, family members came to perceive higher relative similarities as family owners than as family members.

The emergence of varying and conflicting stereotypical norms associated with the category family member, and the growing propensity of family members to compare with one another signal a change in family members’ self-perception. A second change in family members’ identity perception comes from their perceptions that family leaders treat them unfairly.

**Perceiving unfair treatment**

In this section, I draw on the Economies of Worth and the relational models of procedural justice (Blader and Tyler 2015) to propose that when family members denounce family leaders’ illegitimate qualifications, they communicate that they perceive family leaders’ treatment to be unfair. I draw on the general idea of the relational models that people use the procedural justice that they encounter in their interactions with authorities to evaluate the nature of their relationship with this authorities. From fair/unfair procedures they derive a positive/negative sense of self and of their place in the world.

The relational model of authority (Tyler and Lind 1992) suggests that people care about how authorities treat them because authorities communicate socially relevant information about people’s identity, in particular in terms of their standing and status. Standing derives from the evaluation of the group to which one belongs. Status follows from the evaluation of one’s position in a group. People derive their self-worth from their evaluation of their status within a group. Low status in the group will undermine their feeling of favorable self-esteem and self-worth (Tyler and Blader 2003). In addition to status, neutrality and trustworthiness are two other dimensions that characterize authorities’ treatment quality and provide individuals relational information about their position within a group (Tyler and Lind 1992). Neutrality has extremely powerful consequences for feelings of self-worth as evidence of bias or discrimination can threaten individuals’ self-image (Tyler and Lind 1992).

I advance that family leaders’ treatment determines relational judgments about their fairness and drives family members’ identity assessment. Family members can infer from the quality of their relationship with the family leaders, judgment about family leaders’ fairness. From family leaders’ fair/unfair treatment, family
members can conclude that family leaders consider/do not consider them as full member of the family, and that they are valued/not valued by the family.

Perception of unfair treatment is signaled in family members’ denunciations of family leaders’ illegitimate qualifications in business situations. In the previous section, it was observed that family members perceived familial procedures as being illegitimate as they gave priority to in-branch relationships, and led to the upgrading of in-branch members over out-branch members. As a consequence, out-branch members felt demoted. In addition, family members might perceive familial procedures as being biased as family members were not treated equally. Todd (1985) has identified different family structures in the world, and has delineated their characteristics. The cases studied in this research correspond to the egalitarian nuclear family or exogamous community family structures. In these types of structure, family members’ relationships are horizontal and based on equality. Therefore, the preference given to branches in qualifications did not respect the norm of equality that should characterize family members in the family. The lack of neutrality of family leaders’ procedures led family members to perceive their treatment as unfair. Finally, family members might question the motives and intentions of family leaders, and the extent to which they are trying to be fair and ethical. Status, neutrality and trustworthiness of the family leaders help family members assess the quality of their relationship with the family leaders — and whether they are treated fairly or not. Appendix 4 presents the data supporting the Perceiving unfair treatment.

In Yellow, when Paul-Edouard manifested his willingness to join the business, and was turned down, he suffered because of this decision. He wanted to contribute to the development of the business as two of his brothers had been allowed to. He derived negative a sense of self-worth and experienced it as if he was not accepted by the family leader in the business.

Jean-Étienne’s branch protested against the second generation family leaders’ decisions, and denounced their unfair treatment for years. They were not given a voice in the same way as other family leaders in business decisions, especially in the decision to pay dividends. They faced some forms of ostracism from the family leaders and suffered because of this.

In Wheels, Jean-Gaétan did not feel recognized by the family. Though he was not involved in the business, he was committed as a shareholder, and defined himself as an active shareholder. When they discussed the opportunity to acquire new businesses, he made suggestions but these were rejected. When the shareholders met about the business, he actively participated in the discussions but he felt his opinion was not considered. This situation affected him.

In this section, I developed the idea that family members’ identity perceptions are important. They are manifested in family members’ reactions to family
leaders’ procedures. These communicate two different changes in identity perception. On the one hand, not all family members keep self-categorizing as *family member*. On the other hand, family members may conclude from family leaders’ unfair treatment that they are not valued members. These perceptions influence the extent to which family members identify with the *Family*. This situation can lead to *Family* collective trust erosion as the basis for trust is no longer present.

**Family collective trust erosion**

With the expansion of the family in branches, family members’ continuous becoming is manifested in varying family identifications. These changes in identification can undermine the underpinnings (*Family* identification and family leaders’ trustworthiness) of *Family* collective trust, and lead to perceptions of vulnerability. As a result, *Family* collective trust can erode. Appendix 5 presents the data supporting *Family* collective trust erosion.

**Becoming: Varying identifications**

With the development of the family in branches, the family becomes a superordinate group (SOG) in which branches are nested or embedded (Feldman 1979). Family members can identify with the *Family* as a superordinate group (*Family* SOG) and with their (nested or embedded) *branch*, the former including the latter. Over the time, family members’ continuous becoming is manifested in the development of *branch* identification and in declining *Family* SOG identification.

**Branch identification**

*Acting as a branch*

With the development of the family in branches, family members come to identify with the *branch*. This means categorizing at a less inclusive level than the *Family* SOG: the *branch*, and perceiving branch members as an undifferentiated category. When individuals identify with their social group, they are more likely to react uniformly to out-group members and to treat these out-groups as an undifferentiated category (Haslam 2001: 34).

*Branch* identification is signaled in in-branch members’ propensity to act as a branch, and see other branch members through a same lens. Uniform branch
behaviors refer to familial procedures, rules, or behaviors that are specific to the branch and differ from one branch to another. Characteristics of the domestic world are fruitful to describe the influence of the category branch member on family members’ behaviors and characteristics. Branch members are perceived as an undifferentiated category conceived as a person, the branch leader. Branch members cannot be dissociated from their belongingness and generational link with this person. It is expressed in the use of the name of the head of a branch to describe branch members’ behaviors and the uniformity of personal characteristics among branch members. This practice emphasizes the perceived homogeneity of out-branches and their uniform behaviors by in-branches, as well as the consensus that characterizes the in-branches. The feeling that each branch was perceived by the other as an undifferentiated category was observed in Yellow, Loisau and Wheels.

In Yellow, the development of an undifferentiated category was manifested in the uniform behaviors that characterized each branch. It was particularly noticeable as over time branches developed their own procedures in business situations over time. It was also observed when branch members used the first name of the head of the branch to refer to all the members of the branch. It started with the founding generations and developed over time. It still existed in the third generation. Through this practice, family members expressed their identification as an undifferentiated category (for the in-branch) and their perceived homogeneity of outbranches. Most family members used the name of the head of the branch to refer to other branches (out-branches) and attributed them uniform behaviors. This phenomenon was also observed in Loisau.

In Loisau, branches’ behaviors were perceived uniform. This was manifested in the propensity of family and non-family members to associate uniform behaviors with a branch for the members of the branch. It was also observed when family members used the first name of the head of the branch to refer to all the members of that branch.

In Wheels, too the same phenomenon was observed. It was critical when family members of one branch expressed their desire, as a whole branch, to sell their shares and leave the ownership.

**The development of a branch logic**

Branch identification is seen in the family members’ propensity to act as a branch (undifferentiated category). Over the years, this salient branch identification gave rise to the development of a logic of branch in business situations. Branch logic shows prevailing branch identification over Family SOG identification, and its familial influence in business situations. In this research, I propose that branch logic derives from the combination of two elements: branch salient identification
in business situations and a familial norm of equality between branches that guides decisions in business situations. In his typology of family structures, Todd (1985) saw the norm of equality that governed certain forms of family that he called an “egalitarian nuclear family” or an “exogamous community family”. In these structures, parental relationships were respectively based on weak and strong authority. For both siblings’ relationships were based on symmetric social relations and equality. Branch logic arose from the norm of equality that characterize siblings’ relationships, and the prevailing branch identification that led family members of a same branch to act uniformly, as a same person. For Todd (1985), the principle of equality was specific to siblings. I suggest that branch logic originates in siblings relationships and can spread out other relationships, as it can be reproduced in other family members’ relationships. The development and influence of a branch logic was mainly observed in Wheels, Loisau and Yellow. I present here this influence on Loisau and Yellow, and I will detail this influence for Wheels in the next chapter.

In Loisau, when, the ownership was equally owned by two branches — Jules and Romain’s branches — family leaders, in their management of family members, strived to maintain an equal representation of the branches in the business. To preserve harmonious relationships, family leaders — each representing his branch — decided together about the involvement and the departure of the family members. When Jules-Alexandre failed to respect this rule, Romain-Paul strongly condemned his behavior. In business decisions as well Jules-Alexandre, Jules-Olivier and Romain-Paul represented the interest of the two family branches of the family. They paid careful attention to preserving each branch’s interests equal. Otherwise conflicts might occur. It was possible to observe in the research, that in Yellow the same rules of equality guided family leaders’ decision in the management of family members.

In Yellow, when the business was created by the two brothers, founding branches had 50% of the ownership. Despite changes in the ownership structure, family members decided to maintain equal representation of the two branches in the business. It was manifested in family members’ involvement in the governance of the Company, as well as in the remuneration of family members. In parallel to a branch logic, relative proximity can also develop between branches. In the context of the family business, it concerns involved and non-involved branches.

Involved vs. non-involved branches

Comparison is context dependent (Turner et al. 1987). With the growth of the family and a change in its structure, family members also perceive relative higher similarities with some branches and relative higher dissimilarities with others. It happened in Loisau and Yellow, and was observed in Wheels.
In Wheels, salient identification took place at the branch level at the third generation. One branch perceived higher dissimilarities with the five other branches, and higher similarities between these five branches. This was first based on less frequent interactions with family members for geographical reasons. It also came from varying involvement in the business.

In the second generation, not all siblings were involved in the management of the business. The two daughters were not brought up to enter the business and this created perceived differences between branches: higher similarities between the brothers’ branches that were involved in the business, and higher similarities between the daughters’ branches that were not. The relation with the business was inscribed in this familial practice. Because the four sons worked in the business and contributed to its development, they handed over their attachment to their own children. Cousins whose fathers were not working in the business, felt for differences with the other branches.

Emilienne, the second daughter, and her children developed a slightly different experience with the business as Emilienne’s husband got seriously ill, and could not work for most of his adult life. When her husband was in hospital, Emilienne frequently visited her parents with her children. This gave them an opportunity to meet their uncles who were involved in the business and to develop proximity with the business. In addition, dividends provided Emilienne enough resources to give her children a good education. As a result, they felt attached to the business and were thankful for the revenue generated by the company. Several years later, one of Emilienne’s sons entered the business. Finally, there was only one branch that was not involved in the business, and whose family members perceived themselves as being different from the five other branches.

In Loisau, in the early years of firm development, familial procedures involved that family members could join the business without any skills requirement. This rules mainly applied to the descendants of the involved family members. With the development of the family in numerous branches, not all branches had an opportunity to gather together regularly. Emilien-Louis did not know some family members before he entered the business. In contrast, Emilien-Louis perceived higher similarities between the Jules-Olivier and Romain-Paul’s branches as they shared different activities. The Jules-Olivier and Romain-Paul branches interacted often. Proximity was not necessarily based on their familial link; they were second cousins. They spent lots of time together during their childhood and their fathers were both involved in the business. When Paul-Emmanuel compared his relationship with his cousins, he perceived higher proximity with the Jules-Olivier branch than with the others with whom he might have a closer familial bond. So, higher proximity developed between branches that interacted frequently and were involved in the business.
Proximity between branches not only derived from frequent interactions but mainly rested on family members’ attachment to the business. Attachment to the business tended to decline over generations and was an important criterion of similarity/dissimilarity between branches. In involved branches, the family business culture spread through all the members from the earliest days. Attachment was related to the involvement of the elder. The closer the bond with the elder the greater the attachment among branch members. Conversely, a lot of non-involved branches were no longer interested in joining the family business or taking part in its management.

Besides salient branch identification, the second change in identification was the simultaneous declining identification with the Family SOG.

**Declining Family SOG identification**

In this section, I present how the evolution of the family into a superordinate group led to declining Family SOG identification. This decline may have two sources: an inexorable decline that gradually occurred with the passage of time — when the family expanded in branches — and the family members’ reaction to family leaders’ unfair treatment.

**An inexorable declining identification**

When a family branches out, salient identification with the branch prevails over Family SOG identification that may decline continuously. There are three main reasons for this. First, nested identities tend to be more salient as they are more exclusive, and concrete and their impact is more direct and immediate (Ashforth et al. 2001). Second, the category family SOG member tends to be less accessible over time. Third, branch and Family SOG identities may conflict with one another.

Branches nested identities are more exclusive and concrete than the Family SOG identity because Family SOG identity encompasses all branches’ identity characteristics. The larger and more diverse the family (in terms of family characteristics and relation to the business), the more abstract the Family SOG identity will be. In addition, branches’ identities tend to be perceived more homogeneous, and the Family SOG (identity) more heterogeneous. In this perspective, family members may find that the inclusiveness and abstractness of the Family SOG identity makes it difficult to discern their uniqueness within the family. **Optimal distinctiveness** may not be achieved as family members may not satisfy their need for differentiation at the family higher order identity.

The category family SOG member may also be less accessible over time, and lead to prevailing salient branch identification. The salience of an identity is determined by two conditions: category fit (normative and comparative) and accessibility (chronic and situational). I have proposed before that the
development of the family in branches might impede category fit to occur as varying stereotypical norms are associated with the category *family member*. In this section, I advance that the category *family SOG member* may not always be accessible as it becomes less important for family members’ self-definition over time, and situationally less relevant in family and business contexts. The more the *Family SOG* identity becomes heterogeneous and abstract, the less important it will be for family members’ self-definition. In addition, the more the family enlarges, the more the branch constitutes the group with which branch members most *frequently interact* in family situations. In contrast, most of the family members may no longer interact regularly, and have lesser opportunities to meet or to know each other. Interaction may be limited and related to their relation to the family business. Eventually, they can meet each other at the annual general meetings or other owners’ meetings.

At the other extreme, the category *branch member* is more accessible. It is chronically accessible as the branch constitutes the primary group of interaction for the family members and also because branch characteristics are important to family members’ self-definition. These characteristics include branch members’ relation to the business. Each branch develops its own relation with the business and norms of behaviors in business situations. For instance, for non-involved branches, the category *branch member* can be depicted in terms of characteristics of the industrial or market world in business situations. For founding branches, it may rather be described in terms of the domestic world. Finally, the branch is situationally relevant (accessible) in family meetings as family members frequently interact in this context, but also in annual general meetings that gather together all family members owners of the business, as branch members may be tied by their joint ownership.

Finally, the development of the family in branches may lead to a situation in which *Family SOG* and *branches*’ identities conflict. In this situation, simultaneous *Family SOG* and *branches* salient identification cannot occur and salient *branch* identification will prevail. The different cases showed situations in which family members came to associate different stereotypical norms with the category *family member*. This situation may signal conflicting stereotypical norms between *branch* and *Family SOG* identities. Denunciations revealed that some branches emphasized more on domestic characteristics while others defended characteristics of the industrial and/or market, and/or civic worlds. Characteristics of the domestic world sometimes conflicted with the alternative industrial, market or civic worlds. The former led to hierarchical generational relationships, upbringing, continuity, and founder or elderly while the latter led to competence, performance, value creation, collective action, and representatives of the general will. These conflicting characteristics can manifest conflicting *Family SOG* and *branches* identities. Identity conflicts when they exit can lead to prevailing identification at the branch level and declining *Family SOG*
identification. Declining identification with the *Family SOG* was mainly observed in Wheels, Loisau and Yellow.

**In Wheels**, with the development of the family in branches, identification with the *Family SOG* declined. When the six children decided to take over the business together with their mother, the family members formed a tightly-knit family. The children had developed close ties during their childhood, deeply rooted in their mother’s efforts to create a united family. These ties remained strong in their adulthood. They shared an attachment to the family business that was founded by their father which they decided to hand over.

At the third generation, the family was made up of six branches. It still looked like “a family that stuck together” to a non-family member as the cousins had developed strong ties during their childhood. They had gathered together very often at Marguerite’s home. Several years later, when they came to interact in the context of the business, differences were perceptible in the family. François attributed them to the fact that the third generation did not belong to the same household. Despite frequent interactions during their childhood, the family was not their primary group of interaction, the branch was. In addition, interaction between family members decreased as gathering all family members together became more difficult.

Cousins also perceived differences in the family as it enlarged through birth and marriages. The introduction of new members brought changes in the internally graded structure of the category *family member*. *Family SOG* identity evolved as new values, rules, behaviors were introduced in the family prototype, and became less homogenous. Identification with the *Family SOG* could not satisfy family members’ need for distinctiveness as branches differed in their values, norms, upbringing, and lifestyle.

The relation that branches had with the business reinforced this perception of heterogeneity. Each branch had its own vision, attachment, and project for the business, and there differed greatly from one branch to another.

The consequence was a category *family member* that was more inclusive and abstract and rendered it less accessible to branch members in family situations. In the family context, the category *family member* became less chronically accessible and situationally relevant than the category *branch member*. For non-involved branches, the category family member was not accessible in the business context.

In addition, the various perspectives of each branch about the family business not only reinforced prevailing branch identification, but it could also jeopardized the *Family SOG* salient identification. Denunciations of family procedures in business situations revealed conflicting stereotypical norms between family members, and eventually an identity conflict between some *branches* and *Family*
SOG identities. These put in contention the familial procedures and expected professionalized procedures.

In Loisau, the family was created by the two brothers Jules and Romain, who developed it with some of their sons. The family quickly grew through marriages and birth as families often had more than four children. Two generations later, there were already 15 branches. It soon became difficult for family members to interact frequently, have a similar upbringing or other familial characteristics. A number of family members did not really know each other. When families gathered together, it was generally related to the business. As a result, the family soon looked like very heterogeneous. Identification with the Family SOG was difficult as the features of the category family SOG member were too abstract or inclusive to satisfy family members’ needs for distinctiveness. In contrast, the branch constituted family members’ primary group of interaction, and provided more distinctiveness in the context of the large Family SOG that all the family members constituted. As a consequence — in family situations — salient categorization prevailed at the branch level. At least, involved family branches could perceive relative higher similarities with each other, and relative higher dissimilarities with the non-involved branches. And the same was true for the non-involved branches. This situation created not only a decline in Family SOG, but a shift in identification. The evolution of the family meant that some family members no longer perceived each other as belonging to the same family. On the one hand, the category family SOG member was not chronically accessible as it was too inclusive to make sense in family situations. On the other hand, through the years, family members had been used to gathering only once a year for the annual general meeting. The category family SOG member was no longer situationally relevant in this context. At the other extreme the category family owner, even if it remained inclusive — as it embraced various interests of the family business — was more situationally relevant.

In Yellow, as in Loisau, the family rapidly increased in size through births and marriages. In the third generation, it had approximately 200 family members. Again, the inclusiveness and abstractedness of the category family SOG member led to declining Family SOG identification, and prevailing branch identification. In contrast, the ownership of Yellow was concentrated among few family members of the second generation. In addition, the changes in the ownership structures that occurred during the development of the business and created tensions between the founding branches and thus reduced possible interactions between family members. Hence, the founding branches did not gather together except in the context of the business. Over the years, salient identification took place at the founding branches level. Family members gathered frequently and cousins from each branch had the opportunity to develop close ties. These frequent interactions allowed a branch’s
members to maintain identification with the Charles’ branch in the future. However, the growth of the family meant that even within founding branches, identification with the family declined as family characteristics in family and business situations did not allow family members to satisfy optimal distinctiveness.

In the third generation, the category family SOG member, even at the founding branches level was too inclusive and abstract to be accessible, even at the level of the founding branches. It was no longer chronically accessible as family members at most met each other once a year at the annual general meeting. It was not situationally relevant as gatherings were more frequent, and intimate.

**Reacting to family leaders’ unfair treatment**

When family members have a feeling of belonging to the family leaders’ group, and perceive their treatment as being unfair, Family SOG identification can decline. According to the group engagement model (Tyler and Blader 2000), individuals derive identity judgments from leaders’ procedures that influence the extent to which they will maintain their group membership. Drawing on this perspective, I propose that family members derive low status in the Family SOG (group) and low identification with the Family SOG (identity) from unfair family leaders’ procedures. As mentioned earlier, unfair family leaders’ treatment is manifested in illegitimate qualifications that result in demoting or upgrading some family members in contrast with other family members. Often, in-branch family leaders’ members, or involved family members are upgraded while out-branch family leaders’ members or non-involved family members are demoted. Declining identification with the Family SOG due to perceived unfair family treatment was mainly observed in Wheels and Yellow.

**In Wheels**, Jean-Gaétan had denounced family leaders’ procedures in business situations — a lack of professionalism, an excessive attention given to family considerations — for years, and had called for a more efficient management of the family business. François and Jean-Gaétan had a distinct approach to the management of the family business. Jean-Gaétan’s vision left little place for family considerations, and conditioned family shareholders’ commitment to a professional management of the firm. Jean-Gaétan was affected by the lack of consideration of his claim. He decided that he would no longer be involved in the ownership, and that he would sell out his shares.

**In Yellow**, during several years, Jean-Etienne had been affected by the unfair familial treatment of his branch by Charles-Paul for years. This situation had consequences on his behavior and engagement with the family. He expressed his disagreement, and tried to convince his siblings to sell out but they were attached to the firm and did not to implement this. Later, when he was involved in the
governance of Yellow, Jean-Etienne defended the shareholders’ view on dividends payment. Family members can develop varying family identifications when the family branches out. These come down to branch identification and declining Family SOG identification with the former reinforcing the latter. When Family SOG declines, two different situations can be distinguished. In the first, family members develop a feeling that they have become different from one another though they keep identifying as family members. In the second, family members no longer perceive each other as belonging to the same family, and may instead identify with one another as family owners. With the decline in Family SOG identification, family members lose sources of positive expectations.

Losing the sources of positive expectations

When Family SOG is not salient, family members (including family leaders) may lack sufficient grounds for building positive expectations about one another. This also happens when their perceptions about family leaders’ trustworthiness weakens.

Family SOG identification

Salient membership always influences others’ judgments about an individual’s trustworthiness. This is linked to the positive characteristics that individuals tend to attribute to in-group members (Kramer 1999), and to the generalized reciprocity they expect from them (Foddy et al. 2009). When Family SOG is not salient any longer, an important source of collective trust — identity-based — is lost. Family members can then face difficulties in building positive expectations about one another. When Family SOG declines, family members’ prevailing identification becomes the branch. If features of Family SOG and branch identity are in conflict, family members can hardly develop positive expectations about one another. Denunciations of the familial nature of the family leaders’ procedures manifest different stereotypical norms associated with the category family member, and different expectations about family members’ behaviors in business situations. This was clearly expressed in family members’ denunciations of family leaders’ procedures in business situations. The more the stereotypical norms associated with the category family member differed between family members, the less they could build positive expectations about one another. This is especially critical when stereotypical norms conflict. When Family SOG declines, family members lose an important source of positive expectations. This also can occur when family SOG leaders’ trustworthiness weakens.
Family SOG leaders’ trustworthiness

The Family SOG leaders’ trustworthiness also constitutes an important source of presumptive trust as positive expectations about the family leaders’ behaviors can be transferred to other family members (Kramer 2010). Family leaders’ trustworthiness is signaled in their procedures in business situations. Family members infer from them judgments about family members’ fairness. Relational judgments about authorities’ fairness influences reactions to authorities and individuals’ willingness to accept their decisions and to commit to group rules and goals (Tyler et al. 1996).

When groups are nested in larger groups, perceptions of superordinate group’s fairness of authorities are based on relational judgments when individuals identify more with the superordinate group and less with the subgroup. When identification with the subgroup prevails, the evaluation of fairness of an authority – who is perceived to represent a different subgroup – is based on instrumental procedural justice (Huo et al. 1996). Therefore, relational evaluation of authority involves individuals identifying strongly with the superordinate group. A strong identification with the superordinate group does not entail that individuals should decrease their loyalty to their subgroups. Research shows that individuals “who identified strongly with the superordinate group were especially sensitive to relational issues regardless of the strength of their subgroup identification” (Huo et al. 1996: 45).

When family members’ identification with the Family SOG is weak, the extent to which they will accept to adhere to Family SOG leaders’ decisions may be based on competence rather than relational criteria.

Family SOG identification and Family SOG leaders’ trustworthiness both have consequences for individuals’ willingness to engage in cooperative behaviors. In the former, group identification influences the extent to which individuals engage in group behaviors (Blader and Tyler. 2015). In the latter, authorities’ trustworthiness influences individuals’ propensity to accept and commit to their decisions (Tyler et al. 1996).

The more family members are willing to comply with group rules and goals, the more they will build positive expectations about other family members, and the more this generates family collective trust. Conversely, the less they are willing to comply with group rules and goals, the lesser the positive expectations that they will be able to develop. Actually, their perceptions of vulnerability will decrease Family collective trust and prevent them from engaging in trusting behaviors. Collective trust can erode as Family SOG identification no longer provides reassuring factors for presumptive trust. Perceptions of vulnerability arise and lead to trust erosion.
Perceptions of vulnerability

Vulnerability and erosion of collective trust

Trust research acknowledges the importance of accepting vulnerability while engaging in trusting behaviors. However, little research has investigated the notion of vulnerability and its relation with trust (Lapidot, Kark and Shamir 2007; Tsui-Auch and Möllering 2010; Searle, Nienaber, Weibel, and Hartog 2016). It is widely shared that trusting others creates vulnerability (Mayer et al. 1995; Rousseau et al. 1998), and that vulnerability is related to the risk inherent in trusting behavior. However, little is known on how vulnerability and risk relate with one another, and how they influence trust. Vulnerability is linked to the perception one has about the risk he/she takes in engaging in trust behavior. By making oneself vulnerable, one is accepts taking the risk to lose something of importance (Mayer et al. 1995). At the interpersonal level, research gives evidence that an individual’s willingness to accept vulnerability depends on his/her perception of the trustworthiness of the other party. Recently, Lapidot et al. (2007) showed that context played an important role in this relationship. Situations of high vulnerability increased “sensitivity to negative manifestations of the leader’s behavior and consequently heightens the likelihood that trust will be eroded” (p27). Tsui-Auch and Möllering (2010) have also highlighted the role played by the context in the relationship between vulnerability and trust.

Perceptions of the institutional context influence perceptions of vulnerability. High perceptions of vulnerability will lead to a low level of trust. This research has been developed at the interpersonal level. At the collective level as well, engaging in trusting behaviors entails that sufficient grounds exist for reducing the vulnerability at an acceptable level (Kramer 2010). These reassuring factors are among others the existence of identity-based trust and leader’s trustworthiness. These factors help individuals build positive expectations about other organizational members about whom they have no prior information or historical relationship (Kramer 2010).

I propose that the evolution of the family in branches increases perceptions of vulnerability among family members, as declining salient Family SOG identification can no longer provide grounds for positive expectations about other family members. In this situation, family members (including family leaders) are prone to identity damaged that lead to an erosion of family collective trust. These perceptions of vulnerability are of two kinds: the vulnerability of the family members and the vulnerability of the family leaders.
The vulnerability of the family members

The vulnerabilities of family members are of different kinds. Trust research has acknowledged that vulnerability depends on the other party’s trustworthiness. Among the three dimensions of trustworthiness, the trustee’s ability has been recognized as playing an important role when authorities and group members belong to different groups. In this research, too. Denunciations of family leaders’ familial procedures from the perspective of the industrial world communicates that family leaders are expected to perform in business situations. The fact that they display familial procedures combined with a lack of positive expectations based on shared Family SOG identification place family members in a situation of vulnerability as an underperforming management of the family business. When denunciations come from the perspective of the market world, family members express their vulnerability to family leaders who might not take care of their interests as owners, and their willingness to receive dividends. Finally, denunciations of family leaders’ familial procedures also communicates that family members feel vulnerable to the propensity of family leaders favoring their own branches. Family business research stresses the existence of altruism (Schulze, Lubatkin and Dino 2000; Lubatkin, Schulze, Ling and Dino 2005) that family members can demonstrate towards a branch. These different risks have been identified in family business relationships (Gersick et al. 1997; Kammerlander, Sieger, Voordeckers and Zellweger 2015). Here, I identified an additional type of vulnerability: identity damage. Group identification is important for an individual’s sense of self as it conveys information about his or her self-worth and self-esteem. Membership in a group does constitute a source of positive or negative social identity, but it is also a source of vulnerability. “Opening one’s self to others creates vulnerabilities and the possibility of receiving negative feedback that damages one’s identity” (Blader and Tyler 2015: 365). Family members who keep identifying with the Family SOG, even if it is not salient enough to contribute to the building of positive expectations, can feel vulnerable to identity damage if they are subject to illegitimate qualifications, i.e. unfair treatment by family leaders. They derive negative feeling of self-worth or self-esteem from illegitimate qualification. Social psychology gives evidence of individuals’ desire to have positive self-esteem and a favorable identity (Leary and Baumeister 2000). This is even more important in the context of the family as it is essential for an individual’s self-definition. Family members’ perceptions of vulnerability were observed in Wheels and Yellow.

In Yellow, Pierre-Antoine was considerably affected by the negative evaluation that the family human resource committee did of him, and he reacted negatively. He decided to leave the business. But before leaving, he convinced his father (one of the family leaders) to dismiss the external director — member of the
committee — who assessed him, and ask for public apologies from the family chairman during the annual general assembly.

In Wheels, Jean-Gaétan’s decision to leave the ownership — in addition to his conflicting view with the family leader’s management of the business — also manifested a negative feeling of self-worth. This followed from several years of frustration as he felt his opinions were not considered. As an active shareholder, he demonstrated commitment to taking part in the development of the family business in the long run. He also developed communication tools to ensure that the family members were informed about the business. And he got involved in all family meetings related to the business. When the company faced losses after the integration of the acquisition of the Swiss Group, he analyzed the situation, and, in general annual meetings, he suggested introducing changes in the management of the activity. He deplored that no one listened to him and this affected him. His decision to sell out put an end to his negative feelings. Hence, family members may perceive various kinds of vulnerabilities in their family leaders’ procedures. However, family leaders too may perceive vulnerability.

The vulnerability of the family leaders

The vulnerabilities of family leaders are twofold. In both types, they are related to the ownership structure. When the ownership is concentrated in a few family members’ hands, family leaders may feel vulnerable about dismissal or loss of family control over the ownership. In the former, if family leaders do not perform well in the management of the family business (denunciation of their familial procedures from the perspective of the industrial world) or if they are called into question for their lack of attention to owners’ interests (denunciations from the perspective of the market world), may feel vulnerable to potential dismissal. In the latter, family leaders may feel vulnerable to loss of control over family ownership, if family members express their willingness to sell out. This can occur when the family ownership becomes a group of family blockholders with heterogeneous and conflicting interests, goals and preferences (Zellweger and Kammerlander 2015) due to distinct identity characteristics. Conflicting identity characteristics follow from prevailing identification at the branch level, and *Family SOG* and *branches* identities conflict. This situation constitutes an identity threat as family leaders’ attachment to the family business goes beyond a professional career or investment. Their attachment often develops during childhood, and may be part of their upbringing, of their attachment to their family. It may play an important role in their self-definition. Family leaders’ perceptions of vulnerability were observed in Wheels, Loisau and Yellow.
In *Wheels*, when the Jeanne’s branch contemplated selling out, François was considerably affected. François strongly identified with the business. He had received it from his father who had started it. His mother had always tried to preserve the durability of the business. François and his brothers had contributed to its development. It was part of François’ self-definition. With the Jeanne branch’s intention to sell out, a risk of ownership breakup and of losing family ownership control arose.

In *Loisau*, Jules-Alexandre had developed the business throughout his entire professional life. When he decided to retire, he faced difficulties in the management of the business. He was afraid that family members would dismiss him. Jules-Alexandre had taken several decisions without consulting his brother, cousin, and the board members. They disagreed with his decisions, and more generally called into question his authoritarian leadership. Such decision would not only deprive him of his position of chairman, but would also affect his self-esteem as he strongly identified with the business. Several years later, Romain-Paul — who suffered from a heart attack — decided to retire from the management. The company faced problems linked to a slowdown in activity, and Romain-Paul was affected. He had been involved in the company that he had inherited from his father, and had developed with his cousins. He considered it his duty to ensure its permanence for the following generations. He was anxious about the consequences of the losses on the company’s survival.

In *Yellow*, when Paul-Nicolas decided to become the CEO, he was confident that his father would approve his decision, and was grateful for his commitment to the development of the family business in the long run. When second generation family leaders vetoed various strategic decisions, he was surprised. When he discussed this with his father, he understood that his father disagreed with his decision to take on the leadership, and did not trust him to hold the responsibility. He was affected by his judgment, and finally accepted that his father “only” trusted him as chairman.

When *Family SOG* identification declines, family collective trust may erode as positive expectations are no longer ensured. In the next section, I summarize the conceptual process of trust erosion that that emerged from these data.
A process of Family collective trust erosion

Figure 16 below proposes an overview of my interpretation of trust erosion in Multiple Branches Family Firms when the family branches out.
Figure 16: A process of trust erosion in *Multiples Branches Family Firms*
When the family develops into branches, *Family collective trust* can erode. This is signaled in the denunciations of the procedures of the family leaders in business situations. The evolution of the family into a superordinate group, made up of several subgroups — the branches — leads to changes in family members’ identity perceptions that are communicated in the denunciations of the family leaders’ procedures. Changes in identity perceptions are of two kinds: they manifest differences between family members’ self-perception and perceptions of unfair treatment by family leaders. Differences in self-perception derive from the emergence of varying stereotypical norms associated with the category *family member*, and increasing perception of relative higher dissimilarities between family members from different branches, and relative higher similarities between family members from the same branch. They also follow from differences in family leaders’ treatment of branches. Changes in identity perception manifest family members’ continuous becoming expressed in varying identifications ranging from prevailing *branch* identification and declining *Family SOG* identification. *Family collective trust* erodes when *Family SOG* identification — because it is no longer salient — cannot provide family members sufficient grounds to build positive expectations about one another. And positive expectations cannot either develop from family leaders’ trustworthiness. Then, family members may develop various kinds of vulnerabilities that erode their trust in one another.
Summary

In this chapter, I have delineated how Family SOG collective trust can erode in Multiple Branches Family Firms over time and generations. The main sources of collective trust erosion identified are the loss of salient Family SOG identification and /or the declining family leaders’ trustworthiness. When these two sources of collective trust are lost, family members may lack enough grounds to build positive expectations about one another, and perceive vulnerabilities (low performance of the family business, parental altruism, family leaders’ unfair treatment, strategic inertia and loss of family ownership control) in engaging in trusting behaviors.

The erosion of collective trust originates in changes in family members’ identity perceptions that occur when the family branches out. As the family enlarges, its members come to perceive one another dissimilar and the members of their branch more similar. They also realize that they no longer define the category family member in the same way. These changes are communicated in their denunciations of family leaders’ procedures in three business situations: the management of family members, business decisions and leadership succession. In these denunciations, family members manifest the increasing distance that has developed between family members, and the evolving nature of their bond, as well as their varying expectations from one another. Family members want more professional procedures, profit orientation, and family representation. They also denounce unfair treatment following from familial procedures that often result in in-branch or involved branch favoritism. These changes in identity perception announce a declining sense of belonging to the Family SOG.

Then family members’ identification may take different forms. First, a prevailing identification with their branch, which is important for family members’ self-definition, and provides them distinctiveness. A branch logic can develop, that leads to different branch behaviors, and a principle of equality between branches that guides decisions in business situations. Second, a declining Family SOG identification as the category family member is too inclusive, abstract, and embraces too various familial and business experiences. Declining Family SOG identification is of two kinds: an inexorable decline occurs as the family gets larger, and family members’ interactions in family situations become fewer, and a sense of belonging to a same lineage lessens. As the family member category gradually loses salience, owners’ features can appear more situationally relevant in family and business situations. Declining identification occurs as a reaction to perceptions of family leaders’ unfair treatment and of identity damage. These changes in identification represent a threat to Family SOG collective trust, and there is a risk that the familial trust — that characterized the early development of the family business — will erode.
10. Maintaining Trust through Formalities and Fair Treatment

In the previous chapter, I depicted how the evolution of the family in branches can lead to trust erosion when Family SOG identification is no longer salient. In this chapter, I propose that family leaders can sustain collective trust through shared membership. To ensure the existence of positive expectations among family members, family leaders can act in order to remain superordinate group identification salient. This can happen in different ways, and depends on two dimensions: family members’ identity perceptions and the nature of family leaders’ procedures towards family members in business situations.

In the following pages, I describe how collective trust can be maintained in Multiple Branches Family Firms. I delineate three different processes in which collective trust is nurtured through formalities — that act as identity control — and family leaders’ fair treatment — that provides family members with identity security or enhancement.

I suggest that beside maintaining Family SOG collective trust, family leaders can also address family members’ changes in identity perception through the generation of new superordinate group’s features. Thus, they can create new sources of collective trust as family members’ identification with the Family SOG evolves. I identify two distinct types of superordinate group forms of identification. I called them: the Professionalized Family SOG and the Family Owners SOG.

This chapter is structured as follows: It first presents how family leaders can maintain Family SOG collective trust whilst branch identification emerges and threatens Family SOG identification. It then gives details of how Professionalized Family and Family Owners collective trust can be developed. It recounts how family leaders can create new procedures to reduce family members’ perceptions of vulnerability (that arise when the family branched out) and generate new superordinate group identification as a new basis for collective trust.
Maintaining *Family* collective trust

When *Family SOG* identification has declined but still exists, family leaders may decide to maintain *Family SOG* collective trust. The development of the family in branches can generate perceptions of vulnerability at the branch level that family leaders may want to reduce. The implementation of familial procedures can assure the branches that they are treated fairly, and contribute to maintaining positive expectations of other family members. This maintenance of *Family SOG* collective trust was mainly observed in Wheels and Yellow. Appendix 6 presents the data supporting the interpretation of *Maintaining Family SOG* collective trust.

**Reducing branches’ perceptions of vulnerability**

**Branches’ perceptions of vulnerability**

Family leaders’ procedures, when they are perceived to be unfair, may create feelings of vulnerability that are manifested at the branch level. When branch identification prevails, and family members judge that family leaders’ treatment is unfair, they can develop feelings of vulnerability. These feelings can spread through the whole branch, as branch identification involves for family members assimilating with other branch members, and developing this sense of “who we are” that is associated with branch membership. When the ownership is concentrated among a few branches, perceptions of vulnerability can erode trust. They can also evolve into conflicts between branches. For the family leaders who want to retain family ownership control, there is a risk of ownership breakup, and of losing control of the ownership.

Perceptions of vulnerability to unfair treatment were expressed in family members’ denunciations of illegitimate qualifications in business situations. In these denunciations, family members criticized family leaders’ procedures (differences of treatment between branches), rather than the familial nature of these procedures. Perceptions of illegitimate qualifications led some family members to question the family leaders’ fair treatment, especially their ability to demonstrate neutrality in business situations. Neutrality treatment means that procedures are unbiased and decisions based on evidence (Tyler and Lind 1992). Neutrality, in the familial way of engaging in business situations, refers to family members equality, and as a consequence, branch equality (Todd 1985).

To address perceptions of unfair treatment and their influence on *Family SOG* collective trust, family leaders can build legitimate qualifications. This entails equally applying familial procedures to all branches.
Equally qualifying branches

The denunciations of illegitimate qualifications reveal that the familial procedure are not always applied in the same way in business situations. As a consequence, some branches feel demoted. Family leaders’ decision to extend familial procedures to other branches addresses family members’ critics about their illegitimate qualifications. Through the extension of these procedures, family members resolve the tensions — that developed between family leaders and branches — in an agreement achieved in one world, the domestic world (Boltanski and Thévenot 1986, 1991). This agreement emphasizes the priority that family leaders give to generational bonds, continuity and reproduction, as well as harmonious family relations. The extension of familial procedures concerns the management of family members, business decisions and leadership succession. It consists of using the same criteria — a familial bond and equality among family branches — for the recruitment of family members, the involvement in business decisions and leadership succession.

Family leaders — when they self-categorize as family SOG members — may also decide to adopt familial procedures, though family members’ identification with the Family SOG have declined and their stereotypical norms have evolved. This happens when the ownership is concentrated among a few family members, and family leaders have family ownership control through their majority voting rights or their influence on other family owners.

In Yellow, equality of treatment guided procedures about business decisions, the management of family members, and leadership succession.

When the Charles branch got the majority ownership (66% of the ownership), the Albert branch felt in an inferior position in the family business, and negotiated that, for six years, all branches would remain equally represented on the Yellow board of directors. The Charles branch accepted this and Charles-Paul kept had the same representation even after the six years.

Charles-Paul replicated this procedure in the involvement of family members in business decisions (in the governance structure), in the management of family members, and in leadership succession.

To ensure the family’s representation in the business, many family members were appointed board directors in the company’s legal entities. This decision was reflected a principle of equal representations of branches in the business. It also governed the recruitment of family members to the business, their remuneration and the development of their careers. Family members who joined the firm received the same salary, and had a similar professional career evolution. When Charles-Paul organized the leadership succession for the third generation, he along with the branch leaders of the second generation decided to appoint the eldest member of each branch to represent their branch. In doing so, family leaders ensured that each branch felt that it was being treated as equal.
Several years later, despite the differences between the second and third generations in stereotypical norms about the category *family member*, second generation family leaders — who retained ownership control and displayed coercive authority — maintained familial procedures in business situations though they had passed the mantle to the third generation.

The extension of familial procedures to other branches can ensure perceptions of fair treatment.

**Ensuring perceptions of fair treatment**

The development of familial procedures can ensure fair treatment of branches and the maintenance of family members’ self-worth.

**Ensuring fair treatment of branches**

The application of familial procedures to all branches can signal branches that they are treated fairly as family leaders’ procedures send branch members a relational message about their place in the Family SOG. Family leaders’ preference to familial bonds and equality among branches communicates that all branch members are perceived to belong to the same group, the Family SOG, and strengthens Family SOG identification.

*In Yellow*, Charles-Paul always paid careful attention to the denunciations of unfair treatment, and treating family members fairly in order to maintain ownership cohesion. Through familial procedures, he showed the family members that all of them belonged to the same family, at least the involved branches, and that they were respected.

Ensuring equal treatment of branches in business situations is one way of maintaining perception of family leaders’ fair treatment. Another way is by maintaining family members’ self-worth.

**Maintaining self-worth**

Feelings of self-worth, derived from respectful behaviors of the family leaders, play an important role in self-identity judgment and influencing individuals’ group identification (Tyler and Blader 2003). Family leaders took care of family members’ feelings of self-worth and self-esteem in order to maintain family unity and ownership cohesiveness. It was observed in Wheels and Loisau.
In the management of family members, in Wheels, François maintained family members — despite their poor performance — in their position at Wheels. In this way, he preserved them from negative feedback from family leaders, or other family members, and from the vulnerability of identity damage.

In Loisau, family leaders — who expected family members to demonstrate the ability to hold top positions in the company in their future careers — reoriented family members who did not exhibit such abilities early on in their careers. Family leaders of the fourth generation decided to ask a non-family member to assess family members’ ability to develop managerial competencies in the future. When the evaluation was negative, family members were supported in the development of alternative projects, including their own businesses. The involvement of a non-family member in the assessment process helped avoid family members’ identity damage due to negative feedback from another family member.

Through the development of fair treatment, family leaders were able to maintain positive expectations among family members.

Maintaining positive expectations

The extension of fair procedures to all branches reinforces Family SOG identification, and allows simultaneous salient Family SOG and branch identifications. The familial procedures reflect the features — equality and harmonious relationships among branches — of the Family SOG prototype. Through these procedures, family leaders display behaviors that family members expect Family SOG leaders to demonstrate as representatives of the Family SOG. These behaviors not only keep the Family SOG identification salient, but they also help in maintaining family leaders’ trustworthiness. Maintaining Family SOG membership and family leaders’ trustworthiness both contribute to building positive expectations about other family members, and as a result provide good reasons to trust the Family SOG collective.

Figure 10 proposes a stylized representation of this process.
Figure 17: Maintaining Family collective trust

FAMILY LEADERS’ PROCEDURES IN BUSINESS SITUATIONS

Reducing branches’ perceptions of vulnerability
Branches’ perceptions of vulnerability
Equally qualifying branches

Ensuring perception of fair treatment
Ensuring fair treatment of branches
Maintaining family members’ self-worth

BUILDING POSITIVE EXPECTATIONS

Family SOG salient identification
Family SOG leaders’ trustworthiness

BECOMING: FAMILY MEMBERS’ CHANGES IN IDENTIFICATION

Maintaining Family SOG salient identification
Branch identification

CHANGING FAMILY MEMBERS’ IDENTITY PERCEPTION

Family SOG salient identification

Family branches out

Family SOG
Developing *Professionalized Family* collective trust

When *Family SOG* identification declines due to various identity perceptions among family members, family leaders strive to reduce family members’ perceptions of vulnerability, as well as their own vulnerability, to maintain collective trust. The development of professionalized procedures in business situations can contribute to changing family members’ identity perceptions about one another, generate identification with the new *Professionalized Family SOG* identity, and sustain new forms of collective trust among family members. Appendix 7 presents the data supporting the interpretation of Developing *Professionalized Family SOG* collective trust.

Reducing perceptions of vulnerability

Family leaders’ familial procedures can lead to perceptions of vulnerability when the family branches out as family members can have varying identity perceptions about themselves and one another. The development of a branch logic — resulting from prevailing branch identification — entails that perceptions of vulnerability are experienced at the branch level, even if they develop at the individual level. Perceptions of vulnerability are of different kinds. They are manifested in family members’ denunciations of the familial procedures of family leaders, and also in denunciations of family leaders’ unfair treatment. In the former, they manifest differences between family leaders’ procedures and family members’ expectations in business situations. In the latter, they express perceptions of differences in treatment between branches. As a consequence, branches may feel vulnerable to lack of performance (denunciation form the industrial perspective), or value optimization (denunciation from the market world) in the management of the business, to lack of consideration of all family members’ interest (denunciation from the civic world). Finally, some branches might feel vulnerable to family leaders’ favoritism for their in-branch members or involved branches’ members (altruism) (Schulze et al. 2000). These perceptions of vulnerability may erode the trust that family members have in one another, or in the family leaders, making the leaders vulnerable to potential dismissal or to losing family ownership control. When the ownership is concentrated among a few branches, the willingness of some family members or branches to sell out may lead to ownership breakup.
To address denunciations of their procedures and reduce perceptions of vulnerability, family leaders can create new procedures for the management of the family business.

**Creating new procedures**

The denunciations of family leaders’ procedures communicates the expectation of alternative procedures that are sometimes conflicting. They put in contention the family and business natures of the procedures, and finally reveal different ways of engaging in business situations: familial (domestic), professionalized (industrial), value optimization (market) and collective interest (civic) focused procedures. The creation of new procedures is necessary to assuage tensions between the family and business natures of the procedures. It entails reaching an agreement between the different ways of engaging in business situations. For Boltanski and Thévenot (1986, 1991), when worlds conflict, agreement can be reached in two different ways: an agreement can be found in one world, or a compromise can emerge from the association of different characteristics of different worlds. In their denunciations, family members often invoked different alternative ways of engaging in business situations to the familial procedures, making the resolution of the conflict in one world difficult. In this stream of research, family leaders come to an agreement through compromises. This gives rise to new procedures to disentangle the family and the business. They consist in professionalizing the management of the business, and organizing the family relationships.

**Professionalizing the management of the business**

The professionalization of the management of the business involves creating new procedures for the management of family members, business decisions and leadership succession.

**In the management of family members**, new procedures combined characteristics of the domestic and industrial worlds. Competent family members are expected to join the family business in order to perpetuate the family business culture, to retain a family control and manage the business in the long run. New procedures posit that, in addition to family leaders, competent non-family members would be responsible of the management of family members. Professional committees such as board of directors, compensation committee, etc., are created to organize a professionalized management of family members. Though family leaders often decide on the recruitment of family members, external family members take part in the evaluation of the performance of family
members in the business. Criteria to assess family members’ potential skills and performance were defined. They clearly communicate requirements for family members who want to join the business, and the expectations for their career development. Criteria refer to family members’ education, professional experience outside the business, etc. Additional criteria such as the extent to which family members endorse the family values, culture and strategic orientation are important though they often remain non-explicit. Family members were aware of them. The development of new procedures was observed in Wheels, Loisau and Yellow.

In Wheels, the family leaders decided, in 1997, to create new rules for the management of family members. They required a diploma and three years of experience in another firm to apply for a job in the Wheels. In addition, the competency of the candidate should be assessed by a recruitment agency. And the board of directors had to validate the recruitment. The family leaders also created a remuneration committee made up of two independent directors, and François as the CEO. The role of this committee was to determine the compensation for the executive committee, including executive family members.

In Loisau, when Paul-Emmanuel took over the leadership in 2001, he decided to keep Clément, a non-family member manager and former chairman of the management board of Loisau, responsible for assessing family members’ performance. Clément had been evaluating family members’ performance for several years. Starting when Jules-Alexandre, Jules-Olivier, Romain-Paul and Jules-Emilien ran the Company, he took over this responsibility formally when he became chairman of the management board. Paul-Emmanuel created a compensation committee headed by Clément, and opened it to three external members. They were respectively human resource manager in an international company, chairman of the management board of a family business, and vice chairman and associate partner of a world executive search network organization. This committee decided both on the level of compensation of the management board, and of the family members involved in the business. It also provided recommendations on the compensation policy regarding non-family top managers. With the creation of this new procedure, the management of family members was professionalized at the same time as a level of continuity would be maintained in the remuneration policy.

In 2007, when the seventh generation was ready to join the business, family leaders, Paul-Emmanuel, Romain, Oliver-Hugues, Paul-Gabriel, Oliver-Vincent, Emilien-Louis and his two sisters’ husbands, defined the professional criteria that family members should satisfy to enter the business. They created rules for internships and recruitments. The idea was to make sure that the young generation looked for internships in another company, and avoided choosing the easy solution of joining Loisau. Regarding the recruitment of family members in
Loisau, family leaders set up rules in continuity with the philosophy of the previous generation for the management of family members. Family leaders decided that family members who wanted to apply for a job should meet specific requirements: a post-university experience, fluent English, a minimum age of 30 years old, a minimum of 5-6 years of professional experience or 6-7 years with management experience.

In Yellow, when the third generation family leaders succeeded the second generation, they decided to introduce changes in the management of family members. In contrast to the previous generation, they expected involved family members to perform, and to endorse the family values. The new procedure entailed that external independent members would be part of the assessment process of family members’ performance. Family leaders created a committee in charge of the management of family members — the family human resource committee —, and came up with new rules of involvement, and assessment of their performance. The committee was made up of two external directors and two family members — Etienne and François-Régis — who were representatives of the Albert and Charles branches. It was decided that they would alternate chairmanship. The independent members were Guillaume Louart and Peter Stid. The latter had worked during all his professional life in family businesses throughout his professional life. He had been CEO during 10 years and on the board of directors of other family businesses. For the young generation, family leaders decided that they could apply for a position in the company if they had a successful professional experience of five years outside the Company.

In business decisions, new procedures were created in order to improve decision-making, and more generally of the management of the business. They combined different ways of engaging in business decisions. The aim was threefold: assuring family members who were not involved in the business that the management of the business was efficient (industrial), guaranteeing the development of the business in the long run (industrial, domestic), and assuring the continuity of the family business through the perpetuation of the family culture (domestic). In addition, family leaders paid attention to the value of the family business, and to providing family members dividends (market). The new procedures ensured that decision-making was formalized and professionalized to avoid that family consideration or issues influencing decision-making. This involved the development of governance structures — a board of directors — and the introduction of external members in decision-making.

Hence, the management of the business should be in the hands of competent managers — whoever they were family or non-family members — focused on ensuring an efficient management of the business and creating value for the family shareholders. New procedures were developed in Wheels, Loisau, and Yellow.
In Wheels, in 1997, the family leaders decided to depart from the informal strategic process of the four brothers to professionalize decision-making. This involved the creation of an effective board of directors. Until then, the board had been made up of the four brothers, and it was a mere formality. Family leaders first decided to introduce external members to the board. They also decided that the board would be composed of a majority of them. It would be made up of four external members and three family members. Independent directors were experts, well-known businessmen who would be able to contribute to strategy-making. The new board of directors would help in improving decision-making. It would oversee strategy and give its agreement on strategic decisions. Decisions should be taken in formal business settings such as the executive committee, the board of directors. As soon as the board was formed, board members introduced changes in decision-making, encouraging the management to define a strategy, clear rules for the evaluation of strategic decisions, and to focus more on market value.

In Loisau, in 1992, the family leaders created a board of directors in which the fifth generation family leaders would retire from day-to-day operations and act as board directors. For the first time in the company, the board would have effective control over the management. It set up a new governance structure with a two-tier board. The supervisory board was composed of the former family leaders, assisted by two external directors who were bankers. However, Jules-Emilien, Jules-Olivier and Romain-Paul did not want to hand over the family business to the members of the management board without having control over it. They wanted to be informed and give their consent to all main decisions (particularly the recruitment or the layoff of top managers). So they created a subcommittee: the strategic committee which was made up of the most involved family leaders, namely Jules-Emilien, Jules-Olivier and Romain-Paul together with the two external members of the supervisory board, and the members of the management board. Its role was focused on the analysis of strategic projects. The strategic committee was scheduled to meet regularly twice a month for the next year or two and then once a month thereafter. In comparison, the supervisory board met four times per year. Family members were informed on main decisions and decided whether to approve them or not. Through this process, decision-making was improved and professionalized.

In Yellow, when the third generation succeeded the second in 2004, the new family leaders decided to professionalize the governance of the company. At that time, decision-making lacked efficiency. The Yellow board of directors needed the holdings boards to approve its decisions. The executive committee and the boards involved in decision-making were composed of different family members. Though decisions were taken quite quickly the boards lacked expertise to control
the management. Strategy-making needed improvements. Family leaders decided to clarify and simplify the process of decision-making, and changed the composition of the Yellow board. They simultaneously maintained branch representation and introduced independent members. As a result, the Yellow board was made up of ten members; among them were two former managers, one independent member, a distant family member and six family members representing their branches. This change in the board of directors improved strategy-making.

In leadership succession, the new procedure combined different ways of organizing the succession to the CEO and/or the Chairman of the board of directors. The process of succession was professionalized in order to ensure that only competent family members (domestic and industrial) held these positions. Thus a family member was favored for these if he/she was qualified to take on the responsibility. Otherwise non-family members could hold the positions. Family leaders were expected to be competent as well as to be able to represent the general will of the family (civic). The new procedure required that non-family member experts were involved in the process which took place in a professional settings. New procedures were observed in Loisau and Green.

In Loisau, the succession of the leadership from the fifth to the sixth generation started, in 1992, with Romain-Paul, Jules-Olivier and Jules-Emilien retiring from the company’s day-to-day operations. A non-family member, Clément, was nominated chairman of the board of management as no family member from the sixth generation was ready to take the responsibility. Jules-Emilien was nominated chairman of the supervisory board, and Paul-Emmanuel was nominated in the management board. The idea of the family leaders was to train him as the future CEO and assess his abilities for this post. In 2001, at the age of 60, Clément decided that it was time for him to retire from day-to-day management as Paul-Emmanuel was ready to chair the company.

In Green, when Jacques-Antoine decided to organize his succession, his son Antoine-Arnaud showed an interest in succeeding him. Since Antoine-Arnaud had the ability to hold the position, Jacques-Antoine was favorable to this. Jacques-Antoine decided to train him in the perspective, and entrusted independent members of the board of directors with the task of assessing his abilities. Based on his own expertise, each board member had to evaluate specific abilities. Jacques-Antoine would decide after in consideration of their feedback.

The new procedures reflect a desire to ensure the continuity of the business in the long run, and to professionalize the management of the family business to achieve it. The persistence of a domestic way of engaging in business situations is revealed in subjects such as family members or non-family members who
endorse family features, objects such as family assessment criteria that favor at least the reproduction of the founder and family values, an investment formula that promotes consideration for others, and the development of harmonious relationships. However, the new procedures mainly mirror an industrial way of engaging in business situations. It means the formalization of the process underlying the decisions (management of family members, business decisions, and leadership succession) in order to improve its efficiency. Subjects such as professionals are introduced in the situations, their influence is effective. Objects that participate in the professionalization of the management of the family business are introduced and play a role in decisions: professional criteria, structures. Finally, the new procedures convey an emphasis on progress, a shared desire to improve the management of the business.

The development of professionalized procedures addressed the denunciations of the familial nature of family leaders’ procedures in business situations. It also reduced non-involved family members’ perceptions of vulnerability to poor performance due to familial procedures, favoritism for involved branches and unfair treatment.

In this professionalization of the management of the business, decision-making evolved significantly when family businesses had to face a leadership succession. New procedures were developed and contributed to challenging the management in business decisions.

**Challenging business decisions**

At the same time as family leaders create new procedures to guarantee non-involved family members that the business is efficiently managed, they also have to reassure family leaders who retire from the management that the business will be managed in the continuity of what they created or developed. Former family leaders can feel vulnerable to a management of the business that would depart from their initial project or would turn into failure. The more the family leaders are attached and identify with the business — especially when they started it or contributed greatly to its development — the more negative standing they can derive in case of poor performance or failure. To prevent this risk of identity damage, family leaders can introduce control in strategy-making.

In this research, it was possible to observe that family leaders — who retired from management — introduced challenge in strategy decision-making. Challenge means controlling that strategic decisions guarantee an efficient management of the business, at the same as a continuity of the founders’ project. It emphasizes a management of the business that gives priority to the development of the business in the long run, with the reproduction of the family values in the management of the business. This compromise results from the combination of the industrial and domestic ways of engaging business decisions. Board structures are developed to ensure efficient decision-making. The board
of directors — family members or independent members — are business experts who collaborate to improve decision-making. Relationships between the management and board members are based on collaboration. The former family leaders’ role is to guarantee the permanence of the business through the implementation of procedures that favor the transmission of their values, knowledge to the management. They also contribute to their training. Through these new procedures, business decisions are analyzed in detail in order to prevent risk of failure. The management provides detailed information in this perspective. This was observed in Wheels and Loisau.

In Wheels, in the 2000’s, family leaders — in combination with the board — created advisory boards. They were composed of professionals of the business who could analyze the projects in detail and challenge the management. The advisory board was composed of François who brought his expertise and position as family owner in the discussion, an external board member, expert of the business, and a third generation family members. Board members constituted a competent and devoted team to monitor and help improve the efficiency of the management. The advisory boards allowed constructive discussions about the management of the business and improved decision-making.

In Loisau, the main objective of the strategic committee was ensuring that the management made informed decisions — in line with the family objectives — and enough risk analysis to prevent potential failure. External members played an important role here. Strategic projects were discussed in detail by the members of the strategic committee. Having spent their entire professional live in the firm, family leaders were proficient in evaluating the relevance of the projects as well as the resources necessary to carry forward their implementation. They evaluated whether projects were relevant, if the firm had the resources to implement them, etc. Members of the external supervisory board lacked the internal expertise to benchmark the business and the industry but they knew how to analyze strategic projects and how to evaluate associated risks. They demonstrated their expertise in the questions they asked, the analysis they carried out concerning the relative strengths and weaknesses and the evaluation of the projects that they studied. They also assessed whether or not risks had been sufficiently taken into account. Through this decision-making process, strategic projects were analyzed by the management board together along with the supervisory board’s members over a long period of time before a decision was made. They consensually and progressively moved towards a decision together. For this reason, the supervisory board members validated management decisions most of the time. In summary, management and the supervisory board worked in a collective and collaborative way in advancing the firm’s interest.
In Yellow, through the professionalization of business decisions, family leaders wanted to transform the way strategy was made, and this was centered on the role of the board. Until 2004, the CEO, a non-family member, decided on his own on strategic projects though he needed the agreement of the family leaders to implement it. The introduction of independent members would help in improving strategy-making as they took part in the evaluation of strategic projects. From then on, the management and the board would work hands-in-hands. Family leaders expected board members to challenge the management. This perspective slightly differed from the traditional approach of board.

Besides the professionalization of the management of the business, family leaders created procedures to organize family members’ relationships.

Organizing family members’ relationships

The development of new procedures to organize family members’ relationships consisted in building a collective project for the family business, and formalizing family members’ relationships to strengthen their ties.

Building a collective project for the family business

Branches can be characterized by varying and potentially conflicting orientations about the family business. Even when they share an attachment for the business, and want to pursue its development in the future, the branches may have different perspectives about its implementation. The existence of different visions and projects can create conflicts between branches, and challenge family unity. Family leaders can reduce this risk by developing a shared project. Shared project constitutes a compromise between various branches’ ways of engaging with the business. It encompasses the aim of family branches to perpetuate the project of the founders (domestic), and to develop it efficiently in the long run (industrial). Its intent is also to depart from branches’ interests and join in a collective action that gathers together all branches (civic). Branches’ respective interests in the family business can be the basis for collective action. A general will can emanate from their concerns for a common interest which does not result from a sum of individuals’ interests, but from family members’ shared desire to bring about the union of all. A shared project for the family business is the opportunity for family members to detach from generational hierarchical relations, and transcend them into collective interest. Collective action can lower family members’ propensity to give priority to loyalty to hierarchical personal dependencies, the branch. The development of a shared project was observed in Wheels.
In Wheels, third generation family members did not have any collective project for the business. Branches differed in their experience, representation, attachment, and project for the business. Potential conflict about the management of the business had arisen between branches. Family cohesion was threatened. François was concerned about family cohesion. It was crucial to ensure the continuity of the business over time and generations. Hopefully, family members had a shared desire to keep developing the business in the future. Family leaders decided to create new procedures to avoid that branches conflicting with each other. They also favored the emergence of a collective interest. They gathered together family members to develop a shared vision and project for the business where they democratically discussed about the family and its joint project for the business. All family members debated on different topics related to the family business. These concerned the family, its values, the ownership, its relation with the family, the business, its management, and the relation between the family and the business. All family members were encouraged to think about the interest of all: ensure the continuity of the business in the long run, perpetuate what their grand-parents and parents had developed, and surmount the singularities that divided them. They were able to distance themselves from their individual interests about the family business and join in a collective that transcended these. Their shared project consisted in building a professionally managed family business. An expression of their collective desire was to retain control over the family business, and developing it in the future. The emphasis put on the collective transformed the nature of family members’ relationships. Departing from their generational bonds, they evolved — in the context of the family business’ project — into a community of family members concerned about the continuity of their shared inheritance. Collective action required formalizing family members’ relationships.

**Formalizing family relationships**

With the enlargement of the family, there is a risk of ownership breakup as the sense of belonging to the same family, and family members’ attachment to the business decline. Family members have reduced opportunities to meet in the context of the family. Not all family members are involved in the business; or have a member of their branch involved. New procedures are created to formalize family members’ relationships. They manifest a compromise between two different ways of engaging in their relationships in the context of their shared business. Family members want to preserve the family business that they received from the previous generations (domestic). They organize themselves to collaborate in this shared cause (civic). Formalization is necessary for rebuilding bonds between family members as the basis for collective action is no longer inscribed in a generational hierarchical bond, nurtured through upbringing, and in direct concrete interactions as in a nuclear family, or the branch. Thus, relationships are mediated by procedures, formality, and policies. The collective
family members mandate representatives to express their will, and the general interest is expressed through voting. Formalization of family relationships takes place in family and business situations. It takes the form of business meetings, family meetings about the business, and gatherings, charts, and family procedures about the relation between the family and the business. This was observed in Wheels.

In Wheels, family leaders decided to formalize family members’ relationships in order to rebuild a community of family members. Formalization developed in different ways: in the context of the family, the aim was to organize their relation with the business, and strengthening family ties; in the context of the business, it was to maintain attachment.

First, family leaders organized meetings among family members to build their shared project for the family business. From these meetings emerged a project for the business, structures to implement it, and rules. In 1996, these rules were made explicit and written down in a chart which stipulated family members’ relation to the business. This chart contained detailed information about the new structures that they had developed, and their role. Among other things it mentioned the creation of the board of directors, its role and composition. Through this chart, family members manifested their commitment to the collective project for the family business, and the rules they established all together to implement it. This signed this chart.

Second, family leaders organized regular meetings to inform family members about the business and to involve them in decisions related to the ownership.

Finally, family leaders further formalized relationships to reinforce family ties. After Marguerite’s death, they decided to pursue her family gatherings to preserve family unity. Emilienne — who had lost her husband — lived in the family residence, and was in charge of family events. Siblings devoted equal amount of money to implement this.

To maintain attachment to the business, family leaders first organized activities in relation to the business. Thus non-involved family members would get an opportunity to get attached to the business, and feel proud to be its owners. Activities consisted of attending events, visiting factories, and receiving all information that might interest them about the company.

Family leaders also decided to create advisory boards, one per business unit. For François ensuring the continuity of the family business involved retaining family control. This required that family members remained attached to the family business. One family member was involved in each board, and trained as a board member.

These new procedures are presented in the table 3 below.
<table>
<thead>
<tr>
<th>Business situations</th>
<th>Situations</th>
<th>New procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Management of family</td>
<td>• Introducing professional and external family members (industrial individuals)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Creating a board of directors or nomination committee (industrial structure)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Creating professional (industrial) rules for the recruitment, assessment,</td>
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<tr>
<td></td>
<td></td>
<td>development and dismissal of family members in the family business</td>
</tr>
<tr>
<td></td>
<td>Business decisions</td>
<td>• Creating efficiency and performance criteria for business decisions (industrial)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Creating a board of director, strategic committee, etc. (industrial structure)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Introducing expert and external family members (industrial individuals)</td>
</tr>
<tr>
<td></td>
<td>Leadership succession</td>
<td>• Creating professional (industrial) rules for the recruitment, assessment,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>development and dismissal of family members in the family business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Creating a board of directors or nomination committee (industrial structure)</td>
</tr>
<tr>
<td></td>
<td>Family situations</td>
<td>• Introducing professional and external family member (industrial individuals)</td>
</tr>
<tr>
<td></td>
<td>Family organization and</td>
<td>• Organization of the family as a collective (civic)</td>
</tr>
<tr>
<td></td>
<td>implication</td>
<td>• Formalization of family relationships (civic)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Creating rules, procedures, and charts for the family and its relation to the business (civic)</td>
</tr>
</tbody>
</table>

Table 3: The development of new family leaders' procedures
The development of new procedures allowed assuaging tensions between branches, and reduced family members’ perception of vulnerability. They also played an important role in family members’ identity perception.

**Changing family members’ identity perception**

The creation of these new procedures leads to the emergence of a new identity category, combined with an enlarged vision of the family beyond branches identification.

**The emergence of a new category: The Professionalized Family SOG**

Family leaders created new procedures to address family members’ denunciations in business situations. These not only helped reduce family members’ feeling of vulnerability towards one another, but also contributed to the development of a new social category at the superordinate group level. I called this new identity: the *Professionalized Family SOG*. Change in perceptions derives from the (normative) fit (Turner et al. 1987) that this category provides to family members. Its internally graded structure defines the characteristics of the identity of the enlarged family better than the *Family SOG*’s characteristics. Procedures exhibit the transformation of the internally graded structure of the category *family member* in business and family situations. They communicate the new features of *Professionalized Family SOG* category. They can be described in terms of subjects, objects, relations, investment formula, all characteristics of the new procedures that constitute the internally graded structure of the new category. These display different ways of engaging in business situations.

In the *Professionalized Family* form of identification, the higher common principle that guides family members is ensuring the continuity of the family business through professionalization and performance. The authorities are no longer represented by the elder founders or successive family members who took part in its development. The family is perceived as a collective in which older competent authorities are expected to make family members depart from their particularities and join in the family project about the business. This is revealed in family and business situations by the presence of subjects as competent family members, competent branch members, and independent members. Objects are structures, performance criteria, processes that favor the efficiency of the management of the business in business situations. Relations among family members remain personal but favor collective action. The relation of worth that exists among the states of order is based on control. Control is based on an ability
to predict actions and integrate them in a larger overall plan. These characteristics are expressed in business and family situations. These characteristics are summarized in the table 4 below.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>The professionalized family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher common principle</td>
<td>Engenderment according to performance in the future and recognition of collectives</td>
</tr>
<tr>
<td>State of worthiness</td>
<td>The enlightened despot, hierarchical position towards the collectives based on efficiency</td>
</tr>
<tr>
<td>Human dignity</td>
<td>The vocation to consolidate</td>
</tr>
<tr>
<td>List of subjects</td>
<td>Competent family members, competent independent members, competent elder family members, competent branch members</td>
</tr>
<tr>
<td>List of objects</td>
<td>Efficient formal structures, criteria, family chart, board of directors</td>
</tr>
<tr>
<td>Investment formula</td>
<td>The rejection of selfishness and of the particular through progress</td>
</tr>
<tr>
<td>Relation of worth</td>
<td>Control based on generational hierarchy and ability to predict actions and integrating them in a larger overall plan</td>
</tr>
<tr>
<td>Natural relations among beings</td>
<td>Gathering for collectively developing the family/ elders’ project</td>
</tr>
<tr>
<td>Harmonious figures of the natural order</td>
<td>The professional home</td>
</tr>
<tr>
<td>Model tests</td>
<td>Family gatherings, business situations</td>
</tr>
<tr>
<td>Mode of expression of judgment</td>
<td>Regenerating trust</td>
</tr>
<tr>
<td>Form of evidence</td>
<td></td>
</tr>
<tr>
<td>State of deficiency and decline of the polity</td>
<td>Succumbing to conflict</td>
</tr>
</tbody>
</table>

Table 4: The Professionalized Family's category

The second change in identity perception is the influence of these new procedures on the propensity of family members to perceive themselves as part of the same family.

**Enlarging the boundaries of the family**

Changes in family members’ perception are linked to changes in the category’s stereotypical norms. However, social categorization is context-dependent and is also influenced by the context in which it occurs (Turner at al. 1987). Family members will categorize differently if comparisons occur between branch
members, the involved branch members, the non-involved branch members and the family business’ members.

With the development of the family in branches, prevailing identification takes place at the branch level or at an intermediate level between the branch and the family (similar groups of branches such as involved or non-involved branches). This categorization leads to the emergence of subgroups (in the family) with potentially conflicting interests. As a consequence, despite the creation of new procedures and new stereotypical norms for the superordinate group, prevailing identification can take place at the branch or at the group of branches levels. This can lead to interbranches conflict.

The development of a shared project for the family business contributes to changing the context of the comparisons. While involved members or branches might perceive relative higher similarities with each other, than with non-involved members or branches, the creation of a shared project gather together non-involved and involved branches, in a nutshell all family members. It enlarges the boundaries of the family context of comparison with the aim to build on their similarities. It creates the context for categorizing as Family Professionalized member.

In Wheels, with the development of the family in branches, at the third generation, the ownership became a group of branches. Among them, one branch perceived relative higher distance with the five other branches, and relative higher proximity between the five branches. Through the development of a shared project, family leaders aimed at gathering all family members and departing from perceptions of relative similarities — within branches — or dissimilarities between branches — based on family or business characteristics. Hence, all family members — including those from the enlarged family — were involved in the building of their shared project for the family business.

Family leaders’ implementation of new procedures can create perceptions of fair treatment.

**Ensuring fair treatment of family members**

Family members’ treatment is revealed in family leaders’ new procedures in family and business situations. The development of new procedures manifests family leaders’ fair treatment with regard to family members, and communicates to them that they are respected and valued members. It happens in different ways. First, new procedures address family members’ denunciations and manifest that their claims were considered. Second, family members who took part in the development of the new procedures and could have a voice, agree or disagree. Again, this process considers family members’ opinions and rights. The new procedures favor professional management of the business. They at the same time they acknowledge branches specificities in family and business situation.
They bring in major changes in family relationships. Family members are perceived as a collective, and encouraged to join in a collective project for a professional management of the business. Family relationships are formalized in order to create this collective. Perceptions about family leaders’ fair treatment entails that family members implement the procedures that they created. It was observed in Wheels and Yellow.

In the management of family members, François implemented the new procedure that they had developed. From then on, family members who wanted to join the Company had their applications assessed by a recruitment agency. When they were not recruited, François demonstrated respect and tact. The family members’ application remained confidential. Despite the fairness of the recruitment process, family members might perceive it as a negative judgment. And it could negatively impact their self-worth and self-esteem. Family leaders’ fairness was also manifested in business and governance decisions.

In business decisions, family leaders appointed two family members — Louis-Alexandre and Paul-Adrien — to the executive committee for family reasons. Jeanne’s branch members — who had no representation on the board — expressed their disagreement. Family leaders decided to involve representatives of all branches on the board, thus ensuring family members fair treatment.

In governance decisions, when family leaders decided to change the corporate governance of the Company as well as family members’ relation to the business, they involved all the family members without exception. By gathering family members all together, and involving them in discussions and decisions about the future of the business, family leaders demonstrated that all of them were treated equally, and fairly. In addition, Peter Capran spent lots of time discussing the family business project with the family members in each branch, so the final project addressed their needs.

More generally, in relationships with family members, wherever they occurred in family or business situations, family leaders treated other family members with benevolence, affection. Third generation family members still had the feeling of belonging to a same family. Despite conflicting views about the family business, family members trusted François’ intention to be fair.

In Yellow, the leadership of the business was handed over to Paul-Nicolas (Chairman) in 2004. He was supported by his cousins. Paul-Nicolas’ fairness was expressed in the new procedures that he developed. The main objective was professionalizing the management of the business, its governance, ensuring an efficient strategic decision-making structure. He introduced external members, created committees, and promoted changes in the ownership—merging the branches—in order to move towards a collective of family members to represent
the whole family. Together with his cousins, he informally acted as a family council with the aim of representing the general interest of the family. Still, the true family leaders remained the second generation family members who had majority voting rights. Paul-Nicolas and the cousins had to deal with this situation.

**Becoming: Generating new identifications**

In this section, I propose that the development of procedures contributes to making Professionalized Family SOG salient despite prevailing branch identification. This is possible as Professionalized Family SOG identification is coherent with branch identification, and allows to transcend it.

**Generating Professionalized Family SOG salient identification**

The emergence of the Professionalized Family SOG identity, though it addresses the denunciations of family members, does not ensure its salience as branch identification may prevail. Salient Professionalized Family SOG identification can be developed through identity salience-based control mechanisms (George and Qian 2010). They ensure that the category is perceived to be relevant in a situation, i.e. easily accessible. This involves control mechanisms such as the development of procedures, rituals or symbols that act as reminders of group membership and reflect the group’s interests.

The new procedures developed by family leaders, and the new structures to go along with these procedures, constitute identity-based control that ensures Professionalized Family SOG salient identification. Control mechanisms are of different sorts (subjects, objects, etc.), and apply in family and business situations. In the business situations, they concern committees (board of directors and related subcommittees, ad hoc strategic committees, advisory boards, etc.), individuals (non-family experts, experts’ family members, engaged family members), other objects (strategic decision-making rules, family members’ recruitment, assessment criteria, etc.). In family situations related to the business, it ranges from meetings organized about the business (annual general meetings, information meetings, family charter, constitution, code of conducts, etc.) to family gatherings in family situations.

Control mechanisms make the Professionalized Family SOG category accessible in family and business situations. First, it is chronically accessible as it addresses the denunciations by family members of the familial procedures in business situations (lack of competent family members, inefficient decision-making structure). Denunciations manifest the importance of business features of the
Professionalized Family SOG category to family members. Second, it is situationally relevant as professional objects and subjects are appropriate to business contexts, and family members to the family context. It was observed in Wheels.

In the family context, identification as Professionalized Family SOG was manifested in different ways. It was first in the composition of the new governance committees, which then involved former non-involved family members, the information provided to family members and their engagement in business/ownership related activities. It was also observable in family members’ identity perception, especially those who were not familiar with the family business, and more generally with the business world. Some of them better understood the aim of the various meetings and actions that they were taking part.

In the business context, it was signaled in the presence of professional subjects and objects, and their influence in business situations. Structures, composition, and all characteristics that constituted new procedures defined the situation which influences family members’ behavior. In business decisions, it led to more formalized, analyzed projects in which non-family professionals played an important role. The involvement of independent members on the board of directors favored professional decision-making.

Salient Professionalized Family SOG identification is possible as the new category is accessible in family and business situations. It also comes from its consistency with branch identity characteristics.

Maintaining and transcending branch identification

When the family branches out, identification can take place at the Family SOG and branch levels. When both identities are invoked in a same situation, and conflict with each other, there is a risk of losing Family SOG identification as family members’ behavior may be guided by their branch membership. When multiple identifications coexist, one way of making superordinate group salient is to ensure simultaneous superordinate group and subgroup salient identifications (Hogg and Terry 2000). The development of the Professionalized Family SOG is a way of maintaining branches and superordinate group salient. This is possible since branches and superordinate group are consistent with each other. Identity coherence-based control mechanisms (George and Qian 2010) can make multiple identities consistent with each other. It requires that identities are not in conflict so individuals can act consistently with both categories. Authorities can design organizational structures that eliminate conflicting demands on individuals’ identities, and explain these structures so they make sure they are correctly interpreted by the individuals.
Maintaining Trust through Formalities and Fair Treatment

Salient *Professionalized Family SOG* identification is possible as the generation of this new category is consistent with branch identification, and allows its transcendence. Both identifications can coexist as they are distinctive. The *Professionalized Family SOG* category contains family characteristics that are large enough to include branches’s family characteristics. At the same time, its business characteristics are compatible with branches’ expectations about values, rules and behaviors in business context. In addition, *Professionalized Family SOG* category emphasizes collective action in relation to the business, and branches’ family characteristics.

The new structures developed by family leaders eliminate conflicting demands on family members’ identities. They guarantee that *Professionalized Family SOG* and *branch* identities are consistent which each other and not in conflict. This derives from the disentanglement of the family and the business in business situations. This occurs through professionalization, and the explanation of these new structures and rules of professionalization in family situations (about the business).

In *Wheels*, the development of a shared project for the family business was the opportunity to eliminate conflicting demands between *Professionalized Family SOG* and *branch* identities. First, characteristics of the *Professionalized Family SOG* were developed all together, and ensured conflicting demands were avoided. Second, the project concerned family members’ relation to the business. It had clear boundaries that differed from family boundaries. As a consequence, when they reflected on important family values, these concerned their influence on the business, and did not encompass upbringing, etc. as it is specific to each branch. Then family charts, rules, clearly specified family members’ relation to the business, the role of the family, and of the various governance structures created, and were specific to the family in its relation to the business. Family leaders communicated these formalities clearly to family members to make sure these structures were correctly interpreted. Finally, the professionalization introduced shared representations and fair rules in business situations and a distinction with branch identities.

The development of identity salience-based and identity coherence-based control mechanisms can make the *Professionalized Family SOG* category salient, and constitutes a new basis for collective trust.
Building positive expectations

Family members can derive positive expectations about family leaders and other family members, from membership in the Professionalized Family SOG, from family leaders’ trustworthiness, and from family leaders’ arrangements.

Developing salient Professionalized Family SOG identification through control

When the family branches out, the development of salient Professionalized Family SOG identification can provide a basis for collective trust (Brewer 1981, Kramer 1999, Kramer et al. 2010). This is possible since the category is accessible. It also depends on the relative prototypicality of family members (with the Professionalized Family SOG).

Drawing on George and Qian (2010), I propose that salient identification can derive from social control mechanisms that shape how family members define themselves. Identity control mechanisms play an important role in maintaining collective trust. They serve to (socially) control family members’ behaviors and ensure that they act according to the characteristics of their membership. In this process, identity-based control mechanisms first reduce family members’ perception of vulnerability. Second, they ensure family members’ engagement in collective behaviors. This happens, with the passage of time, when the new category characteristics are taken for granted. They then become the basis for positive expectations and Professionalized Family collective trust.

These identity control mechanisms are of two kinds: identity salience-based and identity coherence-based. They contribute to making the Professionalized Family SOG salient in a context of multiple memberships (Family SOG and branches). The features of the Professionalized Family SOG (subjects, objects, relations, etc.) constitute formalities that act as reminder of the category and make it salient.

I focus on one specific formality — the board of directors and its related committees — as they display the professionalization of the family leaders’ procedures in business situations. The board serves different purposes: guaranteeing non-involved family members that the business is efficiently managed, and their interests are preserved. Subcommittees are focused on business decisions (strategy committees), the management of family members and leadership succession (nomination and remuneration committees). The example of board work exhibits how positive expectations both derive from a control of family members’ management from non-involved family members, as well as identity social control. The latter deriving from the former. Through control of their strategy-making, involved-family members learn and internalize the values and objectives of former generations, rules and behaviors, and then get used to act as Professional Family members. Based on these control mechanisms
and behaviors, non-involved family members can develop positive expectations about family leaders and can derive collective trust. It was observed in Wheels and Loisau.

**In Wheels,** when François created advisory boards, he wanted to maintain non-involved family members’ attachment to the business at the same time as to develop professionalized family board members. Advisory boards were welcomed by second generation family members who had retired from management and lacked detailed information on the management of Wheels business units. The advisory boards have contributed to generating trust within the family. Family members who are not involved in the business can be informed on the management of the business units.

**In Loisau,** when fifth generation family leaders retired from management, they created a strategic committee to control the management of the business. They expected the management to present transparent, detailed and carefully analyzed projects. That way, management did not dress up the success (or failure) of a project as family shareholders in the know would detect it. For that purpose, Clément Bon and Paul-Emmanuel informed the strategic committee’s members of their projects but also managed to get their views during the formal evaluation process. Clément Bon and Paul-Emmanuel sought the members’ feedback and actively listened to their differing points of view. Depending on whether the supervisory board members asked additional questions or, on the contrary, provided strong arguments in favor of the project, they assessed whether the project was interesting enough to follow up and if it could potentially be successful. Clément Bon and Paul-Emmanuel recognized if the projects were in line with the family shareholders objectives by observing how the strategic committee’s members reacted. Over the years, the management board members along with the family members elaborated on the criteria they perceived to be important when evaluating a strategic project as well as on the desired objectives sought out by the family members. This thinking was formalized into a document: the roadmap. It delineated the strategy for the firm in operational objectives for a period of 5 years. It also helped the management run the business. Several years later, when Paul-Emmanuel became CEO and transformed the strategic committee into a board of directors, he carried on with the same style of functioning. He however expected to be challenged by the family members and independent members who composed the board.

*Professionalized Family SOG* identification can contribute to building positive expectations and collective trust as long as it remains salient. When *Family SOG* and *Professionalized Family SOG* identifications are both invoked in business
situations, family leaders can think of building local arrangements to maintain harmonious relationships between family members.

**Family leaders’ arrangements**

A local arrangement is momentary (Boltanski and Thévenot 1986, 1991). It means that a compromise could not be reached in one world, or it did not emerge from the association of several worlds. It happens in situations in which identification with the *Family SOG* still persists. The new procedures associated with the *Professionalized Family SOG* cannot be implemented yet. The attention put on maintaining harmonious relationships between branches reflects the characteristics of a domestic and civic ways of engaging in the management of the business. Family leaders express their concern about ensuring the continuity of the business. To do so, they partly draw on their consideration, duties and responsibilities over the younger generation family members (domestic) and on their attention given to the common interest (civic) for the family members who own the family business.

The creation of local arrangements allows the implementation of procedures that acknowledge the characteristics of the situation in which family members are involved. The relevance of these procedures to the situations contributes to maintaining family unity. Local arrangements were observed in Wheels for two business situations: the management of family members and business decisions.

**In the management of family members**, in search of harmonious relationships between family members, and at the end, to reduce the risk of ownership breakup, family leaders may build local arrangements. Local arrangements are specific to each situation, and to the family members involved in the arrangement. They reveal the persistence of a familial way of engaging in the management of family members. They manifest family leaders’ responsibility with regard to the family unity, and consideration for family members’ self-esteem.

**In Wheels**, despite the professionalization of the management of family members — through the creation of a nomination and remuneration committee made up of two independent directors, and the CEO, François — François remained in charge of it. He considered the management of family members critical for the cohesion of the family. And he wanted to guarantee the permanence of harmonious family relationships.

In his management of family members, François used to built local arrangements when necessary. It happened when family members — who joined the family business before its professionalization, and despite poor performance — were maintained in their positions instead of being dismissed.
They often were children of François’ siblings who might disagree with the evaluation of their children’s performance, and contested it. Diverging evaluations might have evolved into family conflict. François preferred giving priority to family unity over performance. Often, he let family members decide themselves to quit the company themselves. Professionals in the company understood the necessity of preventing family conflict, and avoiding ownership breakup.

**In Yellow**, the professionalization of the management of family members led to new rules of assessment that family leaders decided to implement immediately, and were also meant for family members who were already involved in the company. When Pierre-Antoine was given a negative performance evaluation from the family human resource committee — made up of two external directors and two family members who were representatives of the Albert and Charles branches —, he did not accept it. He informed the second generation family leaders, and got one of the external non-family board member who was responsible for this evaluation dismissed. Second generation family members took this decision to avoid ownership conflicts. In addition, Pierre-Antoine asked public apologies from the family chairman.

Local arrangement can also unfold in business decisions.

**In business decisions**, the professionalization can lead to the creation of new procedures. However, the priority given to maintaining harmonious relationships among branches can also lead family leaders to build local arrangements. Local arrangements deal with situations in which identification with the *Family SOG* remains. They do not apply to other situations, involving other family members.

**In Wheels**, when the first board of directors was created, it was made up of four external directors and three family members. At the time, three branches agreed to forego their seat on the board of directors. Their aim was to ensure the professionalization of the governance of the company so that the business could be managed efficiently. This situation created problems when the executive committee was created. Its new composition reflected the persistence of familial procedures. Some family members were involved in the executive committee because they were François’ siblings children. One branch that had no representation on the board, or in the management, disagreed with this decision and wanted to sell out. This decision was critical for the ownership stability. A local arrangement was found in maintaining the two family members in the executive committee, and nominating a representative of each branch on the board of directors.

At that time, François’ siblings were retiring from day-to-day operations. As they had contributed to the development of the business, they saw it as their own
creation and wanted their children to benefit from it and to represent them in the company. They wanted their sons to be involved in the executive committee. Their behavior manifested characteristics of the domestic world. Ensuring harmonious relationships implied considering the particular characteristics of the situation. Family leaders decided that each branch would be represented on the board of directors. A few years later, the local arrangement about the composition of the executive committee came to an end.

Local arrangements reveal the difficulty for branches to reach stable and collective agreements in specific situations, and the need to achieve momentary agreement to address the peculiarity of a situation. In Wheels, the situation involved family leaders who were shareholders with considerable voting rights. They had contributed to the development of the business and had been implementing familial procedures throughout their professional lives in the company. The decision about the composition of the executive committee coincided with their retirement from day-to-day operations. These characteristics of the situation explained the need for a local arrangement.

To maintain family harmonious relationships, some business situations may require the creation of local arrangements. Local arrangements neither contribute to identification with the Professionalized Family SOG nor with the Family SOG, they contribute to the common collective interest of the family: to maintain harmonious family relationships and ownership cohesion to ensure a familial management of the family business. In contrast, new procedures are compromises that manifest the development and possibly durability of the new procedures, and the evolution of the internally graded structure of the category family member into the new category professionalized family member. Both can sustain family leaders’ trustworthiness.

**Family leaders’ trustworthiness**

Family leaders’ trustworthiness depends on the extent to which they represent an in-group or not. In the former, family members derive their trustworthiness from relational judgments. In the latter, judgments are based on family leaders’ competence. The development of new procedures and their implementation both contribute to building relational or competence judgments as their aim is to treat all family members and branches equally, and to professionalize the management of the business.

Yet, identification depends on situational characteristics and the persons involved in the situation. In some circumstances, family leaders may have to build local arrangements. Local arrangements are critical for collective trust. They can both contribute to building positive or negative expectations depending on whether family leaders’ local arrangement are perceived fair or unfair.
In the management of family members, the example of Wheels shows that the development of local arrangements contributed to sustaining François’ trustworthiness whose treatment of family members was perceived fair. The consideration of family members’ familial bond in their assessment equated to upgrading them, and as a result to maintain their self-worth. He avoided them feeling perceived unvalued members in the family business, and as an extension in the family. Despite low performance, family members were not dismissed i.e. they were not excluded from the family business. Actually, they were implicitly expected to leave but it had to be their own decision. So they did not have to face a negative evaluation and interpret it as their inability to meet the expectations of the older generation in the business. The management of underperforming family members was difficult to deal with as dismissing a family member might generate family conflicts. François was conscious that such conflicts might have critical consequences on ownership cohesion. For this reason, François was really satisfied to notice that family members, who resigned, decided to leave on their own. They remained involved in the ownership and committed to the development of the family business in the future.

In contrast, the example of Yellow shows the risk of ownership breakup the family faced when family leaders professionalized the management of family members. Few years ago, when Pierre-Antoine had been offered to join the Company, he was expected to represent his branch. At the time, the only criteria for family members’ involvement were related to familial bond. The negative assessment, based on professional criteria, equated for Pierre-Antoine to be perceived demoted. Negative feeling of self-worth can lead family members feel non-valued in the family business, and the family, and to leave the group and/or the ownership.

Therefore, local arrangements can help maintain family leaders’ trustworthiness when they relate to previous procedures, and lead family leaders preserve family members’ self-worth and self-esteem. When they lead to biased procedures, these can challenge family leaders’ trustworthiness, and erode collective trust. It was observed in Wheels in business decisions.

When Louis-Alexandre and Paul-Adrien were nominated in the executive committee in 1997, the family had decided to depart from familial procedures and professionalize Wheels’ governance. They built a new governance structure and created a board of directors most of those members were external non-family members. Agreeing with this decision, the Jeanne branch had accepted to do without representation on the board of directors to contribute to the development of an efficient governance structure.

The board of directors decided that the executive committee will be organized by business units so that they could gather the managers in charge of the two-wheeled vehicles, four-wheeled vehicles and office furniture. Louis-Alexandre
and Paul-Adrien, who had a lower hierarchical positions, were not to be part of it.

When the composition of the executive committee was communicated to the members of the family, it showed persistence of the familial procedures for the Louis and Paul branches. The Jeanne branch expressed its disagreement and denounced unfair treatment. Louis-Alexandre and Paul-Adrien had been upgraded and nominated to the committee because of their bond with Louis and Paul. This situation was unfair to the other family members who were qualified according to professional criteria, especially those in the related branch. They had accepted that external family members with higher competence would represent them on the board of directors. As a consequence, branch members contemplated selling out.

Several years later, when the family business faced losses — following an acquisition — the management in charge of the project — a family manager — was held responsible for the situation. Some family members denounced the family leaders’ desire to avoid conflict and to retain him in his position at the expense of the other family shareholders. In their view, the family would not have lost this money if a non-family member had been involved in the management of the acquisition. The family leaders would have decided to divest sooner. And the manager would have been dismissed. Some family members deplored that family leaders were reluctant to take such decision. This decision challenged the family leaders’ trustworthiness as he was perceived biased in his management of the family member.

When the ownership is concentrated among a few family members who keep self-categorizing as family members, collective trust can be maintained through the generation of Professionalized Family SOG salient identification. Figure 18 proposes below a stylized representation of this process. When the ownership becomes dispersed among numerous family members who come to self-categorize as family owners, maintaining collective trust can rather be ensured through the generation of Family Owners SOG identification. I detailed it in the next section.
Figure 18: Developing Professionalized Family collective trust

- Family branches out
- Professionalized Family SOG

FAMILY LEADERS’ PROCEDURES

- Creating new procedures
  - Professionalizing the management of the business
  - Challenging business decisions
  - Organizing family members’ relationships

- Reducing perceptions of vulnerability
  - Vulnerability to ownership breakup
  - Vulnerability to unfair treatment

- Ensuring fair treatment

CHANGING FAMILY MEMBERS’ IDENTITY PERCEPTION

- Changing SOG categorization
  - Emergence of the Professionalized Family SOG category
  - Enlarging the family boundaries

BUILDING POSITIVE EXPECTATIONS

- Family leaders’ arrangements
- Professionalized Family SOG salient identification

- Ensuring fair treatment

- Generating Professionalized Family SOG salient identification

- Maintaining & Transcending branch identification

PROFESSIONALIZED FAMILY (COLLECTIVE) TRUST

BECOMING: GENERATING NEW IDENTIFICATIONS

- Ensuring fair treatment
- Professionalized Family SOG

Family branches out
Developing Family Owners collective trust

When the ownership is dispersed among multiple family members, and Family SOG identification has declined due to varying identity perceptions between members — among them the perception of more similarities as owner than as family member — family leaders may strive to reduce family members’ perceptions of vulnerability, as well as their own vulnerabilities to maintain collective trust. The development of professionalized and democratic procedures in ownership situations can contribute to changing family members’ identity perceptions about one another, generate identification with the new Family Owners SOG identity, and sustain new form of collective trust among family members. Appendix 8 presents the data supporting the interpretation of Developing Family Owners SOG collective trust.

Reducing perception of vulnerability

When the family branches out, and the ownership becomes dispersed among numerous family members, family leaders’ procedures can lead to perceptions of vulnerability as family members can have varying identity perceptions about themselves and one another. Perceptions of vulnerability are expressed in family members’ denunciations of family leaders’ procedures and unfair treatment, and refer among others to lack of performance, value optimization, parental altruism, favoritism for the involved branches. For the family leaders, one source of vulnerability is the evolution of the ownership structure and the varying attachment that family members have to the business. They vary from a strong attachment to the family business — often for those who are involved — to expectations of dividends and a willingness to sell out. As a consequence, a threat exists of losing family ownership control. In addition, with the size of the family increasing, family members’ weaker ties do not ensure that they can perpetuate the project of the founding generations in the future, and easily organize themselves in this perspective. These perceptions of vulnerability can erode the trust family members have in one another, or in the family leaders. To address the denunciations of family leaders’ procedures and reducing perceptions of vulnerability, family leaders can create new procedures for the management of the family business.
Creating new procedures

The denunciations of family leaders’ procedures communicate family members’ expectation of alternative procedures to depart from familial procedures — in terms of branch logic — and address family members’ weaker ties and attachment to the business, and their possible willingness to sell out. Denunciations put in contention the family and the ownership natures of procedures, and finally reveal different ways of engaging ownership situations: a business founded and inherited from the previous generations (domestic), that needs to be run efficiently (industrial), and from which it is possible to get dividends (market) and that needs to be managed in the general interest (civic). The creation of new procedures is necessary to assuage tensions between the family and ownership natures of procedures. It means reaching an agreement on the different ways of engaging in ownership situations through compromises. It give rise to new procedures to disentangle the family and the ownership. They allowed the professionalization of the management of the ownership, the institutionalization of business decisions, and the organization of family owners’ relationships.

Professionalizing the management of the ownership

The professionalization of the management of the ownership consist in creating new procedures in order to implement an efficient management of the ownership. These combine characteristics of the industrial, domestic, and civic worlds. Competent family owners are expected to join the ownership and governance structures, and might be trained in this perspective. Their role is ensuring the continuity of the family culture and of the business in the long run, to controlling the efficiency of the management of the business, and representing the collective of family owners. Family leaders are part of the process of recruiting and evaluating the family members for which ownership committees are formed. Ownership committees are developed for this task. Criteria are defined by the family leaders for the family members who want to join the governance of the business and the organization of the ownership. The development of new procedures was observed in Wheels and Loisau.

In Wheels, with the development of the family, François decided to create the association of the family owners to gather together family members interested in remaining in the ownership. This organization marked a clear separation between the family and the ownership. François also created a family ownership council to represent the interests of the family owners. The general mission of this committee would be to manage the ownership and to allow a professional
management of the business. François wanted to make sure that this organization of the ownership ensured its efficient management. The family ownership council was composed of a maximum of six members. François contemplated assigning specific tasks to the family ownership council in the perspective.

In Loisau, when Paul-Emmanuel took over the leadership, along with the family owners (general partners), he created a new committee: the family ownership council. Its role was giving a voice to the family owners and introducing democracy in the management of their ownership rights. Many family owners were collectively involved in the decisions and the future of the business. It was decided that only a handful of family owners would be nominated to represent the interests of the family as a whole. The family owners decided that the family ownership council will be composed of seven family owners among the family owners. Only competent family members were to be nominated. In addition, Romain-Paul and Jules-Emilien remained on the committee until they reached the age of 75. The family ownership council defined and agreed on the objectives regarding the management of the business, for instance, improving the company’s the roadmap. The family ownership council was also in charge of some of the missions that the strategic committee previously oversaw aside from controlling and advising on strategy making.

In addition to the new procedures family leaders created to organize the ownership, they institutionalized business decisions, particularly the collaboration between the management and the board of directors.

**Institutionalizing business decisions**

The institutionalization of business decisions manifests different ways of engaging business decisions in ownership situations. The maintenance of efficient decision-making (industrial), a further professionalization of the management of the family business through the development legitimate governance structures (industrial and market) and the representation of the family owners’ collective interest (civic). The new procedure guarantees family owners that the representatives they mandate to govern the business do so effectively in everyone’s interest. New subjects, objects and relations go along with the institutionalization of business decisions. Subjects are competent managers, independent members, representatives of the family owners; objects are structures such as the board of directors, processes, criteria. The development of these procedures was observed in Wheels, and Loisau.

In Wheels, family leaders noted that the advisory boards that they created in 2004 had contributed to strengthening the efficiency of decision-making. Because the company was operating in several distinct businesses, it had been
difficult for the board members to be experts in each business, and to analyze strategic projects in details. The creation of an advisory board for each business allowed a better analysis of the projects and improved the performance of the business units. Advisory boards were smaller in size (4-5 members) than the board of directors (10-11 members). They were made up of experts of the business. Advisory boards greatly improved the performance of the business units. They first revealed inefficiencies and led to dismissing underperforming managers. Several years later, Francois introduced changes in the governance structure and transformed the advisory boards in boards of directors. The idea was to empower business units and ensure efficient management.

In Loisau, When Paul-Emmanuel became CEO, and Chairman of the Loisau Company, he transformed the strategic committee into a board of directors, which fell under the responsibility of the family ownership council. Strategy was the unique task of the board of directors as the traditional task of control was under the responsibility of the supervisory board. The board members were mostly in charge of evaluating the strategy or advising the management team. In addition to the seven family owners of the family ownership council who were full members, the family owners nominated three external members: two were business experts and a third one was an expert in finance. Family leaders wanted to ensure efficient management of the business. They also expected the board of directors to contribute to improving decision-making. Especially, Paul-Emmanuel expected board members to challenge his decisions. With the general manager Etienne Bond, they were already used to mature analyses of their decisions by challenging each other. When Paul-Emmanuel appointed external members in the board, he chose experts of the business and provided them detailed information on each project they discussed during board meetings. For Paul-Emmanuel this way of making strategy during board meetings was crucial to make sure the top management had analyzed in enough details strategic project and anticipated their related risks.

Besides the professionalization of the ownership and the institutionalization of business decisions, family leaders also created procedures to organize family owners’ relationships.

**Organizing family owners’ relationships**

The development of new procedures for organizing family owners’ relationships consisted of liberating family owners from personal dependencies, organizing and representing the interests of all family owners, and developing family relationships among owners.
Liberating family owners from personal dependencies

With the development of the family over time and generations, two kinds of family owners can emerge: 1) those who want to retain control over the ownership, and continue to develop the family business in the future; 2) those who are interested in dividends, the market value of the family business. These want to have guaranteed capital liquidity, and might want to sell out. The emergence of these two kinds of family owners marks an evolution in the nature of their relationships with other family owners, as well as the business. The former is inscribed in a hierarchical generational bond (domestic) and, in the latter, family owners are free from personal dependencies and rather feel united to others by a market bond (market). New procedures contribute to addressing the denunciations of family members who feel locked in personal dependencies, and reduce family leaders’ vulnerability to ownership breakup. They result from compromises between these two different ways of engaging ownership situations. They allow and organize how family owners can leave the ownership. Objects related to the new procedures are the creation of an internal market, going public. It was observed in Wheels and Loisau.

In Wheels, with the development of the family, many family members complained about the illiquidity of Wheels’ capital. In order to meet their needs, François decided to create an internal market to allow family members who might want to leave the ownership to sell out. Each year an external expert priced the shares and family members could sell their shares if they wanted. Actually, the system was effective. François noted that they did not necessarily want to sell out. Only few family members sold out and their shares were bought by other family members.

In Loisau, with the growth of the family, family leaders — who were involved in the business — had to face claims from many non-involved family members who felt locked in the ownership. At that time, the ownership was composed of approximately 100 family members and the family held 64% of the ownership. Still, family members who wanted to retain control only held 24% of the ownership (the members of the three branches involved in the business). The remaining 40% did not share the same attachment and project for the business. Family leaders decided to go public. Before that they changed the legal structure of the company to a partnership limited by shares. This legal structure allowed the family branches to retain control despite their 24% of shares. The legal structure was composed of two distinct kinds of owners: the general and the silent partners. The general partners were the family members who wanted to control the management of the family business. They saw a clear difference with the silent partners. Silent partners, also called second and third circles family owners, despite their desire to remain in the ownership, wanted to have an opportunity to sell out. Not all family members decided to sell out. Organizing
the liquidity of the capital was a way to set family owners free from their ownership bonds. For the family owners who desire remaining in the ownership, there is a need to organize their relationships and their representation in the business.

**Organizing and representing the interest of all**

When the ownership is dispersed among numerous family owners with varying and potentially conflicting interests, ownership unity can be challenged. Family leaders can reduce the risk of conflict and ownership breakup through the development of new procedures to organize a collective of family owners with a shared interest, and structures to represent it. This compromise derives from different ways of engaging in the family business — ranging from pursuing the project developed by their elderly to selling out (domestic and market) —, and the changing nature of relationships between family members — familial bond to an owner bond (from domestic to civic). In *Multiple Branches Family Firms*, family members may no longer have direct concrete interactions, shared upbringing, a sense of belonging to the same family, a shared experience of the family business. The relation with the family leader(s) may no longer be inscribed in a hierarchical generational link which gives priority to hierarchical personal dependencies. Family leaders who want to keep developing the family business in the long run may want to rebuild unity among family members, who share the same desire, and to give priority to collective action.

Compromises reveal new subjects and objects involved in procedures. Subjects encompass collective family owners and their representatives. Henceforth, family leader’s authority results from his/her ability to represent the collective, the mandate he/she was given to represent the will of the family members. This will is expressed through voting. Family leaders are elected. Objects reveal the organization and formalization of family owners’ relationships with the aim of representing the interest of all. These characteristics can combine with the characteristics related to a professionalization of the management of the ownership. It was observed in Wheels and Loisau.

In *Wheels*, when François decided to create the association of the family owners, his aim was allowing family members to depart from their varying private interests and joining in a collective project to develop the family business. Family members who inherited shares from their parents, but wanted to leave the ownership, did not have to join the association. The aim was twofold: allowing collective action among family members willing to be involved in the development of the family business in the future, and organizing the general will of the family owners. From that moment, the family would be represented as a one. The family had to end personal branches’ interests that had prevailed until
now, and ensure professional management of the business. To organize the representation of the family owners, a family ownership council was created. It represented the interests of all family owners. Though this committee had no legal standing, it had the general mission to manage the ownership and ensuring that no conflict occurred between family members. It was composed of a maximum of six members who were elected, including François who expected to chair this council for a few years and implement all these changes. This new organization was formalized in a written document: the governance charter. Family owners had to sign it to join the association of family owners. With the growth of the family, François considered that relationships needed to be formalized.

In Loisau, when the family members changed the legal structure into a partnership limited by shares, they created a legal structure that gathered together the general partners. The family was transformed into a group of family owners. These individually decided about their involvement in the ownership instead of inheriting it from their parents and feeling obliged to remain in the ownership. They then gathered together in the collective project of developing the business. To ensure the general will of all family owners, family leaders created an ownership strategy committee. The aim of the community was to ensure that the general partners had a voice in the management of the business. Paul-Emmanuel wanted to introduce democracy in the management of their legacy. The ownership committee was composed of seven members in addition to Romain-Paul and Jules-Emilien until they were 75 years old. The seven members were elected by the general partners every three years. The election was held in two rounds. First, family members had the opportunity to vote for the candidate of their choice, including those who were not candidate. So new candidates could emerge. Then, family members voted for the candidates who retained their candidacy. The first round of the election was given priority to the family as one vote was equal to one voice. In the second round, it was the ownership that was given priority to ensure coherence in the representation of the family owners who decided to lock in their capital. In this process, Paul-Emmanuel warned family members that competence was essential to represent family owners. The role of the committee was dealing with all decisions and issues related to ownership and family. It would define the objectives of the family owners for the management of the business. Then the board of directors would make sure they would be implemented during decision-making. A few years later, family leaders decided to make the ownership strategy committee a legal structure.

In contrast with family members, family owners may not know each other very well. Building collective action thus involves interacting with each other more frequently and developing closer ties.
Developing relationships among family owners

With the passage of time, and depending on the size of the family, family owners often have few opportunities to meet in family contexts, and hence have a reduced sense of belonging to a same family lineage, in combination with a potential decreasing attachment to the family business. In this situation, there is a risk of decline in family owners’ relationships and attachment to the business. Family leaders can develop procedures to maintain family owners’ ties and attachment to the business. Procedures derive from a domestic way of engaging in the ownership — based on family owners’ sense of belonging to a same founders’ belonging. Family leaders develop activities in business and ownership contexts in this perspective in order to develop harmonious relationships among family owners and for nurturing their sense of belonging to their shared ownership. It was observed in Wheels and Loisau.

In Wheels, several years ago, family leaders had decided to maintain family ties by developing activities both in business and in family contexts. The aim was to retain attachment to the business and to ensure that family members remained in the ownership. Emilienne was in charge of it. Over the years, she enlisted several mothers from the third generation to help her. She ensured continuity over generations. However, with the growth of the family, it became more and more difficult to gather together all family members. It was also difficult to figure out who to invite. Delimiting the family boundaries was not an easy task. The family ownership committee decided that only family members would be invited.

In Loisau, family owners developed ties in business and ownership contexts. They first improved communication among family owners and the ownership strategy committee regularly informed the family owners about the development of the business. Family owners were also invited to meetings. Family leaders organized trips for the family members who were 18 years and older, enabling them to discover the family business. These activities nurtured family members’ attachment to the business. They were as well the opportunity for family members to gather together and develop closer ties. Little by little they recreated cohesion among family members and a sense of belonging to the same group of family owners.

Family leaders’ development of new procedures manifests a transformation in the internally graded structure of the category family member in ownership situations. The subjects, objects, relations, investment formula, all characteristics of the compromise associated with the new procedures constitute the internally graded structure of the new category family owner. These new procedures are presented in table 5.
<table>
<thead>
<tr>
<th>Business situations</th>
<th>Situations</th>
<th>New procedures</th>
</tr>
</thead>
</table>
| Management of family members | • Introducing professional and external family members (industrial individuals)  
• Creating a board of directors or nomination committee (industrial structure)  
• Creating professional (industrial) rules for the recruitment, assessment, development and dismissal of family members in the family business | |
| Business decisions | • Creating efficiency and performance criteria for business decisions (industrial)  
• Creating a board of director, strategic committee, etc. (industrial structure)  
• Introducing expert and external family members (industrial individuals) | |
| Leadership succession | • Creating professional (industrial) rules for the recruitment, assessment, development and dismissal of family members in the family business  
• Creating a board of directors or nomination committee (industrial structure)  
• Introducing professional and external family member (industrial individuals) | |
| Ownership situations | Ownership organization and implication | • Organization of the ownership as a collective (civic)  
• Formalization of ownership relationships (civic)  
• Creation of committees, rules, procedures, agreement for the ownership and its relation to the business (civic)  
• Creating internal market, going public (market)  
• Organizing family gatherings (domestic) | |

Table 5: The development of family leaders’ new procedures for family owners

**Changing family members’ identity perceptions**

**The emergence of a new category: The Family Owners SOG**

The new procedures created by the family leaders play an important role in family members’ changes in perceptions. They manifest the changes that occurred in the internally graded structure of the superordinate group category in family and ownership situations. Procedures also communicate that family leaders’ behaviors (which are representatives of the group) are consistent with the stereotypical norms that define the superordinate group category (normative fit).
They better define the characteristics of the enlarged groups of family members, and their propensity to perceive relative more similarities as owners than as family members. I call this new identity: the Family Owners SOG. Finally, procedures also exhibit the features of this new social category that can be described in terms of subjects, objects, relations, investment formula, etc. It displays different ways of engaging in business situations.

In the Family Owners form of identification, the higher common principle that guides family members is to join in a collective project to develop the family business. This project departs from the particular interests that family members have for the business and addresses the general will which is ensuring the continuity of the business. Continuity does not necessarily involve reproduction as priority is given to progress. It is expressed as an objective of developing the family business in the long run through professionalization and performance. Authorities are elected to represent the union of all family owners. They are representatives of the collectives, govern through rules and ensure an efficient management of the ownership of all. Subjects are competent representatives of a same lineage, competent family members, and competent independent members. Objects are legal forms, efficient formal organizations, performance criteria, shareholders’ agreement, family owners’ charts. Relations among family owners are based on rules and legal agreements. Family owners gather together to collectively develop their ownership (the family business) efficiently. The relation of worth that exists among the states of order is a relation of delegation. Representatives are mandated to guarantee the general will and because they have the ability to predict actions and integrate them in a larger overall plan. These characteristics are observed in family ownership meetings and gatherings, and business situations. I summarize these characteristics in the table 6 below.
The development of this new identity occurs as family members come to identify with one another as *family owners* rather than as *family members*. It not only depends on the composition of the family, but also on the structure of authority. It seems that the cousin consortium family operators or supervisors with a dispersed ownership are more likely to implement it. In this research, it appeared difficult for Green to develop this new identity since family members still felt as though they belong to the same family.

The second change in identity perception is the influence of the creation of new procedures on the propensity of family members to perceive themselves as a part of the same family ownership.

**Refocusing the family ownership**

Social categorization also depends on the context within which it takes place (Turner at al. 1987). Family members’ self-categorization differs depending on
whether they compare themselves with branch members, family members, or family owners.

Over time and generations, with the growth of the family, and the dispersion of the ownership among numerous family members, the category *family member* may no longer account for situationally relevant similarities between family members. Even if they belong to the same family, the generational bond can sometimes be very distant. In contrast, family members’ relations to the business can constitute more relevant social stimuli. Involvement in the business, and/or family members’ attendance in the general assembly or any other ownership situation may signal relative higher similarities. Therefore, ownership identity characteristics can be more relevant in the context of the enlarged family structure.

In this context, two different kinds of family owners coexist: those who are willing to develop the business, and those who are interested in financial returns. Among the latter, some may also want to sell out. Here, relative higher similarities can characterize family owners willing to develop the business in the long run in comparison to others, and relative higher similarities between family owners willing to increase their value and return on investment, in comparison to the others. These ownership characteristics can lead to identity conflict between these two kinds of family owners or their respective branches if the ownership is concentrated at the branch level.

The redefinition of the boundaries of the ownership changes the context of comparison, and can help family leaders build effective collective action between the family owners who are willing to remain in the ownership and developing the business in the long run. It allows redesigning the ownership structure to address the needs of the various kinds of owners, and in avoiding interbranches conflict. It creates the context for categorization as *Family Owner SOG*.

In Loisau, with the passage of time, several branches expressed their desire to sell out. Over time, differences between branches regarding their attachment to the business had increased and influenced their involvement in the ownership. It resulted in a change in the structure of the ownership when the firm went public. Some family members became silent partners and others general partners. These two kinds of shareholders crystallized different attachments and projects for the family business. Afterwards, three circles of family shareholders could be distinguished with regard to their relation with the business. The first circle was composed of the involved branches. They were committed to developing the business in the future. The second and third circles were non-involved branches. Family members from the third circle had minority stake in the ownership compared to the first and second circles. In contrast with the second circle, they were less prone to selling out.
In Yellow, at the third generation, the family was made up of approximately 30 branches. Until the leadership succession to the third generation was completed, in addition to salient branch identification, family members kept identifying with the founding Albert and Charles’ branches. At the time, they only had interactions within each founding branch.

In 2004, the leadership was handed over to the third generation; changes occurred in branches identification. Branches belonging to the Charles and Albert’s branches started getting to know each other and finding similarities among them based on their relation to the business. Family members observed that they sometimes might had higher similarities with family members from the other founding branch than with some family members of to their own branch. Perception of relative similarities/dissimilarities depended on family members’ involvement in the business. Family members pictured very different relations and representations of the family business depending if family members worked in the business or not. A non-involved family member evoked a very tight attachment to the business for the involved branches. Hence, family members delineated higher similarities between involved branches vs. non-involved branches according to the nature of their attachment to the business. Those involved might feel the responsibility to pursue the previous generations’ project. In contrast, declining interest might lead non-involved family members to leave the ownership. Over time and generations, dissimilarities between involved and non-involved branches increased and posed a risk of ownership breakup.

To maintain superordinate group identification, family leaders can decide to refocus the ownership, and to create a group of family owners.

**Ensuring fair treatment of family owners**

Through the development of new procedures, family leaders manifest fair treatment with regard to family owners, and communicate them that they are respected and valued members. The development of new procedures addresses family members’ denunciations, and communicates them that their opinion and rights are considered and respected. The new procedures give priority to professional management of the business, efficient decision-making. They respect the desire of family members to have their capital liquid or sell off their share. They take into consideration the interest of all. Collective family owners are represented by representative family leaders and committees. Family members are giving voice, and can elect their representatives, the family leaders. Finally, procedures are developed in order to rebuild bonds, and to nurture a sense of belonging to a same lineage. These procedures communicate family owners that they are perceived as belonging to a collective of family owners. Their implementation shows the neutrality of family leaders and their trustworthiness, i.e. their intention to be fair.
High quality treatment can enhance family members’ self-esteem and contribute to nurturing their attachment to the family ownership. Through high quality treatment, family leaders ensure that family owners will remain in the ownership, and committed to the collective project of the family owners for the business. Family leaders’ fair treatment is manifested in their procedures towards family owners, in the context of the ownership or the business. Through worlds’ characteristics they reveal how family owners are qualified, valued by family leaders. These are combination of the civic, industrial, domestic worlds. Developing salient identification with the Family ownership entails that family leaders apply the procedures associated with the new procedures they created. Still, depending on the situation, and the family members involved in the situation, family leaders may build local arrangements to preserve family members’ self-esteem, and ensure Family identification. It was observed in Wheels, Loisau and Yellow.

In Wheels, since the 2000’s, the main family leader is François. François’ high quality fair treatment is revealed in the new procedures developed throughout the years to address family members’ denunciations. New procedures first led to professionalize the management of the business, at the same time as considering branches characteristics and taking care of family members’ self-esteem. Then François developed collective structures to allow family owners join in a collective project for the family business. He created collective structures to ensure representation of the family owners. He gave voice to family members who might disagree with the suggested changes. He improved the professionalization of the business started in the late 1990’s. And professionalized the management of the ownership. This was the opportunity to create internal market and to liberate family members willing to leave the ownership. Finally, François and the siblings worked hard to maintain family unity and strong family ties.

In Loisau, since he took over the leadership of the business as CEO, Paul-Emmanuel had started acting as family leader. Paul-Emmanuel’ fair treatment was observed in the development of new procedures that ensured professional management of the business and collective structures that guaranteed the representation of the general partners, as well as the silent partners. At the same time, Paul-Emmanuel organized legal structures to professionalize relationships between the top management and the owners. He introduced additional independent members, created new and/or formalized existing committees. Above all, he organized collective representation of the family owners through the creation of an ownership committee to represent the general partners. Its chairman would be elected. Through these new structures, decision process, he communicated his intentions to be honest, professional, ethic.
Becoming: Generating new identifications

In this section, I propose that the development of procedures contributes to making Family Owners SOG salient despite prevailing branch identification. This is possible as Family Owners SOG identification is not only coherent with branch identification but it allows breaking with branch logic.

Generating family owners SOG salient identification

The emergence of the Family Owners SOG identity, though it addresses the denunciations of family members, does not ensure its salience as branch identification may prevail. As for Professionalized Family SOG, salient Family Owners SOG identification can be developed through identity salience-based control mechanisms (George and Qian 2010). They go along with the development of new procedures that act as reminders of Family Owners SOG membership and reflect the Family Owners’ interests.

Different control mechanisms (subjects, objects, etc.) can be created in business and ownership situations. In business situations, it consists in corporate governance tools (board of directors and other committees). In ownership situations, it can be committees (annual general meetings, family council, ownership council, etc.), the involvement of individuals (family owners, professional family owners), and other objects (shareholder agreement, owners constitution, ownership decision criteria, family owners’ recruitment and assessment criteria, etc.). In combined ownership and business situations, it consists in owners gatherings related to the business.

Control mechanisms make the Family Owners SOG category accessible in ownership and business situations. It is chronically accessible as family owners’ relation to the business is fundamental to their self-definition. It is situationally relevant as collective representative objects and subjects are appropriate to ownership and business contexts. It was observable in Wheels, and Loisau.

In Wheels, identification as Family Owners SOG was mainly manifested in the business context — governance situations — as family leaders were developing it in the family ownership context when the research was conducted. It was signaled in the presence of professionals, and competent family owners, and in their influence in business situations. Structures, composition, rules, texts, and all characteristics that constitute procedures define the situation which influences family owners’ behavior. It was observable in the composition and functioning of institutionalized governance committees, which were made up of managers, independent professionals, and trained family owners. After several years of involvement in advisory boards, family owners developed abilities to challenge the management and demonstrate competence as board member.
In the family ownership context, it was observable in the information provided to family owners and their engagement in family ownership related activities. It was especially observable in family owners’ involvement in the family owners association, and its committees, whoever they were from the second, third and fourth generation.

**In Loisau,** identification as *Family Owners SOG* was manifested in business and ownership contexts. In business context — governance committees — professional subjects and objects were reinforced. With the transformation of the strategic committee into a board of directors, Paul-Emmanuel expected to build an efficient decision-making structure. Despite changes in composition, and in size, he maintained active collaboration between the management and the board of directors. He kept counting on the board of directors’ members to challenge the management decisions. Paul-Emmanuel and the Deputy General Manager gave board members as much information as possible to enable an exhaustive and complete analysis of the various projects submitted. They both placed a great deal of importance on the transparency of corporate information. Since the inception of the board, they had not only avoided risks and issues, but also had not hesitated to focus on their weaknesses. Board directors were invited to ask questions and to evaluate if decisions were in line with the strategy of the firm.

In ownership context, the family ownership council had several years of existence. Paul-Emmanuel had implemented a system to ensure representation of the family owners. And they used to discuss about ownership and family topics.

This evolution of family identification into family ownership identification is the opportunity for family leaders to break with branch identification, and depart from local arrangements between family and professional procedures.

**Breaking with branch identification in business situations**

When the ownership has dispersed, and family members more easily identify as *family owner* than as *family member,* salient identification can no longer occur at the *Family SOG* level and take place at *branch* levels only. It is particularly true if branch identities are invoked in a same situation, and conflict with each other. It also unfolds if family members no longer identify as *family member.*

One way to resolve this situation is to guarantee simultaneous superordinate group and subgroup salient identifications (Hogg and Terry 2000). The development of the *Family SOG* is a way of maintaining branches and
superordinate group salient. It is possible when branches and superordinate group are consistent with each other.

Family leaders can make Family SOG category salient through identity coherence-based control mechanisms (George et al. 2010), create organizational structures that eliminate conflicting demands on individuals’ identities, and explain these structures that they create to make sure they are correctly interpreted by the family members.

Salient Family SOG identity is consistent with branches’ identification, and leads to breaking branch identification as identification no longer unfolds in family situations. Both identifications are distinctive as they display different features, with dominant ownership characteristics for the former and dominant family characteristics for the latter. In addition, Family SOG category emphasizes collective action among family owners in ownership situations.

Finally, the new structures developed by family leaders eliminate conflicting demands on family members’ identities. They guarantee that Family SOG and branch identities are consistent which each other and not in conflict. This derives from the disentanglement of the family and ownership in ownership situations that occurs through ownership professionalization, and the explanation of these new structures and rules of professionalization in ownership situations.

In Wheels, the creation of an internal market introduced changes in the ownership structure. The parity of one-sixth that characterized the siblings disappeared, and broke the family branches’ desire to maintain parity among one another. It happened when higher distance characterized family members. They were cousins of second cousins. The leadership succession from the second to the third generation was in process. It was finally possible to do away with having each branch represented on the board of directors.

In Loisau, the development of the new legal structure — a partnership limited by shares — and the evolution of family bonds, the family members did away with equal representation of the family branches in the ownership and in the business. For Paul-Emmanuel an efficient management of the business required to make this change.

Building positive expectations

When the ownership is dispersed and self-categorization takes place among family owners, the development of salient Family Owners SOG identification can provide a basis for collective trust (Brewer 1981, Kramer 1999, Kramer et al. 2010). It requires category accessibility and a relative prototypicality of family owners. Identity control mechanisms that go along with the development of new procedures can ensure that salient Family Owners SOG identification occurs.
The features of the *Family Owners SOG* (subjects, objects, relations, etc.) constitute formalities that act as reminder of the category to make it salient. It can happen as *Family Owners SOG* and branch identities are coherent. These formalities play as well an important role in contributing to perceive family leaders’ treatment as fair, and as a consequence trustworthy. The existence of positive expectations deriving from salient *Family Owners SOG* and family leaders’ trustworthiness are manifested in family owners’ trusting behaviors. This is signaled in their willingness to commit to the Family Owners SOG’s project for the family business, and to engage in the ownership, governance and management structures. It was observed in Wheels and Loisau.

In *Wheels*, collective trust deriving from *Family Owners SOG* identification and François’ trustworthiness was manifested in various trusting behaviors. When François decided to develop the association of family owners and its council, family owners expressed their willingness to be part of it. Majority of the family owners voted. Finally, among the family owners, only one contemplated leaving the ownership. Several family owners from the third and fourth generations applied for a position in ownership and governance structures. They decided to elect François as Chairman of the family owners committee. They expected he would take this responsibility.

More generally, family owners were involved in activities that benefit the group. Family members, for the most part, attended meetings, got involved in family owners’ structure. They accepted to comply with group rules and laws. It seemed obvious to all of them.

In *Loisau*, positive expectations also led to trusting behaviors in different ways. Family owners accepted to commit to the development of the business and devoted a large amount of their dividend to do so. They also took part in ownership and governance structures. Finally, future generations expressed their motivation to join the firm. The main family leader was perceived trustworthy by other family owners as he embodied the characteristics of the *Family Owners SOG*, instead of that of his own branch. It was also based on his procedures that other family owners perceived fair and competence-based.

Next, I propose a stylized representation of this process.
BECOMING: FAMILY MEMBERS’ CHANGES IN IDENTIFICATION

Ensuring fair treatment

Family branches out

BECOMING: GENERATING NEW IDENTIFICATIONS

Generating Family Owners SOG salient identification

Breaking with branch identification in business & ownership situations

BUILDING POSITIVE EXPECTATIONS

Family leaders’ trustworthiness

Reducing perceptions of vulnerability
Vulnerability to ownership breakup
Vulnerability to unfair treatment

Family branches out

Creating new procedures
Professionalizing the management of the ownership
Institutionalizing business decisions
Organizing and representing the interest of all
Developing family relationships among owners

Changing SOG categorization
• Emergence of the category Family Owner member
• Refocusing the ownership

FAMILY OWNERS’ PROCEDURES

FAMILY OWNERS (COLLECTIVE) TRUST
Summary

In this chapter, I developed the idea that collective trust can be maintained among family members when the family branches out. Family leaders have a major role to play in this process. They can create new procedures to reduce family members’ vulnerabilities arising from a Family SOG decline. These procedures also contribute to changing family members’ identity perceptions, and identification.

New procedures derive from compromises between different ways of engaging business situations to address family members’ denunciations of family leaders’ familial procedures. They gave rise to two ideal forms of identification: the Professionalized Family and the Family Owners. Both identities have features related to the professionalization of the management of the business and the ownership, and to a new collective identity for family members. The former exhibits dominant family characteristics, and prevailed when family members still feel a sense of belonging to the same family. The latter mainly consists in ownership characteristics, and was relevant in situations in which family members no longer had any sense of belonging to the same family. In contrast, they recognized in one another similarities as owners of a family business. New forms of identification — when salient — can contribute to building positive expectations and collective trust.

In this process, procedures, and their related formalities, constitute identity-based control mechanisms that both influence superordinate group identification and collective trust. Procedures, at the same time, reduced family members’ vulnerabilities and made new forms of identification salient. They also play an important role in the formation of judgment about family leaders’ fairness which influences identification with the new forms, and family leaders’ trustworthiness. Both are sources of presumptive trust.
11. Concluding

I start this concluding chapter with a short overview of the interpretation I developed in this dissertation. I suggest different ways in which this interpretation can contribute to an understanding of trust, group identification and trust in the family firm. Then, I present the limitations of this research, and propose suggestions for future research.

How trusting works in *Multiple Branches Family Firms*

*Developing collective trust over time*

Collective trust can erode when groups branch out. In this research, I have analyzed how this process unfolds, and the actions that leaders can take to maintain trust. Collective trust erosion and maintenance are two sub-processes of an on-going process in which collective trust and group identification are entangled. In family businesses, it is embedded in a context of multiple systems: the family, the business and the ownership.

The analysis of four cases gave rise to the identification of two triggers of trust erosion in *Multiple Branches Family Firms*: a denunciation of the familial nature of the family leaders’ procedures in business situations, and a denunciation of family leaders’ illegitimate ways of qualifying family members. They result from — and signal — changes in family members’ identity perception and they lead to changes in identification in business and ownership situations: prevailing branch identification, and declining *Family SOG* identification.

Prevailing branch identification occurs as the category branch member is more exclusive, concrete, and frequently used, and better satisfies family members’ need for differentiation. Declining *Family SOG* follows from the emergence of varying and potentially conflicting stereotypical norms associated with the category family member. As a consequence, category fit and accessibility cannot be satisfied, and the salience of the *Family SOG* cannot be achieved. With a decline *Family SOG* identification, important sources of collective trust can be lost: salient *Family SOG* membership and family leaders’ trustworthiness.

Considering that family leaders can triumph over trust erosion, I have delineated the procedures that they can develop to maintain *Family SOG* identification.
salient, or to create new salient identifications with the Professionalized Family SOG or the Family Owners SOG. These two identities are kinds of ideal types. Their characteristics emerge from compromises — between familial procedures and alternative ones — that address family members’ denunciations of family leaders’ familial procedures in business situations. These characteristics belong to different worlds: domestic, industrial, market and civic. They define the identity features of the enlarged family group better than the Family SOG, in family, business and ownership contexts. These two forms of identification, as they are consistent — with branches’ identities — and salient — due to the formalities that they are made up of — constitute new sources of positive expectations, and collective trust. Family leaders’ procedures also constitute control mechanisms that can reduce family members’ perceptions of vulnerability, and generate collective trust. Among these family leaders’ procedures are arrangements which constitute specific kinds of procedures. They differ from one situation to another, and also for the members involved in the situation. They often occur when Family SOG and Professionalized Family SOG are invoked — in a same situation — and both of them can contribute to developing collective trust or eroding it. In this context, family leaders’ preservation of family members’ self-worth and self-esteem plays an important role in maintaining trust. I synthesize now the mechanisms through which family leaders can maintain trust as family members’ identification evolves.

**Trusting as becoming**

Trusting as becoming refers to the process through which trust evolves as family leaders generate a new salient superordinate group identification. In this process, collective trust is developed through formal and social control, and the maintenance of family members’ self-worth and self-esteem.

**Trusting as identifying with new (SOG) identities**

Various changes in identification can occur when the family branches out. Among them, emerging Branch identification and declining Family SOG identification can lead to trust erosion. These changes occur as family members’ identity perceptions start varying with the evolution of the structure of the family, and the features they associate with the category family member. Family leaders can avoid trust erosion by ensuring the superordinate group identification remains salient. This involves creating new superordinate group identities and shaping new identifications.

When the ownership is concentrated among a few family leaders who have majority voting rights, and they identify with the Family SOG, family leaders may
want to maintain *Family SOG* identification through equally qualifying family members or through self-worth security or enhancement. This was observed in Yellow. Despite family members’ changes in identity perception — features of the category *family member* — second generation family leaders preserved collective trust through family members and branches’ fair treatment. When family leaders observe a change in family members’ identity perceptions, they can develop *Professionalized Family SOG* identification. It happened in Wheels as long as the category *family member* was situationally relevant. The development of a new form of identification meant enlarging the boundaries of the family to consider it as a whole, beyond its multiple branches. It entailed enlarging the perception of the family to include the characteristics of all family members, based on their expectations of the management of the business. When the ownership gets dispersed, and the category *family owner* becomes more relevant to account for similarities between family members, the family leaders can decide to develop *Family Owners SOG* identification. It was observed in Loisau where it entailed refocusing the ownership in order to work with a group of family owners committed to the development of the family business in the long run. It led to pruning the ownership according to family members’ willingness to remain involved/leave the ownership.

In Green and Yellow, family leaders attempted to develop *Family Owners SOG* identification though they faced difficulties in achieving it. Two different reasons explain their difficulties. For Green, family members kept identifying as family members, and did not perceive it was relevant to develop procedures in a context of family owners’ relations. In Yellow, the second generation family members, who retained ownership control, were self-categorizing as *Family SOG*, and were opposed to such evolution.

There are situations in which “old” familial procedures remain in use. In these situations, family leaders can build local arrangements to overcome identity conflicts. Local arrangements do not necessarily manifest the persistence of *Family SOG* identification. They reveal that changes in identification can take time. They also remind us that identification depends on the characteristics of a situation and the individuals involved in that situation. Other identities may stay salient despite the creation of the new identities and their related identity-based control mechanisms. This happens when situations make other identities more salient as they are more situationally and/or chronically accessible.

In these situations, family leaders can make local arrangements. Though they do not lead to a superordinate identification, they play a role in maintaining collective trust as they indicate to family members that they are valued group members. Local arrangements provide family leaders an opportunity to deal with situations in which various identifications are in contention. Regrettably, they may also deteriorate collective trust. Local arrangements are momentary and only apply to the individuals involved in the situation. Other family members may perceive family leaders’ arrangements as unfair — biased — treatment.
Maintaining family members’ self-worth can also influence superordinate group identification either positively or negatively. On the one hand, it can communicate to family members that they are valued members, and hence influence their willingness to remain group members. On the other hand, it can communicate to other family members that family leaders are biased in their relationships with some family members, and that they are not treated with the dignity and respect appropriate for full group members. Thus, “trusting as becoming” means that family leaders and family members keep on constructing their identities and identification together in the process of trusting. Trusting evolves as identifications progressively move from old — Family SOG — to new — Professionalized Family SOG or Family Owners SOG — identifications. Trust is prone to be continuously destabilized by the resurgence of old superordinate group identifications, or other salient identifications, depending on the characteristics of the situation in which these identifications unfold. In this process of becoming, family members’ identities are not definitive states. They constitute plural forms of identification that can become salient in one situation or in another. Family leaders’ role is essential for guaranteeing the salience superordinate group identity. Through the development of identity control mechanisms they can shape family members’ identification and ensure that collective trust is maintained.

Ensuring salient identification through formal social control

Different formalities — board of directors, shareholders agreements, etc. — are associated with the development of new procedures. They constitute formal control mechanisms (Das and Teng 1998) that contribute to reducing family members’ vulnerability and generate trust. Whether control can create trust has been largely debated mainly at the interpersonal level. Recently, Weibel et al. (2016) have showed that control systems are positively related to employees’ trust in their employing organization. They have identified three different types of controls — output, process and normative — that can positively affect trust. In their research, formal output — focused on attaining goals and results — and process — compliance with procedures — are mechanisms that can contribute to building trust. Through the development of formal control mechanisms? Family leaders give an opportunity to family members to control the management so that it complies with expected procedures that favor an efficient management of the business in the family members’ interest. Formal controls are combined with social controls that contribute to making superordinate group identification salient.

When multiple identifications coexist in a situation, family leaders can make one identification more salient than the others to maintain collective trust. They can
use identity — salience and coherence — based control mechanisms (George and Qian 2010) to shape how family members define themselves. Identity-based controls consist in different mechanisms such as practices, rituals, symbols and structure that act as reminders of superordinate group membership. I have showed how family leaders can make Family SOG, Professionalized Family SOG or Family Owners SOG identification salient. Characteristics of these forms of identification tell us the nature of subjects, objects, relations between family members, etc. that are relevant for creating identity-based control mechanisms to make these categories salient. Identity-based control mechanisms play an important role in making categories accessible. Frequent use of the categories and the development of various situational mechanisms can make these categories cognitively prepotent in self-perception in family, business or ownership situations. Category salience also lead family members to develop positive expectations about one another as a source of collective trust. Here, identity serves to (socially) control family members’ behaviors. This is possible as identity is a strong driver of behavior. Family members may want to maintain their membership in the Family SOG, or Professionalized Family SOG or Family Owners SOG as they may derive positive self-esteem from it. Therefore, preserving family members’ self-worth and self-esteem plays an important role in superordinate group identification salience.

Preserving self-worth and self-esteem

Preserving self-worth and self-esteem is important for maintaining collective trust. As long as family leaders represent an in-group authority, their procedures can provide family members information about their relation to the family. Family members can derive a positive relation with the family from unbiaised procedures, status recognition in the family, and family leaders’ intention to be fair (trustworthiness). This can lead them to tie their sense of self to the family, and engage in trusting behaviors. Because family identification is important to self-definition, family leaders’ procedures can profoundly impact how family members think and feel about themselves. When the family branches out, family leaders’ procedures can threaten family members’ self-esteem. Family members’ involvement in the business constitutes a potential risk of identity damage as family members may be willing to contribute to the development of the family business in the continuity of the previous generations. If they fail, they can receive negative feedback and develop negative feelings of self-worth and self-esteem. The decision to maintain family members in their position in the business until they decide to quit (Wheels) or to organize their exit through spin-offs (Loisau) can preserve them from identity damage. Conversely, family members from an out-branch may feel that their identity is secured if they are involved in business or governance committees. Through
involvement, family leaders can assure out-branch members that they are valued members of the Family SOG. It was observed in Wheels and Yellow. Both François and Charles-Paul decided to involve family members — who denounced illegitimate qualifications — in ownership governance committees. Appointments to valued positions communicate family members that they have high status in the Family SOG, and this enhances their self-esteem. This happened when Charles-Paul offered Jean-Etienne the post of chairman of the CHAJP board.

When changes in identity perception happen, and identification moves from Family SOG to Professionalized Family SOG or Family Owners SOG identification, there is a risk of identity damage as professional requirements are substituted for familial ones. If family members receive negative feedback — after their assessment based on professional instead of family criteria — they can develop negative feeling of self-worth. As a consequence, family members may decide to leave the business, as well as the ownership. Depending on the configuration of the ownership, ownership breakup and loss of family ownership control can occur. In such a situation, family leaders and members for whom the family business is important to self-definition face a risk of identity damage.

Securing or enhancing self-worth and self-esteem are important and contribute to sustaining superordinate identification, and group engagement behavior. These play an important role in the development of positive expectations and collective trust.

The purpose of this study was to contribute to an understanding of trusting in Multiple Branches Family Firms. In the next section, I summarize the contributions of this interpretation in the fields of trust, group identification and trust in family firms.

Contributions

This study contributes to developing knowledge in three areas: trust, group identification and trust in family firms.

Contributing to an understanding of trust

Scholars have devoted considerable attention to the understanding of trust between individuals, groups and organizations. When it comes to study trust in groups, it is often studied as a function of trust in its members. Trust placed in an individual differs from that placed in a collective entity, even if both of them are related. Few have considered the trust that can be placed in a collective entity (Mc Evily et al. 2006, Kramer 2010, Kramer et al. 2010, 2014). Collective trust is a form of generalized positive expectation that individuals have from one another.
that is grounded in shared membership in an organization. Research that has studied how trust in a collective evolves when groups branch out is either rare. Hence, I attempted to address this gap. I see trust as a collective phenomenon that generates from shared membership in a superordinate group and its authority’s fairness. In the same line of thinking as Kramer (2010, Kramer et al. 2010, 2014), I advance that individuals derive positive expectations about one another from identity-based and leader-based trust. These two sources of collective trust are important for understanding how leaders can maintain trust in a context of evolving memberships.

When groups branch out, individuals can experience changes in identity perception that lead to declining shared membership, and trust erosion, as the membership no longer provides grounds for the building of positive expectations. Most research has studied trust erosion at the interpersonal level and has derived it from trust violation (Lewicki and Bunker 1996, Tomlinson and Mayer 2009, Lewicki and Brinsfield 2017). Trust erodes as a “breach” or violation of the existing trust has occurred (Lewicki and Bunker 1996; Kim et al. 2004). I suggest that collective trust erosion can follow from changes in identity perception, and the loss of salient superordinate group identification. Though identity-based trust has been acknowledged as a source of collective trust, the process through which it declines, and conduces to lose the grounds on which trust is predicated has not been studied. When a group branches out, a growing misalignment can occur between the features associated with the superordinate category by the members of the (superordinate) group. In this process, a misalignment is signaled in individuals’ denunciations of leaders’ procedures as they no longer fit with family members’ definition of the superordinate category.

A second source of trust erosion is the perception of authorities’ unfair treatment. It is now well accepted that perceptions of fair treatment enhance trust in authorities, and influence the acceptance of their decisions (Tyler et al. 1996; Lind 2018). Individuals rely on perceptions of fair treatment to judge whether they can trust an authority as “fair treatment is a sign of inclusion in the group or organization (or a good relationship with the person) that is behaving fairly” (Lind 2018: 183). No research has studied the process through which perceptions of authorities’ unfair treatment erode collective trust. We know that authorities’ unfair procedures can lead to the perceptions that they are not trustworthy (Tyler et al. 1996), lowering group identification and engagement in group behaviors (Tyler and Blader 2003). For instance, organizational systems that consist in mandatory and binding arbitration result in lower perception of procedural fairness, organizational trust, and intention to stay with the firm (Bernardin, Richey and Castro 2011). We also know that a breach in the relational employment contract can lead employees to feel treated unfairly, and they can lose trust in the organization, and demonstrate less willingness to engage in organizational citizenship behaviors (Restuborg, Hornsey, Bordia and Esposo 2008). However, little attention is paid in this research, (Restuborg et al. 2008) to
the relation between low perception of self-worth (and self-esteem) and collective trust erosion when changes in perception develop with the transformation of the group into subgroups. I propose that individuals may experience a negative sense of self-worth and self-esteem when the group branches out that can lead to collective trust erosion. I analyzed the process through which authorities’ unfair treatment negatively influenced group identification and eroded collective trust as shared membership could no longer contribute to the building of positive expectations. In this process, leaders’ unfair treatment was signaled in family members denouncing the illegitimate qualifications that derived from changes in identity perception. Therefore, in contrast to existing research, I have identified two sources of collective trust erosion: an inexorable declining superordinate group identification due to varying stereotypical norms associated with the SOG category, and a decline due to perceptions of leaders’ unfair treatment.

This research also contributes to a better understanding of how collective trust can be maintained, and particularly of the role of leaders in this process. Kramer (2010) has proposed that the signals that leaders send to organizational members constitute grounds for collective trust. However, his research does not specifically account for situations in which groups branch out. For this reason, I have adopted a slightly different approach, and investigated how leaders could maintain salient superordinate group identification as a source of collective trust. By creating new procedures, leaders can develop new superordinate group memberships and fair treatment. Here, new procedures generate identity-based trust in two ways: first, they introduce changes in the superordinate group prototype to adapt to individuals changes in identity perception; second, leaders positively influence group identification through fair treatment. Fair procedures also generate collective trust through authorities’ trustworthiness. This is true since individuals feel that they have a social bond with the authority. In contrast, out-group members are more likely to trust authorities based on the competency criteria.

The perspective developed in this dissertation provides new insights into how authorities can regenerate collective trust through control. In the last decade, trust and control have been acknowledged as interlinked processes (Costa and Bijlsma-Frankema 2007) in interpersonal relationships. In a context of value congruence, formalized policies, procedures and all other legalistic remedies (Sitkin and Bies 1993) can generate trust. Only the development of informal and personal processes can help in attaining value congruence, when this does not exist, formalized policies are useless (Van Maanen and Schein 1979, Sitkin and Roth 1993a). In addition, Weibel (2007) has shown that formal control that influences value internalization can enhance trustworthiness and lead to trust. This line of thinking is still very much concerned with interpersonal relationships. Recently, Weibel et al. (2016) have identified that three different types of control
mechanisms (output, process and normative) and studied their influence on trust in an organization.

In the present research, I have delineated how, with the development of new procedures, authorities can create collective trust through normative control mechanisms. This perspective is identity-based and control mechanisms generate collective trust through superordinate group identification salience. Control mechanisms are of two kinds: salient-based and coherence-based (George and Qian 2010). In the former, superordinate group salience derives from formalities that act as reminder of the superordinate group identity. In the latter, it follows from coherence between superordinate and subgroup identities. Here, group identification and normative control interact to create trust.

Finally, this research provides insights into how collective trust can be developed in the context of multiple identities. The Economies of Worth allow the characterization of different involved identities and how to deal with conflicting identities. It informs on how to generate new identities that sustain collective trust. In this research, it is based on the domestic and civic logics. This framework, though it was implemented in the context of family firms, can also be extended to non-family firms organizations.

Therefore, this research opens up a distinct way of understanding how collective trust can develop. It also contributes to a better understanding of how group identification unfolds.

**Contributing to an understanding of group identification**

The phenomenon of group identification has been conceptualized in the social identity and the self-categorization theories (Tajfel et al. 1986; 1987) where salient identification derives from category accessibility and fit. Individuals draw on accessible categories and investigate how well they fit the social field. Category fit is the degree to which the reality matches the criteria that define a category. It has two components: comparative and normative fit. Though comparative fit has been clearly described, much less is known about how normative fit unfolds. Normative fit means that the behavior is consistent with the stereotypical norms that define the category. How do individuals perceive this consistency remains unanswered. In this research, I propose that normative fit is manifested in individuals’ denunciations and justifications. Through justifications, individuals communicate the stereotypical norms that they associate with a category. Justifications make explicit the internally graded structure of the category. They are revealed in the characteristics of the different worlds. Individuals use them to analyze whether their behavior and characteristics are consistent with the stereotypical norms that they associate with the category. In this research, the Economies of Worth framework uniquely enriches our understanding of the
process of group identification. In particular, it informs how the normative fit unfolds. This happens through justifications. In this process, the category’s characteristics are revealed and drawn from the different worlds.

This framework also sheds light on how superordinate group identification can be made salient in a context of multiple nested identities. Through compromises, individuals redefine their superordinate identities and ensure that they are consistent with their nested identities. In addition to contributing to an understanding of trust and group identification, this research also contributes to an understanding of trust in family firms.

**Contributing to an understanding of trust in family firms**

This research contributes to an understanding of trust in family firms in different ways.

First, the idea that trust is important is now well-accepted in research on family businesses (Allouche et al. 1998; Gomez-Mejia et al. 2001; Steier 2001; Sundaramurthy 2008; Eddleston et al. 2010; Welter 2012; Steier and Muethel 2014). It is also acknowledged that the familial trust that develops in the early stages of a firm’s development can erode over time (Steier 2001; Sundaramurthy 2008). Sundaramurthy (2008) suggests sustaining the initial familial trust through the development of competence-based and system trust (through clear and transparent policies, for the later), as well as communication. Communication helps revitalize a collective identity and interpersonal trust, especially in family shareholders who are not involved in the business. Like other research on the governance of family firms (Steier 2001; Gomez-Mejia, Nunez-Nickel and Gutierrez 2001; Mustakallio, Autio and Zahra 2002), Sundaramurthy (2008) proposes developing control mechanisms (formal policies, transparency, outsiders on board of directors) in addition to trust building activities (communication, etc.) for maintaining trust. In this stream of research, trust is perceived in terms of interpersonal relationships. Control mechanisms and/or impersonal trust are developed to maintain interpersonal trust among family members.

Although this research provides insights into how trust can be sustained over time, it gives little consideration to collective trust. In complexe collective contexts such as *Multiple Branches Family Firms*, dyadic relationships are combined with more impersonal and indirect relationships. Trust may develop in the collective: a generalized form of expectation based on shared membership can develop and generate trust in other organizational members (Kramer 2006, 2010). This kind of trust enables family members to engage in collaborative behaviors such as commitment to shared goals for the management of the business and remaining in the ownership.
Second, no research has studied how trust erodes in family firms. I propose that collective trust erodes as identification with the Family SOG declines and family members lose this source of presumptive trust. A decline in Family SOG — derived from changes in identity perception — is communicated in family members’ denunciations of family leaders’ procedures. Thus leads to perceptions of vulnerability and collective trust erosion.

Gersick et al. (1997) noted the complexity and potentially conflicting ownership structure of the Cousin Consortium stage. They observed that families that best managed this complexity were those that clarified a distinction between membership in the ownership and membership in the family. They worked “to create a shared family identity outside of the business, through activities and communication that emphasize family, not business” (1997: 50). The creation of a shared family identity can be an opportunity for maintaining identification with the family and avoiding conflicts between branches. A shared family identity can create cohesion beyond the branches’ distinct and potentially conflicting goals and interests, and prevent family firms from conflicts or inertia in decision-making. I propose that maintaining this shared family identity requires that family members still identify with one another as family members. Instead when they rather identify as family owners, creating a shared family owners identity might be more relevant. I identified two different superordinate identities that can be perceived as sort of ideal types: the Professionalized family and the Family owners. The identification of these two superordinate collective identities also contributes to an understanding of family businesses’ evolution over generations.

Finally, this perspective emphasizes the role of the family in the evolution of trust in family firms. In the introduction of this dissertation, I had said that scholars of family businesses recommend paying more attention to the family’s influence in a family business research as it is the source of its distinctiveness. Often, the family is neglected and is assumed to be uniform. In this research, I considered its potential evolution in branches over time. I analyzed how the evolution of the family’s structure influenced family members’ trust in each other. In particular, I investigated how this evolution influenced family members’ identity perception and could lead to trust erosion when identification with the Family SOG no longer provided sufficient grounds to form positive expectations about one another. I propose that family leaders can sustain collective trust through new salient forms of superordinate group identification: the Professionalized Family and the Family Owners. Hence, I deepen our understanding of trust in family firms. Despite these contributions, a number of questions remain unanswered by this study that future research might seek to explore.
Limitations and Future research

The aim of this research was to open up a space for new conversations on trust in family business research. Research in this arena has focused on interpersonal or impersonal forms of trust. In contrast, I examined the collective trust that consists in relying on the family (Steier 2014). And I investigated how this trust evolves when the family branches out. I proposed that this trust is identity-based and transforms when identification with the family changes. I delineated how trust can erode when Family SOG identification declines and investigated the procedures that family leaders can develop to maintain collective trust over time.

Though these findings are analytically generalizable (Yin 2003) to theory about collective trust, the characteristics of the context in which this interpretation is grounded can potentially limit the transferability of this theorization. The four cases I studied are types of family firms that Nordqvist et al. (2014) characterized as firm operator or supervisor. This may have several consequences on the findings presented in this research. First, two ideal types of identification (the Professionalized Family and the Family Owners) were identified as superordinate alternatives to the Family SOG to maintain collective trust. They showed persistence of family identity characteristics which may be linked to the nature of involvement of the family in management and ownership, that is, as operator or supervisor. One might explore how group identification can be maintained in a family firm in which the family acts as an investor (Nordqvist et al. 2014) and whether other ideal ideal types can also be found. In addition, investigating how the characteristics of each form of identification specifically contribute to generating trust could also be interesting.

Further, the cases displayed different situations in which leadership succession occurred which influenced the extent to which family leaders could develop new procedures to sustain group identification and generate collective trust. In Loisau, earlier family leaders demonstrated high trust in the ability of the successive generation to govern the family business and maintain ownership cohesiveness. In contrast, in Yellow the earlier family leaders seemed to trust the next generation to supervise the family business but not to run it. Research could study the relationship that exists between former family leaders’ trust in successive family leaders and its potential influence on collective trust processes. This research can be seen as an effort to analyze collective trust when groups branch out. I have suggested two different ways of generating trust through superordinate group identification: developing new identities and their related identity-based control mechanisms to make them salient, and authorities’ fair treatment. These two sources of trust can interact with one with another and contribute to reinforcing each other or have the opposite effect. However, this study does not address how both interact with one another. Analyzing in more
Concluding details how both of them influence each other in detail can enrich our understanding of trust. These last directions for future research invite all for new ways of researching trust in family firms. They involve multilevel phenomena. This research revealed that different levels characterized trust in *Multiple Branches Family Firms*: family member, branch and family. I also proposed that family leaders played an important role in generating collective trust by maintaining the salience of superordinate group membership. This research was carried out at the individual level with the collective as the referent of trust. In most of the cases, the leader was actually a team of several leaders. Future research could analyze how trust develops in a team of leaders as individuals’ trust in a team has received scant attention in trust litterature (Fulmer and Gelfand 2012). Understanding how these different levels — individuals’ trust in a team and in an organization — interact and contribute to collective trust would also be interesting. Moreover, this research took place in the context of family firms, that is, an organization embedded in three overlapping systems: the family, the business and the ownership. Future research could investigate how the levels of analysis interact with one another and influence trust in family firms. Understanding how varying and multilevel forms of trust interact to create trust can help us achieve more complex understanding of trust (Hitt, Beamish, Jackson and Mathieu 2007; Chirico, Hitt, Melin, Salvato, and Seidl, 2016) in family firms. Finally, despite a growing interest in trust in family business literature, trust is still understudied. Many questions remain unexplored, and can constitute directions for future research.
Epilogue

I asked myself the question. (…) All this governance is cumbersome, do we really need all this? And we can see long afterwards that François always pushed to prepare for the future because governance is easily established when conflicts no longer exist and its existence is an absolute necessity. However, if conflicts persist, and at such a moment outside parties must be brought in to objectively look at the debates, it becomes much more complicated (Emile-Jacques Roise, family member of the advisory board of The Wheels Company).

There is also something valuable that is important in the company, within the family and which I think is our most valuable asset – it’s our unity, and we would achieve nothing without unity… It is also our strength because the more united we are, the stronger we are… This is why it still exists today … Because, despite the differences, or in spite of disputes, there is a willingness to preserve the company. There is a desire, a level of respect, it’s all here. There is a desire for consensus as well – to find solutions to problems that may sometimes appear complicated but for which people understand a decision needs to be made, but that it needs to be the good decision and one that is shared, etc. So, this is all very important. It is also fostered through communication, through dialogue (Olivier-Vincent Loisau, family member of the board of directors of The Loisau Company).

I see it as a challenge, and that I’m taking part in this challenge. And I think that that’s where things get better, when one realises that it’s not an easy progression, that you shouldn’t stop at every detail that is not perfect. You can learn to deal with the fact that things are not perfect but that we make it anyway. And that’s where we got encouragement from what happened in the past. (…). We see that we are taking steps in the right direction (Paul-Nicolas Yellow, Chairman of The Yellow Company).

Yes, I took it on, rebuilt. But everyone in the family does his part and rebuilds; that’s the objective. Since the world changes, the company changes. It can change a lot or it can change a little…The thing about a family firm is that it doesn’t die. […] it’s its point of view. So the company has to adapt to its market, offer new products, do new business… Everything’s possible, everything’s possible, but nothing is rooted to the spot. (Jacques-Antoine Green, Chairman of The Green Company).
References


References.


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References.


References.


References.


Appendix

Appendix 1 List of the interviews conducted

<table>
<thead>
<tr>
<th></th>
<th>Wheels</th>
<th>Loisau</th>
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<th>Yellow</th>
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<td>4 interviews (11h)</td>
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Appendix 2 First-Order Analysis: *Family* collective trust

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<th>Themes</th>
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<tr>
<td>**Family leaders’ **</td>
<td><strong>WFM:</strong> He worked on the principle of [it’s] ‘for my kids’</td>
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<td><strong>familial procedures</strong></td>
<td><strong>WFM:</strong> At this time, we had a dad who had a company and, for example, we then had an easier route into the family business because, degree or not, you got in anyway.</td>
</tr>
<tr>
<td><strong>in business situations</strong></td>
<td><strong>LFM:</strong> We grew the company without even thinking about its value. There was a sort philosophy of a work ethic which we developed, but which came from our parents and so we certainly needed to keep on developing it. Ultimately we are developing these talents not just for ourselves, but for our children.</td>
</tr>
<tr>
<td><strong>The familial way of engaging the management of family members</strong></td>
<td><strong>LFM:</strong> As for our generation, my cousin Jules-Alexandre Loisau first arrived in ‘52, Jules-Olivier was around roughly the same time, ‘52/’53, and I arrived around ‘54/’55, (...). At the time, 'what did we do?' We didn’t have educational backgrounds, maybe even too much for what was to come, but that’s just how it was.</td>
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<tr>
<td><strong>WNFM:</strong> It was the four brothers who were management, executive committee, board, and general meeting of shareholders. Those four made up the four entities of the company.</td>
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<td><strong>YFM:</strong> There was a kind of natural habit of saying: 'Well, come on, you're twenty years old now. Come work at the factory'. It was a system that was in place, (...), we were twenty years old, we did our military service, we came out of the military service, we came back in the factory. It was a very classic pattern. (...). All the sons would return to the factory, it was a natural thing.</td>
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| **The familial way of engaging business decisions** | **GFM:** My brother joined and was directly installed as sales director because the previous sales director had just died of a heart attack. So he had no choice. He was immediately put in as sales director. (...). And me, I immediately took up the position of technical director because I had a project, which was to industrialize the company and to provide a service for a client base which I could see growing a lot. |

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WFM: When one person was talking, the other two did not agree. That’s how it worked. And, common sense spurred things along, because they had a lot of common sense.

WFM: She brought everybody together. There couldn’t be any conflict. Well, there could be differences of opinion, but let’s say there was a very strong family spirit that meant that we had to resolve disputes, that we had to reach agreements. And it would have been out of the question for us to take leave of each other with a conflict unresolved. And she worked very hard on that. (...) And I am convinced that if she hadn’t been there, there would have been times we wouldn’t have sought consensus. And we might have said that a break-up might have been a solution, too, and even though there might not have been any disputes the company might not have stayed unified. It would have been dismantled in part.

LFM: I was the salesperson. My cousin Jules-Olivier, he pretty much took care of the agricultural side of things and Jules-Alexandre was more involved with corporate and technical strategy, generally anything to do with strategy. This meant that I spent a lot of time working with Jules-Alexandre. Well, I spent 40 years or so working with him and we got on very well.

LNFM: So for this period, decisions relating to governance and strategy were made involving all three of us.

G: In my role as a go-between (...). It’s when Jacques didn’t understand an industrial investment that Jacques-Antoine wanted to make, when the relationship with his brother—when there was a tradeoff between farming and manufacturing to be made—had to be smoothed over (...) and now and then with Jacques-Antoine, saying, ‘I think we should give it a little time, wait for things to get ready.

YFM: As for general management, he left it to Charles-Paul and blindly followed him. (...) Charles-Pierre, you leave me your voting rights, and I will let you do whatever you want to in your area.

YNFM: [To the] “25 beneath him [the top management], it was he who said yes or no [when it came to decision proposals]” (about the CEO).

The familial way of engaging leadership succession

LFM: so that the business stayed in the family. (...). I had the desire for it and wished it so as long as they were capable and had value, if you like.

GNFM: Jacques had particular fondness for Jacques-Olivier, because he was the guardian of the farming fiber” (...) “[he] may have imagined that there could one day be a part of the company that be [Jacques-Antoine] could run, with a little fear that Jacques-Antoine could take the company in a direction the father would no longer understand.

YFM: It was my father’s older brother, Charles-Jean, who took over, and after that it didn’t change until the death of my uncle Charles-Jean.
Family members’ positive expectations

Family membership-based

WFM: That was part of our upbringing. So it wasn’t as if they wanted to hide things from us. I never looked at it that way. It was always for the good of all, because my parents had brought us up that way.

WFM: Personally, I’ve always had complete faith. Complete faith in the family company. I tell myself that no matter what happens, even if there’s a collapse, something bad, those in the business are doing the best they can, and failure is edifying for everybody and it can happen to anybody.

Family leader’s trustworthiness-based

WFM: My mother was there, and she was always a sort of arbiter of justice. So nobody was worried about any of that [So it wasn’t as if they wanted to hide things from us. I never looked at it that way].

WFM: She told me one time that that was what she was really working for. She tried to create unity, to bring us together.

LNFM (recollecting Jules-Emilien): Leave it to us to deal with it, that’s what I’ll tell them. I’ll take care of it, it’s no problem.
Appendix 3 First-Order Analysis: Denouncing the family leaders’ procedures in business situations

<table>
<thead>
<tr>
<th>Themes</th>
<th>Representative data</th>
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| **Denouncing the familial nature of family leaders’ procedures in business situations** | WFM: I didn’t want to go into the business the way it was structured then. There wasn’t a board and whatnot; it was still the four brothers’ deciding everything themselves: I didn’t want that.  
WFM: I would say that in all cases, family who joined the company ended getting an active role; if I’m honest, the track record isn’t great. (…). I had a cousin who was, I won’t say depressed, but not far off it, because they were letting him waste away in a position.  
LFM: He made a mistake. He brought his son into the factory without consulting me. (…). We had a good fight about it. Those were the kinds of things we did not allow. I wouldn’t have done that.  
LFM: They badly managed the younger family members who joined the company. So I’m an indirect victim, even if I don’t classify myself as a victim. But they handled it very badly.  
YFM: It was really a mess because we put cousins from the other two branches on the board, and they were not necessarily the best choice. |
| **Denouncing the familial way of engaging the management of family members** | WFM: It all went fine, but it was all a kind of purring along. Each brother took care of his own things; we met to put it all on the table. And what I noticed, and in the end it bothered everybody a little, was that, at heart, we met to say what we were doing but we were going to do it anyway.  
WFM: In the past, it used to be ‘You do this for me. I’ll do this for you’. (…). And that works up to a certain point because we said to ourselves that we were bringing together all the forces at work. (…). We were from the same brood, so there was a single species, a code of practices. (…). And we did our best to show our respect for each other despite our often different views.” (…). We made them part of this hunting grounds process without their having been made familiar with the entire history or the entire past, the way we had become part of it. So, in my view, it wasn’t very harmonious; it was a framework that wasn’t clearly defined for them (…). At a certain moment, it is no longer possible and unity must be found. |
LFM: In the 80s, dividing and conquering with management became impossible. The next generation was stepping up and they had a slightly different philosophy. (...) His mentality was that he was second only to God, so everyone had to listen to him (family member).

LNF (recollecting Jules-Alexandre): That’s what ended up bringing him down. In other words, it was the mentality that it was “his own” business—a point on which he stood firm. “I’m the one who decides on everything.”

YFM: When you have informers who see what’s happening on ground, and who can go directly back up the ladder because they are here [on executive committees or boards], thanks to their father, their brother or whatever have you, it becomes unbearable” (...). When he saw things and he found that it didn’t work, he went back them to his father. His father would then be breathing down the neck of the person in question.

YFM: Decision-making is slow. It is very very slow. There are some extremely complicated processes. We recently created a new additional structure, which is called the family council, where in any case you can make a decision on any topic, but the family council decision supersedes. It’s a case of: ‘we decide everything’

GFM: Every time it would take a year to come to a decision”. “And it took me from 1988 to 1992 to get a different sales manager.

| Denouncing the familial way of engaging leadership succession | WFM: We had a second generation that was holding fast then. That said: ‘Yes, we’re going to think about the succession, but we want to stay informed’. (...). It was for reassurance, since ultimately the aim was to ensure that the second generation would pass the baton to the third generation.

WFM: In the transition to the third generation—mine—a lot of mistakes have been made, the biggest, in my view, in the Swiss acquisition. (...). For me, the family should no longer be in management.’ |

| Denouncing family leaders’ illegitimate ways of qualifying family members | In the management of family members |

WFM: I know that there were one or two nephews, of which the oldest, Jean-Etienne, had tried his hand at making his way into the business. He was not allowed to do so. At bottom, there was no ride. There were no rules for the third generation, and more and more we realized that that could pose problems.

LFM: In the past, we didn’t really know how it worked, but we could see that there were some who made it in, and others who did not. (...) |
### Appendix

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<th>In business decisions</th>
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<tr>
<td>Amongst ourselves, we didn’t necessarily understand how or why some were given a chance and others no. I don’t think this was a good experience for anyone.</td>
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<td>YFM: For him, it was harder because he would have liked to have made his contribution to the bigger picture. Dad still implemented this freeze […]. As there were already too many cousins from other branches, he said: ‘I’m going to lead by example. That’s all, Paul-Edouard will have to forge his career elsewhere.’</td>
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<td>YFM: There were some branches that lost the head of the family very early, and they struggled (…). Their position was taken into account less. When you have a significant age gap (from 40 to 50 years) between the head of the family and another family which no longer has his head. (…). At the time too, there were certain right afforded to family heads - birthrights and things like that.</td>
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<th>In leadership succession</th>
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<td>WFM: It is the one in whom we have no trust who is being pushed forward the most.</td>
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<td>WFM: One must know how to take decisions. Just say: ‘Well it wasn't the right person in the right place’. But above all change” (…). I think we need to have the courage to say: ‘No, this is not the role in which you…’. However, he could turn out to be very good in another role, and this is no reason for him to be excluded from the family business.</td>
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### Appendix 4 First-Order Analysis: Changes in family members’ identity perception

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<th>Themes</th>
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<tr>
<td>Changes in family members’ self-perception</td>
<td><strong>Varying stereotypical norms for the family member category</strong></td>
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<tr>
<td>WFM: What was created by my grandfather, supported by my grandmother, and continued by my uncles. And the two sisters were left a bit on the sidelines, because it was a more patriarchal masculine company.</td>
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<td>WFM: Within generations, not everyone is an entrepreneur – some more so and others less so. And I sense a reduced sense of entrepreneurship among the future generations.</td>
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<td>WFM: I think that Jean-Gaétan is able to separate family and society. It is easier for him to do so because he has been less involved from the outset than François, who was like a baby dropped into the potion in his early days. He fell into a mixed family company bath. We no longer distinguished between the company and the family. (...) I guess that when he [François] worked as the founder’s son with the founder, his brothers, everything about the company and family was mixed. Little by little these two entities had to be separated, and for Jean-Gaétan it is not hard to tell the difference.</td>
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<td>LFM: I would never have thought, not for a second, unless absolutely necessary, of selling off my shares... I would have thought it to be some sort of treason to the family.</td>
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<td><strong>Comparing with one another</strong></td>
<td>GFM: When we were around fifty years old, we said to ourselves: ‘We’re going to start thinking about who is going to succeed us.’ Because two of my three children wanted to take up the mantle. They were really interested in the future of the company. Whereas he had married a woman who already had two children and who had always underestimated the company. (...) And she had obviously raised her children not to take over the company.” (...) “My wife—I always told her everything, because it interested her, amused her (...). My wife was in charge of public relations for a long time (...). However, my brother’s wife did not want to hear a word about the business, nothing at all. (...) When I got home, my wife was interested in what I was involved in. For him though it was total blackout. That’s it – that’s just how life was on his side.</td>
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<td>WFM: Something that shows that there are differences. Language is something clear, but there are other things: the upbringing some have.</td>
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| WFM: [Cousins] are from different nests, did not necessarily share the same values, grew up in a different world. (...) There is a coherence of kin. We [siblings] were all from the same nest; therefore, we all had bad the
same life experiences, which are our roots and [for the cousins] the common experience, or backbone, is much more limited.

YFM: the inner workings of each family vary from one to the next.

YFM: In the Charles-Jean branch, (...). They have meetings between themselves.

YFM: We dealt with very different situations between branches. There were some family branches where all the sons, including in-laws, joined the business and other branches where it wasn’t quite the case. There were those who said I want to join the business and we said of course, the door is open because no matter what happens, what studies you complete, there will always be a place for you in the factory; there were others whose fathers expressed their desire for them to join the business and the sons would refuse for different reasons. And of course there is the third category, which included those who were naturally excluded from the business, and the question of joining the factory wasn’t even raised.

YFM: This attachment reduces for those who aren’t employees and reduces even further for the fourth generation children – it becomes something that is discussed perhaps three or four times a year. However... for François-Régis it’s a daily reality, for me I’ll talk about it every week, and for my kids it will be four times a year. (...). We have some fourth generation members who won’t want to remain involved. It is inevitable that some will just want to recover their shares.

LFM: As for him, well he’s a family member (...) who is effectively a cousin because he’s a descendant from my Grandmother’s side, but he has no link with the Loisau at all.

Perceiving unfair treatment

YFM : On occasion, he was uneasy. As for me, I’m fine with it. I told myself: ‘If they don’t want me, it’s okay.’ I’ll do what I can do.

YFM: In the Charles branch, (...), as they lost their fathers quite early on they became somewhat ostracized, suffered a lot and fought against Charles-Paul in their time. They complained because their dad was no longer around, they had many taxes to pay and everything was left to them to take care of. It wasn’t easy for them. On the other hand, in the Charles-Pierre branch and ours, as our fathers were still around, we remained under their wings.

YFM: We were not necessarily minority shareholders, but we had little share in the power. (...). We were perhaps not the first family that came to mind.

WFM: What I know about him is that he often comes out of those meetings unhappy, because he has the feeling things aren’t moving, that people aren’t listening to him. They don’t pay much attention to his opinions. (...). There are times it’s harder when he sees they aren’t listening to him, when things aren’t moving; it’s a bit harder then.
Appendix 5 First-Order Analysis: *Family* collective trust erosion

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<th>Themes</th>
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<td><strong>Becoming: varying identification</strong></td>
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<tr>
<td>Branch identification</td>
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| Acting as a branch                          | YFM: *In the Charles branch, the sons and cousins are all very all straightforward, basic accountants. For them, every penny counts. They don’t venture into any investment or communication relation matters. It’s all very structured.* (…) *In the Charles-Pierre branch they are all a bit rebellious and it’s causing real tension – it’s not easy to handle. I think that with them, there is a hint of fantasy, they have a little spark – perhaps it’s something genetic on their side. They often act on impulse which can cause quite a stir. On our side, we are certainly more measured and calm. Our mother was a very calm person.*  
LNF: *In the Romain-Paul branch, they are much more reactive (…), there is no problem. Perhaps knee-jerk reactions are more common on the Jules-Olivier side. On the Jules-Emilien branch, there is no problem.*  
WFM: *The perspective can be very different between family branches.*                                                                                                                                 |
| The development of a branch logic           | WFM: *‘Look, after this experience of three years I realize it’s better — for a good understanding, for cohesiveness — for the branch of the family that holds 16% of the capital to have a seat on the board’.*  
LFM: *My grand-father and great-uncle, they functioned a lot more in terms of branch logic. My father and his cousin in some way have maintained and sustained this branch logic, when his sisters sold out, if it had been the other branch that had bought, the 50-50 logic would have been lost.*  
YFM: *My father said to him: ‘look, we need you to come because if François-Xavier is not there, you need to take his place’.*                                                                                                                                 |
| Involved vs. non-involved branches          | WFM: *I am […] the daughter of Jeanne, who is the oldest daughter, which means a branch that didn’t work. It was quite a different approach to that of our cousins, whose father worked in the family business.*  
LFM: *The second unwritten rule — which was a little rigid but still applied in most cases — was that the children of the older [involved] generation had to play some part in the family business at some point.*  
LFM: *The second circle is made up entirely from cousins and siblings of Jules-Emilien et Romain-Paul, (…) who are major shareholders but are not involved in managing the business. They are people who do not have a sense of significant attachment to the company. It didn’t bother them to sell shares.*                                                                                                                                 |
YFM: There is a sense of eponymy with Yellow, which is very strong for certain members of the family – particularly from the Albert-François and Albert-Emile branches. (...) It’s more than just about the business. They are practically fused to the company. (...) there was a sense that they did not exist outside of the company. (...). Take the Charles-Pierre branch for instance, I would go so far as to say that their hearts only functioned via veins that were attached to the company and it was entirely part of their lives (...). I think this applies to some of my brothers as well, however this link is not as marked with them.

YFM: In some branches, we clearly saw that there was more pressure than in others particularly when they were more or less enlisted into the industrial environment. Whereas for me, I see that when it comes to my children they operate in an environment with complete freedom and independence, when compared to a number of other families – for them I am under the impression that they are carrying some sort of burden because they are always being pushed, and pushed and pushed further.

WFM: There is a coherence of kin. We [siblings] were all from the same nest; (...) and [for the cousins] the common experience, or backbone, is much more limited.

WFM: Each cousin who brings a spouse into the equation is, in effect, bringing another input. And this is normal because each person has his own personal culture and background. As a result, I think it is now more difficult to keep this unity intact.

WFM: When we talk about the fourth generation, the links with cousins start to get very thin... and eventually, we ask what relation does one cousin have with another cousin twice-removed.

WFM: As we are more distant from one another, it is more difficult to create a strong feeling of affectio societas.

WFM: We no longer have a shareholder base with a thorough understanding of the business, and who would readily say ‘Ok, we’ll tighten our belts for 2 years and not take home any dividends’. (...). So the 4th generation will be even worse. We will thus end up with a shareholder base with a purely financial interest – they will only be interested in the dividends they will receive.

LFM: I personally didn’t know my cousins, because Paul-Emmanuel is a second cousin. So other than a few family meetings which brought everyone together – which was usually somewhere between 150 and 200 people – we didn’t really know each other that well.

LFM: There are certainly links and cohesion in each family branch. Each person knows his or her siblings – so, they were familiar with close family. But
this was not necessarily the case for their cousins, distant cousins in particular. Therefore there was something that was not homogeneous.

LFM: There are 150 of us, and amongst this 150 I can see that for some cousins, and quite legitimately, the notion of “affectio societatis” is no longer the same.

LFM: [The silent partners are] are both Loisaus - distant second cousins, and Lires - descendants of my grandmother’s brothers and sisters. In family terms, it is even further removed.

LFM: As the years pass by, the more you understand how removed the silent family partners are. For the seventh generation, this holds even more true. They don’t even know each other. They are simply becoming second cousins. First, they are increasingly present in the (in the company’s capital base) and the family link is more and more distant. A day will come when we will consider them as anonymous as stock market investors.

YFM: We didn’t spend many holidays with the Albert (branch), but in the Charles branch we all knew each other very well. We sailed and went skiing together, which brought all the cousins of the family closer together. With the Albert (branch), we have fewer shared memories because at that time the family branches were certainly more separate.

YFM: It’s not that the two family branches weren’t on speaking terms, but they practically only saw each other at Yellow board meetings.

YFM: I would say that my family circle ends with my grandfather… we didn’t have any contact with François-Régis. He was someone I didn’t even know four or five years ago.

YFM: The sense of attachment is largely diluted, not only because of the reduced “affectio societatis”, but also because the legitimacy of the creator and founder is no longer the same. The sense of passion is no longer the same with the third generation – it’s not as strong as it was with the founding generation. (...). The sense of ownership cannot be the same as with the founder or creator. So, subconsciously I think that barriers are put up between the business the second and third generations, and between one’s own children.

YFM: My children are part of the fourth generation, and there is certainly a lower level of motivation than there was with me towards the family business. I myself had less motivation than my father for instance because the company was created by his own father. And this is inevitable, inevitable first of all because there are more of us, there are proportionately fewer family members who work with the company so it’s unavoidable.

Reacting to family leaders’ unfair treatment

WFM: [those] who weren’t represented were, in their views, sort of sacrificed for the good of the board, etc. (...) they thought of as a bit of a family compromise, and they thought they had finished with all family compromises by putting an end to their mandate.
Appendix

WFM: So we said: 'We want out,' the entire branch of the family, the Jeanne branch.

WFM: I’m in disagreement, and because of my disagreement I decided to sell my shares in the Wheels Company. Which is a first in the life of the company. I think it’s good, because it’s what I requested, and I think it’s a pity because in some ways it means leaving a company that, beyond the business aspect, I’m attached to.

LFM: I think the blame for this lies with us, when we were directors... Jules-Olivier, Jules-Emilien and Jules-Alexandre. Between the 70s and 90s we didn’t sufficiently inform, and consequently instill this sense of belonging among our brothers and sisters.

YFM: I had the opportunity to discuss it with my brothers; when it is no longer profitable, we ought to sell, (...). I think that it is not a case that there are no remedies, but at some point talk of selling with other family members could trigger shockwaves.

YFM: Jean-Etienne is very keen to have shareholders who stay the course, who know what we’re talking about, who attend meetings, who get involved, speak up and who ask questions even if they aren’t involved in the business because this is the case for most. I think his vision is interesting. I relate to quite a lot of his outlook on things. The point where I differ from him is that he has a very financially-driven outlook.

YFM: It managed to get Peter Stid thrown out. He proposed this to his father, who in turn proposed it to Charles-Paul.

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<tr>
<td>The vulnerability of family members</td>
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WFM: A family member […] it’s a failure however you dress it up: ‘I’m leaving because I have other things to do, etc.’ It’s still a failure, and it’s one of difficulties of having a family member in the business; someone else might be a failure, too, but then it’s over, you don’t see him anymore, whereas the family member, you see him at family reunions and so on, and he has to deal with it every day.

YFM: It must have happened in my office one day: ‘this is your new employment contract’. He offered me a junior position. It was all spelled out. (...). Of course. There were even more deputy manager positions, more operational positions, but this was a junior position. It was an elegant way of asking us to resign.

YFM: The saga went quite far because he even asked for a public apology. (...). He is now gone, but it was still with his agreement. He was not thrown out and treated like an untouchable. Certainly, he put himself in a position where he could no longer hold office.
The vulnerability of family leaders

WFM: We’re working in a family context. When you work with people from outside, you can say: ‘well, I’ll write a cheque’. And well, I don’t see him more. While in this branch, they come back, and I see them the next day, the day after that, etc. (…). Anyway, we’ll find them, and if we don’t find them, it means that they are no longer shareholders. And, yes, we would have lost them…

WFM: We noticed fairly soon that there was a real frustration on their part, which, in my view, was a risk of losing a shareholder and of the fragmentation of our shareholder base.

WFM: But you must know. (…). That at one point when they came with this executive committee. (…). We tried to leave a bit abruptly, to leave, in any case. And we told him a bit abruptly, and afterwards he told us it was a blow to him.

LNFM: That was what was most difficult for him. (…). He no longer had the support of the shareholders for his key ideas (non-family member).

LFM: We were born into it. (…) Which is probably what makes it particularly painful for companies when the family element comes to an end, when it’s sold, when it goes bankrupt or whatever. Because it’s not only a matter of heritage, the company or their professional lives coming apart – it’s much more than that. It is indeed much more than that – it’s their entire lives.

YFM: They fear we might not do as well as them or that the Yellow brand no longer evokes the same image it once did.
## Appendix 6 First-Order Analysis: Maintaining Family SOG collective trust

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<td><strong>Reducing perceptions of vulnerability</strong></td>
<td><strong>Equally qualifying branches</strong></td>
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| **Ensuring perceptions of fair treatment** | **Ensuring fair treatment of branches** | LFM: It was Jules-Alexandre Loisau who would speak to Romain-Paul: ‘that kid seems smart. What would you say to us taking him on board?’ And that’s how things went. And with regard to keeping a balance between the family branches. If a family member came in from one branch, it would have to be balanced by a member from another branch.  
YFM: [Charles-Paul] ‘was particularly sensitive to family unity. He used his power to preserve family unity’. (…) “but the good result of this was that there was a very strong family consensus which was demonstrated by successive family share buybacks, as well as in the general decisions taken by the company. |
| **Maintaining self-worth**           | **Maintaining self-worth**               | WFM: We try to avoid disputes within the family because if we don’t, we might find ourselves at the Wheels Company with a frustrated or upset shareholder or heaven knows what. So it’s not necessarily what we’re looking for, either. So it’s clear that, in theory, we have the freedom to make all necessary and professional decisions. In practice, we make allowances for certain family sensibilities (non-family member).  
WFM: They decided to leave on their own. They were able to manage their departures personally, and to get ready for them; they were able to say to themselves that they were leaving to orient their careers as they preferred. No, it goes well, without bitterness. Which is important.  
WFM: When you look at it with some perspective, and at the family level, etc., it was the right solution and it was important that the people themselves came to that conclusion.  
WFM: There were meetings where we tried to reach a consensus, and little by little we reached a broad agreement, though not without going through a mourning period now and again. |
Appendix 7 First-Order Analysis: Developing Professionalized Family collective trust

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<th>Themes</th>
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<tr>
<td>Creating new procedures</td>
<td>WFM: What is important, is to set rules because there were some unwritten rules; work for 3 years outside before joining the business.</td>
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<td>Professionalizing the management of the business</td>
<td>WFM: I prefer them to work elsewhere and devote some of their time to consulting for the group, on committees where the chances of failure are, shall we say, a bit lower. And it’s not easy to manage business failures, you know. I’ve had to deal with a few of them. But I was from another generation. When it’s a cousin who has to deal with another cousin, it’s not easy. (...) For me, the ideal thing would be to have them as consultants rather than as frontline managers. Because on the front lines they are very highly exposed. Now, I find skills on the market that could be used.</td>
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<td>WFM: We went to the extreme in saying we were going to give our power up; that way, there was rigor, and for that reason everybody was in agreement. (...) Look, yes, we’re really doing the complete opposite of what we were doing before. It was the four brothers who got together and who improvised things, intelligently, with a lot of good sense. But there’s going be supervision from four people from without.</td>
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<td>WFM: We’ve always had well-known people on the board, people of a certain age, who aren’t really there to make money or to add a title to their name, but to add value, and who are respected (family member).</td>
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<td>LFM: That was one of the prerequisites. It meant that young members of the family could not join the Loisau Company if they were not appropriately screened or if they didn’t have the potential to attain high targets within the company – targets that reflected the level at which the group was operating at the time. Because obviously, leading a group with a turnover of 500 million or 2 billion, is not quite the same. And having the potential, at least on paper, and beyond paper, was important for identifying who was a natural fit, etc. They need the potential to one day reach an N-2 level within the group’s management framework.</td>
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<td>LFM: We established a minimum age rule, to be at least 30 years old or thereabouts. (...). That would mean they had at least 5-6 years of professional experience or 6-7 years with management experience. Post-university experience. And the last requirement was this; Languages spoken: fluent English.</td>
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|                                     | YFM: one could be on Yellow’s board of directors only if they were on the board in one of the holdings. And afterwards, it was ensured that the Executive Committee became a genuine board of directors”. (...). “one could
not be within general management as well as on the Executive Committee, otherwise it distorted things.

YNFM: Basically, it’s the Yellow board who said: 'We will write a roadmap that we will give to the CEO". There, it climbed a notch, and even possibly one notch further to ensure the shareholder was really willing to engage.

YFM: So there are two important elements that give the CEO room for manoeuvre, and the proposals that may be brought to him by the Board of Directors take into account these margins of manoeuvre. So by setting out this roadmap, we dealt with any possible interference from the second generation.

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<th>Challenging business decisions</th>
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<td>WFM: From the start, the advisory boards, (...) brought some underlying problems to the surface, problems we’d sensed, but because we had the advisory boards, these problems came to the fore and managers were questioned.</td>
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<td>WNFM: Another advantage is that there’s very close relationship with François. Day to day, the advisory board is becoming much more, not so much in terms of strategy—decisions are made of course—as in terms of a forum for discussion, above all with Eliot Peale, for discussions about business and strategy. And that’s the ideal; that’s what we want. (...) There’s a lot of dialogue with Eliot and François. (...) We are very analytical on all levels. At the same time you have analysis and dialogue. Analysis and dialogue make it possible to make good decisions. And it’s purely business analysis.</td>
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<td>LNFM (recalling the former family leaders): After all, we have entrusted all our partners to you: the German director, the commercial director, the manager of our largest factory. So anytime you are thinking of moving or getting rid of these men, come and speak to us. (...). Anytime you are planning on hiring a top executive, introduce him to us. (...). Anytime you plan on a major capital outlay or investment, speak to us about it first.</td>
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<td>LNFM: They would ask us questions but they would also support us. (...). They would back up our choices and our reasons for putting forward a project, but at the same time they would challenge our decisions. (...). They learned how to evaluate these projects from the likes of Jules-Emilien, Romain-Paul and Jules-Olivier. Rather than saying, “I agree” or “I don’t agree”, they would discuss, argue and demonstrate their reasoning. (...). They either talked to us or made us explain ourselves.</td>
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<th>Organizing family members’ relationships</th>
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<td>WNFM: There were some who really had a strategic vision, that is, the Wheels Company in twenty-five years—we’ll have a big company, and so on. And there were others for whom it was the jackpot, as many dividends as possible. There were still others who said Wheels Company, I don’t really believe in family capital gains, the family aspect and the illiquidity aspect</td>
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are negatives, so I have to be able to get rid of it. So there was a bit of everything.

WNFM: I went around to talk to the representatives of all six families to say: ‘Look, how can we try to find a mission for the Wheels Company that is compatible with your expectations for the group?’ And that’s what we tried to do. And that’s how we came up with the corporate governance structure.

WFM: With the 4th generation, emotion is naturally being phased out. In some areas it even has to be brought back into the equation.

WFM: These meetings are for my generation and for the earlier generation that’s in the company. Yes, I find there are a lot of people. Some attend systematically even though they’re not in the company. (…). There are a lot of them [cousins], but on the whole not many of the cousins are in the company. Still, participation is high, I think.

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<th>Changing family members’ identity perception</th>
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<td>Enlarging the boundaries of the family</td>
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<td>WFM: The whole family was invited. We provided information on the results, talked about what was going on, the problems we had, and so on. We told people what was happening; we gave them information.</td>
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<td>WFM: I remember that there are several where we talk, where we brainstorm. (…). The family gets together at these moments. We talk about the company, so those of us who were out of the loop can find out what’s going on. So I think it’s a good thing. (…). When there are general meetings, I get involved as deeply as I can. (…). I wanted to get more involved and all, but in practical terms it isn’t easy; I mean, it isn’t my work.</td>
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<td>YFM: Better integrate the peripheral family members, those who don’t always get a say.</td>
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<td>YFM: For me, this is when everything clicked into place. (…). This let me get my foot on the ladder, get more actively involved, and it allowed me to give back – albeit modestly – just a tiny bit of what I had received. This transpired through my involvement in the process (family member).</td>
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<th>Ensuring fair treatment of family members</th>
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<td>WFM: there were a few discussions on the subject, and we decided our first model was a bit too academic and should be examined; it needed to be opened to all branches of the family. One of the roles of the board was to consolidate the shareholder base, and the worst thing would be to have opponents who could. (…). It would be much better to bring that branch into the board (which, at that time, had access to all information), and which was left out</td>
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of decision making. And at that time we could be reproached for taking
sides.

WFM: My (older) brother, who was chairman. But, well, it was more an
honorary position since the board didn’t work the way it should have, (…) had
to agree to give his chairmanship to an independent director. (…). And,
well, awarding the chairmanship to a non-family member was something
that affected him, and he had to understand the good reasons for it before
agreeing.

WNFM: The aim was say: ‘Can we come up with a structure for the group
that will ensure that the group will still be around twenty-five years from
now and keep turmoil in the family from endangering the future of the

WNFM: Those who believed in the group — five out of six — said it was
extremely important for the group still to be around in twenty-five years.
(…) Even if there were some who said a family firm didn’t mean any added
value. I think that, at bottom, they are all proud of being from the Blois
family. (…). They are all very proud of their father. (…). So it was ‘easy’
because they were well disposed. They were convinced something had to be
done, because, if not, for family firms, the future isn’t assured.

WFM: The rules are much better known and, I think, well accepted.

Building
positive
expectations
Controled-based
salient
identification
WFM: The board had a lot of positive effects on the group. (…). If it
demanded a strategy. It demanded clear structures that could be put down
on paper and justified, structures created not for the people who happened to
be around but for the business itself. And that completely changes ways of
looking at things. And that really helped the group.

WNFM: When it was the four brothers, we could make presentations,
come up with projects, have opinions, whatever you like, but they were the
ones who decided. Now, if the Chief Financial Officer issues a well founded
negative opinion it will be a lot harder to get the project past the board.

WNFM: What is important on the board of a family company like ours
is for the directors, who aren’t necessarily technical experts in finance or
whatever—but they have to be people with good reputations, people who are
known as captains of industry. (…). So they (the family members of the
Wheels Company) are never going to propose someone or something that isn’t
well thought out. (…). None of them wants to lose face in front of these
board members who are recognized captains of industry. For me, that’s even more important than the formal structures.

WNFM: We see very clearly that investment plans are very well prepared. (...) Before the group was professionalized, decisions were made by the fireside. Now, projects are well prepared, well thought out. Profitability criteria are integrated.

WFM: We had boards, with real professionals from the business. And then we could see the contributions they made to our discussions.

Family leaders’ arrangements

WNFM: Some family members are still involved in the business. Some are in charge of business units. However, we observed that some of these business units perform less well than the other business units of the family firm. An internal audit showed that these business units were underperforming because of a lack of managerial and control competence (...). And it takes time to resolve the problem.

WNFM: We try to avoid disputes within the family because if we don’t, we might find ourselves at the Wheels Company with a frustrated or upset shareholder or heaven knows what. So it’s not necessarily what we’re looking for, either.

WFM: The committee for appointments and compensation (...). That was something which I handled personally.

WFM: That was part of the mourning process. (...) I think compromise is part of life, you have to be patient; you have to come up with a solution at the right time. (...). And besides, later, in 2001, they changed the executive committee and we took people off the executive committee. And the committee of 7 or 8 people was trimmed down to 5. So, we had to remove some family from the committee.

Family leaders’ trustworthiness

WFM: I also think that François has the finesse to find solutions to such situations.

WFM: It’s really only François and Edouard in the business. Yes, I trust them. (...). I think the upbringing the four of them had is of great importance. Their upbringing had a positive effect on them. And all four of them had this same upbringing. Which causes me to trust some cousins more than others, depending on the way they were brought up.

WFM: ‘I said ‘Wait, no, there are rules, no way.’ In the end I didn’t say ‘okay.’ I called people and said: ‘Wait, don’t tell me you said yes to this?’ I called my uncles ‘we can’t start poking holes in something we’ve just set up’.

WFM: Trust is at the heart of everything. (...). Whom do we trust to represent us? And it’s there that I think, when we talk about making rules and then those rules are broken, trust is eroded, and we can’t allow that.
Appendix

WFM: I'm thinking of a committee for the management of family members, a committee that handles the entry, presence, and departure of family members. It should evaluate the performance and track the career of family members in the company as if they were non-family managers, employees, and if they're not working out be able to say 'He's out'.

WFM: I'm not saying that people were miserable all the time when they were there, but I found people tended to leave on a bad note, or it turned out to be an unhappy experience for the shareholder. (...) From the point of view of the shareholder, they say 'how much did that cost me?' From the family point of view, they say 'he is happy, good for him'.

LFM: a system where one succeeds his father is something from 30 years ago. I remember a period when a lot of Jules-Alexandre's sons were in the company, and there were some who did not being there as much as others. And those who performed less well left the system. Jules-Olivier's sons who were in the business also left.

LFM: When Paul-Emmanuel was the number 2 in the company, if he hadn't performed well, I think that they would have brought in someone from the outside. In today's Loisau Company, we no longer live in the days of where one simply succeeds his father at the helm of the company.
### Themes

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<th>Creating new procedures</th>
<th>Representative data</th>
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| Professionalizing the management of the ownership | WFM: If something goes wrong, the shareholder will be able to meet the chair of the council of family owners, who will pass the information on to the family. So there can be channels of communication without there being direct confrontations.  
WFM: There will also be audit committees for each of the boards and pay and appointment committees. Because we think that was a weakness of the current system. (…). It's something I managed personally, with all the shortcomings that go with it. So we wanted to create something. (…). In any case, in the third generation, it's impossible, because it's cousins. So we assigned this responsibility to a pay and appointment committee on which there will be no family members. My aim is for all the decisions about the careers of family members to be made by people who aren’t in the family (family member).  
LNFM: He was the one who brought this partnership to life. He introduced this manner of voting and representation and there were 15 to 18 who voted at any one time. Now that they have families of their own the numbers are increasing.  
LFM: On the day of my appointment as CEO, (…), I created a compensation committee, consisting purely of independent members, and to which I gave full decision-making power on compensation: first managers, and secondly the family members working at Loisau. Because I didn't want to have to decide on the salaries of my cousins, brothers, etc. |

### Institutionalizing business decisions

| Organizing family owners’ relationships | WFM: Little by little if they want to prepare the next generation…, if they want there to be hands and arms to do the work. And so I have three of them, two of them, alongside me; it’s the same family. That’s a bit troublesome, well, I have my daughter and a daughter-in-law, and then a niece from another branch.  
WFM: At the beginning of the document, we state the values. We have a working group that worked on the family values, and thus they have been written in this text, and everyone must commit to it. And they have been formalized and shared and we have even developed a card game to transmit those values to the children.  
WFM: How voting will work… there will be a list of candidates (…)To be elected a candidate must receive 51% of the votes to be legitimate. |
Otherwise, there will be people who would not be legitimate. And thus we rely on the shareholders’ intelligence to create complementary among family members in terms of generations and family branches. And to have competent members even if their competency should not only be evaluated in terms of management competency.

LFM: What is guiding us, all the scenarios and strategies we are building, is the aim or keeping the business in the family’s hands for as long as possible and that all the younger generations develop some sense of belonging to the company. We are not here to build for the short term and make as much money as possible... that is one of the key ideas, and a very important part of our success... and important to the longevity of our business.

LFM: Romain-Paul: For the time being, a sense of cohesion is really being built. We’re trying to win over a generation.

LFM: If there were only the business, only the company bond it would be not enough so we favor the family bond.

### Changing family members’ identity perception

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<th>Refocusing the family ownership</th>
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<td>WFM: The incentive is to get people to say: ‘I’m staying because I know I can leave’. (…). I think this process ensured that a lot of the owners would stay, because I assure them that their shares are liquid.</td>
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<td>WFM: I have to work on it because our ownership changes. Either I have to limit ambitions company’s projects or strategy because if it means buying shares back, it is the company that has to line the money up to do it. So it means a general impoverishment. Individually some will gain from it and get richer but it is an impoverishment for the common project. It would force me to open the capital to new persons and it is a big question mark. So in a way I think that each time someone sells we should see it as a failure.</td>
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<tr>
<td>WFM: This charter was sent to all family members more than eighteen years old. (…). In the appendix was a document asking each person to approve the charter or to amend it, and to give a personal assessment of his involvement in this governance structure? Would be like to be part of the family ownership’s council? Would be like to be part of the Wheels Company? Would be like to be on the board of one of our affiliates? Is he involved as mere supporter or is he not interested at all? A personal approach, to measure oneself by the light of a structure.</td>
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<td>LFM: This allowed two sides to be identified – one being those who were ready to fight for the company, who believed in it and were prepared to indefinitely commit to it and those who were still happy to be there but...</td>
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favored a public listing which would give them the freedom to leave if they so wished, sell off their shares, etc.

LFM: It comes a time when the attachment to the company is so high, the work (what we have built collectively is so much collective) is so collective that it is not our individual work. It is 6 generations worth of work that it takes precedence… the continuity and the durability of the family control …

Ensuring fair treatment of family owners

LFM: It’s actually more something that we all want collectively than an individual desire. Its’ more a collective desire to pass on the flame to members of the family, more than I with my children, my brother with his, my cousin with his. I am not saying that we never have ulterior motive because that its’ a little bit an ideal vision, but it’s still true.

Generating new identifications

Breaking with branch identification in business situations

WFM: To have the family as one, not like today, in different branches. (…). Channeling the family into a single voice is one of the missions of the family council

LFM: It’s no longer a case of ‘I have X amount of my children in the company, you have none, etc.

LFM: At the beginning it was 50-50, 50% for Jules and his family branch and 50% for Romain and his side until the day when this arrangement was broken. (…). So, this 50-50 arrangement was done away with in favor of a partnership - A hard core group had become two separate sides and this historical equity was eliminated.

LFM: We totally stepped away from this branch logic. (…). We created a committee to select our family members, (…). There is no quota per branch but a list of criteria.

LFM: This branch logic stopped as soon as we changed the legal structure, and stopped thinking in terms of branches. I would say that it stopped naturally and, at a time when anyway, it didn’t make sense to think in terms of branches. Because the oldest of the 7th generation was only 10 years old.

LFM: The number of people has its importance. They were less numerous then than we are today. The number of people helps because it fosters democracy. When you are only 5 or 6 it’s not the same thing.

Building positive expectations

LNFM: They all turned to Paul-Emmanuel because he’s someone who exhibits the values shared by both sides. He’s no longer seen as Romain-Paul’s son. He’s seen as the inheritor of values and thoughts from both sides. That is how he gained his legitimacy. (…). He’s transparent. He calls a spade a spade and is not afraid to say things that are sometimes hard to
hear. He doesn’t play judge and party at the same time. As he said himself, “I created my own governance structure – I established my own opposition.”

LNFM: The OSC works well and knows when to say what it does and doesn’t want with respect to the main issues. Above them, management puts policies in place and builds up projects within that framework, and the executive board which is made up of 7 members sits above them and is made up of a combination of internal and external members of the company, It’s certainly a structure that enriches the decision-making process. It’s not a structure that defines strategy, but rather seeks to make it better via increased coherence in decisions that are in line with shareholder objectives.

LNFM: So, at the highest level of the board...there is a mutual trust that has been established and in truth, the inconvenience is that we have a large amount of influence. (...). We are in a bit of a grey area because if we want to manipulate the board, we are able to because we have its trust.

LNFM: I’ve rarely seen such an interesting and rich board, where we speak about so many issues and where we tackle so many problems’. He also mentioned that it was a read board of directors, where debates took place, projects were put forward...all in a clear and transparent manner (independent board member).


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