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Stepping out of the shadow: the leadership qualities of successors in family business

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STEPPING OUT OF THE SHADOW: THE LEADERSHIP QUALITIES OF SUCCESSORS IN FAMILY BUSINESS

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ABSTRACT

The purpose of this study is to better understand the development of successors in the family business and their approach to the leadership of the firm. Foundational concepts in the family business literature and leadership literature are reviewed. I propose an integration of leadership theory into family business studies. I examine the reasons successors join the family business, the development of successors from follower to leader, differences between founders and successors, and the leadership qualities of successors. A case study approach is followed, using a mixture of qualitative interviews and a survey questionnaire, the Organizational Leadership Assessment.

Six family businesses are described in detail, including an air conditioning wholesale company, a pest control company, an automobile dealership, a printing business, a funeral home, and an air conditioning service company. Reasons for successors to enter the family business include expectation, convenience, opportunity, and closeness to family members. Successors move through the stages of student of the organization, low-level manager, top manager, and finally owner. I identify five areas of differences between founders and successors, including business environment concerns, company changes, ownership complexity, and two internal differences regarding entrepreneurial activity and business risk approach. Important leadership qualities for successors include the need for "hands-on" technical knowledge, the importance of long-term orientation, the need for a spirit of cooperation among family leaders, and the relevance of servant leadership. I offer eight propositions that deal with encouraging the next generation to join the business, five propositions that address the development of successors, two propositions regarding the differences between successors and founders, and two propositions that deal with the leadership qualities of successors.

CHAPTER 1:
INTRODUCTION AND REVIEW OF FAMILY BUSINESS AND LEADERSHIP LITERATURE

Historical observation tells us that leadership does make a difference in situational outcomes (Fiedler, 1996). Students of military history know that smaller forces have overcome more powerful foes due to the actions of leaders, such as Horatio Nelson at Trafalgar against Napoleon's fleet, George Washington against Cornwallis' superior British forces in the American Revolution, and Stonewall Jackson in the Shenandoah Valley campaign of the American Civil War. Recognized as an enigmatic quality manifested in group efforts, leadership has long been glorified in stories and legends. Although there are many definitions of leadership in the literature, the following definition from Stogdill (1950) is succinct. Leadership is the process of influencing the activities of an organized group in its efforts toward goal setting and goal achievement (Stogdill, 1950). Here, the elements of leadership are influence, a goal, and a group. Further, Davis and Luthans (1979) recognize that leadership events occur and that leadership is an important variable affecting organizational effectiveness.

Researchers in the family business literature implicitly acknowledge that leadership is vital to the success and survival of the firm. Since the inception of academic research in family business in the early 1980s, the leading topic has been succession (Dyer & Sanchez, 1998). Succession refers to the passing of the leadership of the firm from one generation to the next. Morris, Williams, Allen, & Avila (1997) and Handler (1994) view succession as the most critical and important issue facing family firms. Succession is so important to family firms that Ward (1987) chose to define family firms in terms of their ability to complete succession. Indeed, this should be the focus of the literature as research reports that 70 percent of family businesses fail to pass the first test of succession (Lansberg, 1988; Handler, 1994). This represents an enormous loss of productivity to the economy.

Interestingly, family business researchers typically refer to succession, not leadership succession. This indicates the use of different terminology from that employed in the leadership literature to describe the basic phenomenon of leadership. Additionally, there is little crossover between the two fields of study. Literature reviews of leadership and family business reveal that scholars rarely reference one another. The family business literature has recognized the importance of succession, while the leadership literature has proven that leadership is an essential part of firm survival and success. Bridging this gap will greatly benefit the family business literature and will enhance our understanding of both fields of study.

FAMILY BUSINESS

The Beginnings of Family Business Studies

For many years scholars have ignored or given very little attention to the study of family firms. Litz (1997) views this as the result of years of interaction between business, government, and academic institutions. As technology developed in transportation and manufacturing, large scale, publicly traded firms emerged in the latter decades of the nineteenth century. The managers of these public firms desired to win the confidence and approval of governmental regulating agencies and the general public for their externally financed enterprises. The twin pull of the desire to win public approval and the legal requirement to report their profit and loss statistics made public firms attractive to academic researchers. Additionally, the comparatively large size of public firms suggested greater opportunity for generalization of research results. Rapidly, large public firms became an important source of research funding, which also influenced the researchers. Chen and Smith (1987) estimated that 82 percent of strategic management research is focused on 0.5 percent of the population of firms or that approximately 4 percent of the journal space is given to 98 percent of the organizations.

Further, examining the historical development of management thought, Litz (1997) recognized an attitude of disdain for inherited wealth among researchers. This attitude may have contributed to the lack of interest in family business studies as well. For example, Schumpeter (1934) believed that all too often the children of entrepreneurs did not inherit the business acumen of their forebears and subsequently would destroy the family business with their inept management. From this point of view, family firms appear to be inefficient and not likely to survive in the marketplace (Dyer, 2003). In summary, the literature has often depicted the family firm as a throwback to a bygone era (Hoy & Verser, 1994).

In spite of the lack of representation in mainstream strategy research, family owned corporations make up 80 to 90 percent of all businesses in the United States (Birley, 1986; Shanker & Astrachan, 1996; Morris et al., 1997). Additionally, estimates of the U.S. gross national product contributed by family firms run from 40 to 60 percent (Chua, Chrisman, & Steier, 2003). In short, the supposed demise of the family firm may be greatly exaggerated. Perhaps, organizational researchers should not ignore such a significant percentage of the population of firms.

Indeed, scholars have just begun studying the family firm in earnest. The academic study of family business began in 1983 with the publication of a special issue of the journal, Organization Dynamics (Astrachan, 2003). In 1988, the first journal dedicated solely to the field of family business began publication–the Family Business Review. Over the past twenty years, family business research has focused on five major areas: (1) a systems approach, (2) succession from the perspective of both the founder and the successor, (3) use of professional managers and boards of directors, (4) strategy and growth issues, and (5) research modeling (Editors, JBV, 2003). This scholarly attention was long overdue and has provided valuable insights into family businesses. Yet, the field of family business studies still is in search of a comprehensive framework and much research is needed (Wortman, 1994).

The Application of Leadership Theory to the Family Firm

One vital area in which research is greatly needed is the application of leadership theory to the study of the family firm. The relatively young field of family business studies may benefit from the body of literature accumulated in leadership research. For thousands of years, people have been fascinated with the subject of leadership (Davis & Luthans, 1979). The popular press is full of anecdotal evidence, suggesting the power and importance of leadership in organizational settings (Maxwell, 1998; Kaltman, 2000; Peters & Waterman, 1981). Management researchers have recognized the value of leadership as well. For example, Fielder (1996) asserted that leadership is an important element in situational outcomes within organizations. Historically, leadership does make a difference as evidenced in the business world by remarkable recoveries, such as the Chrysler Corporation under Lee Iacocca.

Even though many researchers have defined leadership in a variety of terms, the following definition is elegant: Leadership is the process of influencing the activities of an organized group in its efforts toward goal setting and goal achievement (Stogdill, 1950). The important elements of leadership are influence, a goal, and a group. Jago (1982) views leadership as both a process and a property. The process of leadership moves individuals toward the accomplishment of group goals through voluntary means. The property of leadership is the possession of the qualities or characteristics necessary to influence people toward such goals. Moreover, leadership does not involve coercion and is not implicit in such titles as manager, director, or supervisor.

In order to gain an understanding of the application of leadership theory to the study of family business, I briefly review these two literature streams. First, I examine the following family business issues: differences between family and non-family firms, the definition of family business, several descriptive models of the family firm, and then a relevant strategy theory that has recently been applied to leadership and family business—agency theory. I then discuss stewardship theory (a complementary perspective to agency theory) and the role of conflict in the family business. Finally, I provide a basic review of leadership theory, examining the progress made in the study of leadership over the past 75 years.

Family Firm to Non-family Firm Differences

In order to understand what family firms are, it is helpful to distinguish them from firms that are not family businesses. Differences between family and non-family firms begin at the basic core of the firm. Often, family firm executives have entangled family goals with business objectives. Family goals may not be performance-oriented in nature and may take precedence over the common goals of growth or profitability (Chua, Chrisman, Steier, 2003). For instance, providing employment for less-than-fully-productive family members may be more salient to the firm than profit maximization.

Other differences between family and non-family firms include the idea that family firms have a more centralized decision-making process and less formalized control systems (Morris et al., 1997). Further, Morris et al. (1997) found that conflicts among family members are often sustained over long periods of time, personal family issues are mixed in with business issues, and the process of succession is much more traumatic and problematic than in the non-family business. Among other differences, family members often identify personally with their business for

Table 1.1: Family Business Literature Review

TOPIC	KEY CITATIONS	CONTRIBUTION
Family Firm to Non-family Firm Differences	Chua, Chrisman, and Steier (2003)	Family goals may not be performance-oriented.
	Morris, Williams, and Allen (1997)	Centralized decision-making, less formal.
	Bjuggren and Sund (2001)	Idiosyncratic knowledge.
Definition of Family Business	Tsang (2002)	Structure based, intention based
	Sharma, Chrisman, and Chua (1996)	Thirty-four different definitions
	Chua, Chrisman, and Sharma (1999)	Behavior of firm
	Astrachan and Shanker (2003)	Three definitions
Family Business Models	Gersick, Davis, Hampton, and Lansberg (1997)	Three-Circle Model, Classification
	Stafford, Duncan, Dane, and Winter (1999)	Sustainable Family Business Model
Agency Theory and Family Business	Chua, Chrisman, and Steier (2003)	Conflict-shirking behavior
	Schultze, Lubatkin, and Dino (2003)	Embedded in parent-child relationship, altruism
Stewardship Theory and Family Business	Davis, Schoorman, and Donaldson (1997)	Pro-organizational behavior, cooperative
	Zahra (2003)	Deep communication, trust
Conflict in the Family Business	Davis and Harveston (2001)	Conflict increases in 2^{nd} & 3^{rd} generations
	Kellermanns and Eddleston (2004)	Conflict: tasks, processes, relationships

their entire lives, which is less common among managers in the corporate world. For family members, the failure of the firm has serious personal and career implications, although the likelihood of employment termination while the firm is still in operation is low. Family firm leaders are largely accountable to themselves and their family, while the non-family manager is accountable to the stockholders of the corporation. Furthermore, Bjuggren and Sund (2001) propose that family firms develop idiosyncratic knowledge that is acquired by watching and participating in the company. This distinction is valuable to society and worth preserving in the family firm because such knowledge improves firm performance and thereby benefits society. Also, managers of family businesses use a more personal approach by trusting their employees and relying less on formal written policies (Kelly, Athanassiou, & Crittenden, 2000). Finally, family firms have practiced a more conservative strategy with slower growth and lower likelihood of entry into global markets (Donckels & Frohlick, 1991).

Definition of Family Business

There are two complementary approaches to defining the family firm (Tsang, 2002). The structure-based approach looks at family involvement in firm ownership and management, while the intention-based approach examines management's intention to keep or increase family involvement. Chrisman, Chua, & Litz (2003) view the following items as essential in defining the family firm: (1) The intention to maintain family control; (2) Unique, synergistic resources arising from family involvement; (3) A vision held by the family for transgenerational value creation; (4) The pursuit of the vision.

The family business literature has not settled on one precise definition of the family firm. In their review of the literature, Sharma, Chrisman, and Chua (1996) found 34 different definitions for family business. The dimensions to be considered are degree of ownership by the family, degree of management by the family, and the ability to transfer the business from one generation to the next. Chua, Chrisman, and Sharma (1999) propose that a family business behaves in a more unified manner than other firms. Moreover, the family business is managed by a dominant coalition of a family or small number of families with a vision for the future that is sustainable across generations.

In a recent study, Astrachan and Shanker (2003) describe three definitions of family business: a broad, inclusive definition, a middle definition, and a tight or narrow definition. The third or narrow definition involves a scenario in which multiple generations have a significant impact on the firm. Under Astrachan and Shanker's (2003) broad or inclusive definition, family firms employ 62 percent of the U. S. workforce, while the narrow definition results in a claim of 27 percent of the workforce.

For the purposes of this paper, I will refer to a family firm as a business in which a family possesses controlling ownership, controlling management, and the ability to pass these elements to the next generation (succession), which is probably closer to Astrachan and Shanker's (2003) narrow definition.

Family Business Models

The Three-Circle Model of Family Business. It is apparent that the field of family business is fragmented and scholars have not reached a consensus in most areas of study. There is no unifying paradigm of family business studies (Habbershon & Williams, 1999). What makes family firms distinct is the existence of family within the firm and the multiple roles this casts upon actors. According to the Three-Circle Model of Family Business (Gersick, Davis, Hampton, & Lansberg, 1997), the individual may be placed in any of seven sub-sections concerning their relation to the family business. An individual may be an owner only, a manager only, a family member only, or some combination of the three dimensions. For example, an individual could be a family member and not an active manager in the business (See Figure 1.1).

Frequently, tensions arise between the family system and the business system. Scholars have typically portrayed the family subsystem as emotion based and the business side as task based (Habbershon, et al, 2003). Habbershon introduces the idea of a unified family business social system, composed of three subsystems – the controlling family unit, the business entity, and the individual family member. These three subsystems operate in a circular feedback processes.

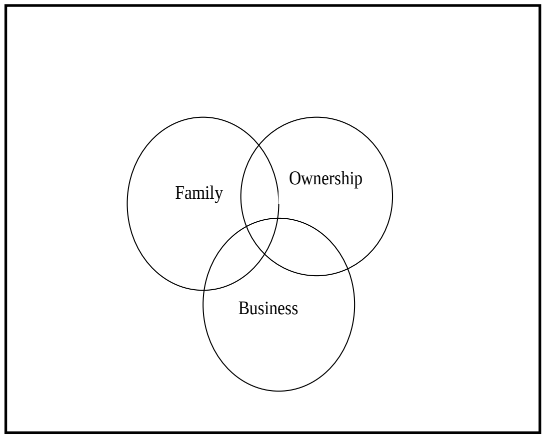

Figure 1.1:
The Three-Circle Model of Family Business, Gersick et al., 1997

Classifying Family Businesses. The most common perception of a family business is that of a founding entrepreneur who conceives of an idea for a business and works for years to bring this dream to reality. Consumed by his passion for the business, the founding entrepreneur wants to pass his legacy on to his children. Research shows that this common conception is correct. Approximately 75 percent of all family businesses are owned or controlled by one person or a married couple, another 20 percent of family businesses are controlled by siblings, and the final 5 percent are owned by a group of cousins. Gersick et al., (1997) refer to the three types of ownership as Controlling Owner, Sibling Partnership, and Cousin Consortium.

The natural progression for a family firm is for ownership to become more diverse with each generation. Typically, the founder passes the business on to the second generation, which may be a group of siblings. The second generation often splits the ownership of the firm among a naturally larger number of their children and the result is a group of cousins owning the business. A family member who seeks to re-consolidate the ownership of the business by buying back the stock owned by his relatives may block this incremental dispersion of ownership. According to Gersick et al., (1997), a Sibling Partnership may revert to a Controlling Owner, or a Cousin Consortium may revert to a Sibling Partnership or Controlling Owner form.

The Sustainable Family Business Model (SFB). Stafford, Duncan, Dane, and Winter (1999) introduced the sustainable family business model (SFB), which consists of two components. The authors recognize a family side and a business side in the family firm and hypothesize that the interplay between the two sides is essential to the survival of the family firm (see Figure 2). Accordingly, sustainability is a function of business success and family functionality. In the family business literature, a bias toward the business side has existed (Olson, Zuicker, Danes, Stafford, Heck, & Duncan, 2003). Moreover, the family side is often considered to be full of emotion and perhaps detrimental to the business. Stafford et al. (1999) note that a unique factor, not found in non-family firms, is the potential for resource exchange. For example, the family may use personal savings to help the business through a financial crisis. Earlier, Ward (1987) reasoned that a family firm's sustainability depends on its response to change. In the SFB, Stafford et al. (1999) recognize that while the business side is important for firm survival, it is not acceptable to sacrifice the family for the good of the business. Moreover, the success of a family business comes in managing this overlap. This reciprocal impact of the family and the business distinguishes family business studies from all others (Sharma, 2004). Both the family and the business must respond to external disturbances. Therefore, if the family is content, the business is successful, and if they both respond appropriately to disruptions, the family business will be sustained.

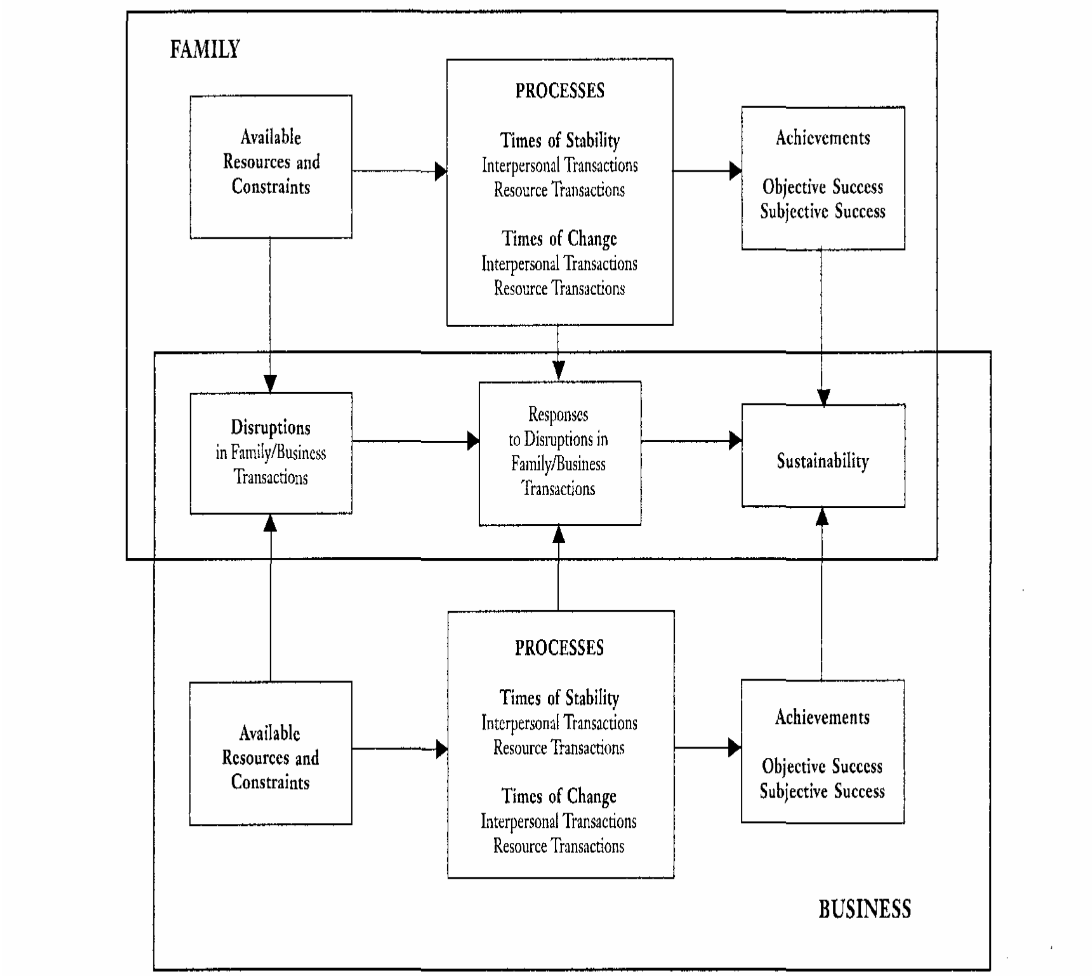

Figure 1.2: The Sustainable Family Business Model (SFB)
Stafford, Duncan, Dane, and Winter (1999)

Agency Theory and Family Business

Agency theory is built on an industrial organization (IO) economics framework and draws on the property rights literature and transaction cost economics (Jensen & Meckling, 1976; Fama & Jensen, 1983; Eisenhardt, 1989a). In agency theory, a principal delegates work to another (agent) who performs that work. The assumptions of agency theory are that people are boundedly rational, self-interested, and opportunistic. Principal drivers of firm strategy include managerial motives (opportunism), managerial capabilities (bounded rationality), information asymmetry, contract enforcement, performance evaluation, and transaction relationships between parties. Agency theory concerns the design of incentive agreements and the allocation of decision rights among individuals with conflicting preferences. There are two branches of study in agency theory: the principal-agent literature, and corporate control and governance structure of the firm. Topics studied in agency theory include innovation, diversification, compensation, and corporate governance. Over the past century, a separation of ownership and control has occurred within the large, public corporation (Berle & Means, 1932). As corporations grew in size and required more resources than any single individual could supply, stock ownership became splintered among different stockholders. This process gave rise to managerialism, in which the top management of the firm assumed control of the organization without owning it.

Due to this separation of ownership and control, a natural divergence of interests has arisen between shareholders (principals) and managers (agents) (Ross, 1973). Managers may seek to maximize their own interests even at the expense of shareholders. Firm size and manager compensation are highly correlated. Therefore, managers have the incentive to increase the size of the firm through diversification. This may or may not be in the best interests of the shareholders. Internal governance mechanisms such as ownership structure and executive compensation may be used to help align the interests of the shareholders and managers.

Agency problems arise when the desires or goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is doing. Effective information systems can curb the agent’s opportunism and lessen the need for performance-based compensation. The moral hazard problem involves a lack of effort on the part of the agent, which is also called shirking. A second problem, referred to as risk sharing, arises when the principal and agent have different attitudes toward risk and may prefer different actions. The principal is usually risk neutral and the agent is more risk averse. Principals are seen as capable of diversifying their investments, while agents are viewed as unable to diversify their employment. Additionally, the problem of adverse selection refers to the miss-representation of ability by the agent in the hiring process.

Agency theory is based on the assumption that managers who are not owners will not watch over the dealings of a firm as diligently as owner-managers (Jensen & Meckling, 1976). Additionally, agency theory addresses issues of information asymmetry. Agency theory has not been typically associated with the study of family business because of the supposition that differences between the interests of managers and owners are insignificant in family firms (Fama & Jensen, 1983), but this line of thinking is now being questioned. The family business literature is full of anecdotal examples of conflict between family members, leading to behaviors such as shirking and other dysfunctional actions (Chua, Chrisman, & Steier (2003). Recent research points to complex agency problems, such as conflicts engendered by the economic and non-economic goals of the firm and asymmetric altruism between parents and children in the family firm.

Schultze, Lubatkin, & Dino (2003) propose that agency relationships in family firms are embedded in parent-child relationships found in the household and are therefore characterized by altruism. Altruism is a moral value by which individuals act in a beneficial manner to others without expectation of external reward. Ideas of self-interest only explain some aspects of human behavior, not everything (Steier, 2003). Moreover, this feeling of altruism compels parents to care for their children in the family firm, for family members to consider the feelings and desires of other family members, and for children to reciprocate with loyalty and commitment to the family firm. According to altruistic thinking, each family member employed by the firm should act in the best interests of the firm. Also, communication and cooperation inside the family firm should be increased. Finally, family agents should recognize an increased sense of interdependence in the pursuit of firm performance.

However, even for the parents in this altruistic context, generosity is to some extent motivated by the desire to enhance their own welfare. Further, children may take advantage of their parents' generosity by free riding (leaving work for others to do), shirking (squandering the family's money), and remaining dependent on their parents (Schultze et al., 2003). Additional problems may arise when it is recognized that the CEO has the power to make altruistic transfers that might not take place outside the context of the family firm. Such privileges may invoke a sense of entitlement and lead to a host of agency problems. Moreover, the CEO may lose the ability to effectively monitor the actions of family members and discipline family agents for fear of injuring family relationships. Other agency problems within family business include the possibility that family members may not be the best qualified candidates for jobs within the family firm, the possibility that owners may be unwilling to relinquish control even when they are no longer effective as managers, and the possibility that owners may interfere with family members charged with operating the business (Greenwood, 2003).

Traditionally, agency theory has held that cooperation and communication between owners and managers in family businesses guards against opportunism and spares the family firm the costs of monitoring management. Also, pay incentives should not be necessary to align the interests of owners and managers. Research, however, reveals that family firms are plagued with conflict at all levels and that incentive payments to family member managers are common.

Surveys report that between 73 percent and 85 percent of all family firms offer cash bonuses to insure that performance goals are attained (Schultze et al., 2003). The bonuses are awarded to family members and non-family members alike. This evidence belies the assertion that the goals of managers and owners are bound together in family businesses.

Chrisman, Chua, and Litz (2004) investigated agency costs in family firms compared to agency costs in non-family firms, looking at four dimensions: (1) asymmetric altruism; (2) separation of ownership and management; (3) conflicts of interests between owners and lenders; and (4) conflict of interests between dominant and minority shareholders. These authors list possible agency problems, including free riding by family members, entrenchment of ineffective managers, and even predatory managers. Additionally, altruism may bias the perceptions of parent-CEOs in regard to the performance of their children in the business, making it difficult to punish poor performance (Schultze et al., 2003). Further complicating matters, most scholars recognize that family firms pursue non-economic goals as well as economic objectives. Therefore, owners may desire to divert funds to pursue non-economic goals, but such actions may have no agency costs because the goals are congruent. The findings of Chrisman, Chua, and Litz (2004) suggest that, all things considered, family involvement may reduce agency costs.

Stewardship Theory and Family Business

While agency theory is based on the rational actor model of man, stewardship theory is based on a different model (Davis, Schoorman, & Donaldson, 1997). In contrast to agency theory, stewardship theory points to instances in which a manager is not motivated by individual goals, but rather behaves as a steward whose objectives are in alignment with those of the firm. The model of man is based on a steward whose behavior reflects pro-organizational, collectivistic goals, rather than individualistic and self-serving goals. The steward will choose cooperative behaviors rather than self-serving actions even when his interests are not in alignment with the principal. In stewardship theory, managers seek rewards that are intrinsic, such as growth, achievement, and affiliation, rather than extrinsic rewards as in agency theory. Moreover, the steward's actions in behalf of the organization also benefit the steward (Corbetto & Salvato, 2004). Davis, Schoorman, and Donaldson (1997) present stewardship theory as supplemental, rather than oppositional to agency theory, citing mixed results in studies comparing the two theories.

In his study of the internationalization of U. S. -based family-run manufacturing firms, Zahra (2003) recognized a sense of increased depth of communication and resultant development of trust in the encouragement of family ownership and involvement in international expansion. Moreover, Zahra (2003) viewed agency contracts in the context of investment activity on a continuum from altruistic relationships to market agreements. Here, Zahra (2003) highlighted the stewardship perspective (Davis, Schoorman, & Donaldson, 1997) in which owner-managers are likely to act as good stewards of the firm's resources during internationalization. Moreover, a key aspect of the stewardship perspective is altruism, where the owner-managers attempt to satisfy their own needs and the objectives of the firm together. In this sense, altruism means placing the objectives of the business ahead of the objectives of the individual. The stewardship perspective also suggests that family involvement in the business may curtail managers' opportunism because of increased identification with the firm.

Conflict in the Family Business

Davis and Harveston (2001) assert that the management of conflict in the family firm is a critical element that is not well understood. They divide conflict into two categories: substantive—consisting of task disagreements; and, affective—consisting of emotional issues. In their study, Davis and Harveston (2001) found an increasing level of conflict as firms move into the second and third generation. Additionally, family members may feel as though they are locked into the firm, which makes conflict more personal (Schultze, Lubatkin, & Dino 2003). Kellermanns & Eddleston (2004) view family firms as full of conflict in three areas: tasks, processes, and relationships. Task conflict revolves around differences in opinion concerning the goals and strategies of the firm. Moderate levels of task conflict help a firm succeed, while very high or very low levels of task conflict work against the firm. Process conflict involves disagreement concerning the manner in which work is accomplished in a family business and which family members should perform the tasks. Here also, a moderate level of conflict is beneficial to the family firm, while very high or very low levels of process conflict lower firm performance. Finally, relationship conflict includes personal animosity and issues of compatibility that may spillover into negative emotions, such as annoyance and irritation. Relationship problems may result in personal threats, political actions, and the building of factions within the firm. Kellermanns & Eddleston (2004) propose that altruism helps to reduce relationship conflict in the family firm. By gradually working younger family members into the firm, listening to their ideas, and allowing incremental change, incumbent leaders may reduce relationship conflict within the firm. All too often, family firms' leaders do not plan for the future and may become fixated on a previously successful strategy (Ward, 1987).

Conclusion of Family Business Foundational Studies

Family business is a new field in academic research, beginning in earnest with the publication of a dedicated journal, *Family Business Review,* in 1988. Family businesses have been found to be different from non-family firms beginning with the basic goals of the firm. Although scholars are still struggling to accurately define what constitutes a family business, progress has been made and the important dimensions agreed upon. Researchers have made advances in describing the family business, classifying the family firm, and building a model to explain its workings. Outside the circle of family business scholars, other researchers are beginning to recognize the importance of the family as a variable in research, especially in the broader area of entrepreneurship as evidenced by the issues of *Journal of Business Venturing* (2003) and *Entrepreneurship Theory and Practice* (2004), which were dedicated to family business studies. Additionally, researchers have broken new ground in understanding the family firm through the application of agency theory. This theory has been used to highlight the areas of conflict and negative elements within the family firm. Further, the advent of stewardship theory has challenged agency theory by advancing a different set of underlying behavioral assumptions. This theory of man as a cooperative actor in the organization has implications that are relevant to the study of leadership in the firm.

LEADERSHIP

Table 1.2: Leadership Literature Review Table

<table>
<tr><th>Approach</th><th>Key Citations</th><th>Contribution</th></tr>
<tr><td rowspan="2">Trait</td><td>Stogdill (1948, 1974)</td><td>Influential reviews</td></tr>
<tr><td>Mc Clelland (1975)</td><td>Need for achievement</td></tr>
<tr><td rowspan="2">Behavioral</td><td>Likert (1961)</td><td>Linking pin, system 4</td></tr>
<tr><td>Stogdill and Coons (1957)</td><td>Consideration, initiating structure</td></tr>
<tr><td rowspan="5">Contingency</td><td>Fiedler (1967)</td><td>Least preferred co-worker, situation favorableness</td></tr>
<tr><td>House (1971)</td><td>Path-Goal Theory</td></tr>
<tr><td>Hersey and Blanchard (1969)</td><td>Life cycle Theory</td></tr>
<tr><td>Fiedler and Garcia (1987)</td><td>Cognitive Resource Theory</td></tr>
<tr><td>Vroom and Yetton (1973)</td><td>Decision Process Theory</td></tr>
</table>

New	Maslyn and Uhl-Bien (2001)	Leader-Member Exchange
	House (1977)	Charismatic Leadership
	Burns (1978), Bass (1985)	Transformational Leadership
	Greenleaf (1970)	Servant Leadership

The Four Stages of Leadership Studies

Research in leadership theory may be divided into four overlapping stages or dominant paradigms: the trait approach, the style or behavioral approach, the contingency approach, and the new leadership approach (Bryman, 1996). These approaches are presented in rough chronological order and follow a pattern of development. Researchers have made advances and contributions to leadership knowledge, but no single approach has been proven as the best way to measure or explain the phenomenon of leadership.

The Trait Approach

Early leadership researchers (1930 to 1950) reasoned that leaders were different from other people and began the search for traits or characteristics that separated leaders from others. According to early leadership scholars, it was evident that great men like Washington, Jefferson, Lincoln, and Roosevelt were different from average individuals (Bryman, 1996). The great man theory implied that leaders are born with certain traits or characteristics, separating them from other individuals. Therefore, scholars in the trait approach classified traits into three major categories: physical traits (such as height, muscular build, and appearance), abilities (such as intelligence and speech), and personality characteristics (such as extroversion and self-confidence). Unfortunately for the trait approach, research results were inconsistent and not replicated among multiple studies, leading both Gibb (1947) and Stogdill (1948) to question the consistency of trait research. By 1950, scholars came to consider the study of leadership traits a failure (Jago, 1982). Additionally, the early trait studies have also been criticized for their reliance on students, supervisors, and lower level managers as subjects to the neglect of executives and high level managers (House & Aditya, 1997). However, trait studies reappeared in the 1970s. The most notable success came to McClelland (1975), who highlighted the need for achievement, the need for power, and the need for affiliation. Additionally, Stogdill (1974) modified his earlier opinion concerning the trait approach and gave some approval to the assertion that leaders may possess some universal characteristics.

The Style or Behavioral Approach

Subsequent to the trait approach, researchers next became attracted to the leadership style approach or behavioral school of leadership from about 1950 until about 1980. The leading centers of work in the style approach were the University of Michigan, headed by Rensis Likert; Harvard University, led by Robert Bales and his associates; and the Ohio State University, under Stogdill and others.

The Michigan Studies. Turning to Likert's approach at Michigan, we find that Likert focused on the differences between high-producing managers and mediocre or poor managers. Likert observed that high-producing managers in organizations have the following common characteristics: workers with favorable attitudes toward their jobs, organizations with effective social systems, workers measuring their own performance using self-guidance, and the use of all available technical resources (Likert, 1961). In general, workers appear to be highly motivated and cooperative in high-producing organizations. Managers treat subordinates as human beings and give them fair and equitable management. Further, managers develop supportive relationships with workers. In response, the workers understand the mission of the company.

Managers value the personal worth of their employees and try to see things through their eyes. Likert (1961) viewed the use of work groups as essential and favored group decision-making.

Furthermore, Likert (1961) envisioned what he called the "linking pin" as a connection between levels of management. Here, a supervisor must have sufficient influence with his own supervisor to be able to affect that superior's decisions. A supervisor must exert influence upward in the organization to be effective as a supervisor. This linking process gains importance the higher one goes in an organization. Reliance on a single individual manager as a linking pin involves risk for an organization should that individual leave the company or become incapacitated. Additionally, Likert emphasized the need for the integration of individual and group desires within an organization. He recognized the constructive use of conflict as opposed to bitter, unresolved differences that can immobilize an organization. Proper organizational structure, communication, high confidence, and trust will effectively resolve conflict. In Likert's terminology, System 1 is punitive and authoritarian; System 2 is benevolent and authoritarian; System 3 is consultative; and System 4 is a participative group model. According to Likert, the average U. S. manager operates at approximately 2.5, whereas, System 4 is the term Likert used to describe the superior organization.

The Ohio State Studies. While Likert was developing his work, Stogdill and his associates at Ohio State came to identify two broad classes of leader behaviors – task-oriented and person-oriented behaviors. Task-oriented behavior consisted of efforts to get the job done in an efficient manner, following the prescriptions outlined in company rules and regulations. Person-oriented behavior involved establishing cordial, friendly working relationships with followers. Over a period of time, the Ohio State group came to refer to the two main components of leader behavior as consideration and initiating structure (Stogdill & Coons, 1957). Consideration involves concern for subordinates as people manifested by the degree of two-way communication and consultation, mutual trust, respect, and the warmth a leader displays toward his followers, while initiating structure involves the degree to which a leader defines and organizes communication channels, group activities, and methods of accomplishing work (Lowin, Hrapchak, & Kavanagh, 1969). Later, these two concepts became the basis for an approach called transactional leadership.

Nevertheless, problems persisted during the development of the Ohio State concepts. Korman (1966) noted that the results were inconsistent among studies and stated that the researchers had not paid sufficient attention to the chances that leader effectiveness may be situationally contingent. In other words, leader behavior may be effective in some contexts and not in others. Other problems surfaced, such as an inability to infer causal relationships between leadership and important outcomes like job satisfaction; a focus on formal, rather than informal leadership processes; and a growing recognition of measurement ambiguities with the Ohio State leadership scales (Bryman, 1996).

The Contingency Approach

In response to the problems with the behavioral approach, the next wave of leadership research, known as the contingency approach (late 1960s to early 1980s), gave priority to situational factors. The contingency approach was robust and included five important theoretical viewpoints: Fiedler's Contingency Theory of Leadership (Fiedler, 1967; 1971), the Path-Goal Theory of Leader Effectiveness (House, 1971), Hersey and Blanchard's (1969) Life Cycle Theory, the Cognitive Resource Theory (Fiedler & Garcia, 1987), and the Decision Process Theory (Vroom & Yetton, 1973).

Fiedler's Contingency Theory of Leadership

In the contingency model of leadership, Fiedler (1967) asserted that situational variables interact with leader personality and behavior. Although Fiedler's model has undergone several revisions through the years, the basics include the use of the least preferred coworker scale as a measurement of the leadership orientation of the respondent and a three-part definition of situation favorableness. The least preferred coworker (LPC) scale includes pairs of adjectives (varying over the years from 18 to 25) with the pairs separated by an 8-point scale (Bryman, 1996). The respondent is asked to think of the person they least enjoyed working with in the present or past and then to describe them in terms of the adjectives. The responses are scored from one (most negative) to eight (most positive). Higher LPC scores, according to Fiedler, mean that leaders are relationship oriented, while lower LPC scores mean the leader is task-oriented. Additionally, Fiedler (1972) referred to the three dimensions of situation favorableness as leader-member relations, task structure, and position power. If leaders can structure relationships using trust and respect, they will gain the support of their followers and garner more power. If leaders are placed in situations in which tasks are clearly defined and structured, they will have greater influence than in situations with vague, unstructured tasks. Finally, if leaders can reward and punish their followers, they will have more influence. Further, a major finding in Fiedler's research was that because it is difficult to change a leader's personality, it is better to change the work situation to fit the leader (Bryman, 1996). Supporting researchers found that leadership effectiveness is influenced by the perception among followers that the leader is competent in the task and able to reward them (Justis, 1975). Additionally, higher position power and task competence among leaders were found to translate into improved performance among trainees (Justis, Kedia, & Stephens, 1978).

The Path-Goal Theory of Leader Effectiveness

House (1971) attempted to resolve conflicting findings concerning task-oriented leaders and person-oriented leaders with his path-goal theory. He proposed that effective leadership involves behaviors that increase follower performance and/or satisfaction. The term path-goal is used because the leader's behavior and influence should clarify the paths necessary for the follower to travel to attain his personal goals. The leader, then, makes rewards available to organization members and specifies the path for subordinates to follow to attain the rewards. The term path-goal is also derived from expectancy theory, which states that an individual's motivation to perform a given act is a function of expectancies, instrumentalities, and valences (Jago, 1982). Initially, House (1971) used the Ohio State variables of initiating structure and consideration, but later came to call the major independent variables of his theory instrumental (to clarify subordinate role expectations) and supportive (friendly, considerate of the needs of subordinates) (Schriesheim & Von Glinow, 1977). Further, leaders may display four types of behavior: directive, which involves telling followers what to do; supportive, which entails being friendly to followers; participative, which necessitates seeking followers' suggestions; and achievement, which requires setting challenging goals (House & Aditya, 1997). Leaders should adapt the four kinds of behavior to the situations they face.

Hersey and Blanchard's (1969) Life Cycle Theory

Hersey and Blanchard (1969) created a life cycle theory of leadership in which they propose four leadership styles—telling, selling, participating, and delegating—that are appropriate based on situations defined by subordinates' maturity levels. Moreover, Hersey and Blanchard (1969) draw an analogy to a parent-child relationship in which the parent gradually relinquishes control of the child as he grows and matures. Again, Hersey and Blanchard started with the Ohio State variables—initiating structure and consideration—and developed a theory in which the most important factor in determining leader behavior is the task-relevant maturity of the subordinate. Within task-relevant maturity, there are two dimensions—job maturity (the ability to perform the job) and psychological maturity (the individual's level of self-esteem and confidence) (Graeff, 1983). The leader's style will be effective only if it is appropriate to the maturity level of the subordinates. For example, a new employee may need intensive task direction from a manager (telling). As time passes and he grows in job maturity, the employee still needs task direction, but also an increase in relationship behavior from the leader (selling). As more time passes, the employee requires much less task behavior from the leader, but the leader continues to deepen the relationship behavior (participating). Finally, the subordinate requires little task or relationship behavior from the leader as his maturity level reaches its greatest height and the leader allows him to operate independently (delegating). This model has been accepted because of the apparent face validity of the theory; however, there is little empirical research to substantiate it (House & Aditya, 1997).

The Cognitive Resource Theory

Fiedler continued to work on his contingency approach to leadership in spite of criticism of the LPC scale and attacks concerning the conceptual reasoning of the theory (Schriesheim & Kerr, 1977). Fiedler and Garcia (1987) developed the Cognitive Resource Theory (CRT) of Leadership, using the personal variables of leader intelligence and experience, and the situational variable of stress. Fiedler and Garcia (1987) found that under low stress, intelligence is positively related to performance and experience is negatively related to performance. Under high stress, Fiedler and Garcia (1987) discovered that the opposite held–intelligence is negatively related to performance, and experience is positively related. This led to the conclusion that intelligence and experience interfere with each other (House & Aditya, 1997). In order to achieve effective leadership, Fiedler (1996) recommends that organizations recruit and select individuals with the necessary intelligence, experience, and knowledge, and then enable those leaders to work under conditions that allow them to make use of the cognitive resources that they possess. Further, the leader's feeling of being in control of the situation and the stress experienced are critical.

The Decision Process Theory

The final situational leadership theory is the Decision Process Theory developed by Vroom and Yetton (1973) and extended by Vroom and Jago (1988). The basis of the approach is to aid managers in the process of making difficult technical or economic decisions. Vroom and Yetton (1973) described five decision making methods applicable to group decision processes. The first two methods are authoritarian (designated as AI–the leader solves the problem himself, and AII–the leader obtains information from subordinates and makes the decision himself); two methods are consultative (CI–the leader consults with subordinates individually and then decides, and CII–the leader consults with subordinates as a group and then decides): and one method is a group process (GI–the leader meets with the group to make a joint decision). Further, in order to determine which decision making process to use in a situation, Vroom and Yetton (1973) developed a decision tree approach, based on seven sequential questions concerning the problem. The questions address quality requirements, sufficient information, problem structure, acceptance by subordinates, goals of subordinates, and conflict among subordinates. Overall, the theory has received greater support from field studies than laboratory studies (House & Aditya, 1997). Criticisms include the assumption that the leader's goals are always congruent with those of the organization, indifference to the discussion skills required of the leader to solve problems in a group context, and the fact that the theory is excessively complex (Field, 1979).

Summary of Contingency Approaches

The contingency approaches were improved and refined from the 1960s through the 1980s. For example, Fiedler's Contingency Theory of Leadership (1967; 1971) led to the development of the Cognitive Resource Theory of Leadership (Fiedler & Garcia, 1987). Fiedler looked for and found an explanation of why high LPC leaders performed better in moderate control situations and low LPC leaders performed better in high or low control situations. He discovered that increased stress led to less effective use of intellectual capacity in leaders (House & Aditya, 1997). In another example, the Vroom and Yetton (1973) Decision Process Theory was further developed and improved through its reformulation by Vroom and Jago (1988). In the reformulation, Vroom and Jago (1988) added a new variable, called overall effectiveness, and five new decision rules to the approach (House & Aditya, 1997). Additionally, the Path-Goal Theory led to House's (1977) Theory of Charismatic Leadership (discussed in the next section of this paper). However, researchers became disenchanted with the contingency approaches when they found inconsistent results in studies using the various theories. By the end of the 1980s, interest in the contingency approaches had waned (Bryman, 1996).

The New Leadership Approach

Recent scholarly additions to the study of leadership (1980s to the present) fall under the label of the new leadership approach (Bryman, 1996). Included in this category are Leader-Member Exchange (LMX) (Liden, et al, 1986), the Theory of Charismatic Leadership (House, 1977), the Theory of Transformational Leadership (Burns, 1978; Bass, 1985), and the Theory of Servant Leadership (Greenleaf, 1977). The new leadership theories seek to explain how leaders can achieve outstanding results in organizations, motivate employees to very high levels of respect, trust, and performance, and influence followers to share their leader's vision of the future for the organization (House & Aditya, 1997).

Leader-Member Exchange (LMX)

Leader-Member Exchange **(**LMX) research highlights the value of high quality relationships between leaders and followers in organizations (Maslyn & Uhl-Bien, 2001). This focus on relationships is the distinguishing feature of LMX research (House & Aditya, 1997). LMX researchers have also looked at the characteristics of leaders and followers, their interaction, and contextual considerations. The LMX literature shows that effective relationships between managers and subordinates can have many positive outcomes for organizational performance. Studies have revealed positive and significant relationships between high quality relationships and performance, organizational commitment, employee citizenship behavior, and job satisfaction (Uhl-Bien, Graen, & Scandura, 2000). Further, research reports that LMX is negatively related to turnover (Graen, Liden, & Hoel, 1982) and turnover intentions (Vecchio & Gobdel, 1984).

To explain how LMX works, Liden and colleagues (Dienesch & Liden, 1986; Liden, Sparrow, & Wayne, 1997) describe a process of probing steps between leaders and members in which the parties test each other's responses to see if a high quality relationship can be formed. If the reception to an exchange behavior is positive and the initiating party is satisfied with the response, then the individuals may continue to exchange. If there is no response or a negative response, then the relationship is likely to remain at a low level. Underlying the process is the assumption that individuals must exert effort in order to initiate and reciprocate exchanges. A key variable is how much effort the dyad partners exert.

Furthermore, Ubl-Bien, Graen, and Scandura (2000) state that LMX theory describes a process of "role-making," as opposed to "role-taking." In role-making, the dyad partners generate relationships built on trust, respect, and obligation to work beyond the standard requirements of the job, while role-taking is the fulfillment of the job contract, but does not involve any extra effort. Role-making involves an active negotiation process between managers and subordinates in which the participants go beyond the formal job description. In role-taking, there is no negotiation process and the employees proceed along formally specified grounds.

The Theory of Charismatic Leadership

Researchers expressed concerns about the adequacy of the situational approaches to explain large scale organizational change and the need for strategic vision to lead corporations in the turbulent marketplace of the 1980s (Conger & Kanungo, 1994). About this time, interest was rekindled in the writings of Max Weber (1968), the German sociologist. Weber was interested in large organizations and the professionalization of their management. He considered bureaucracy to be an improvement over the feudal system of patronage and studied the impact of authority on society. Weber developed a typology of leaders: the charismatic, the traditional, and the rational-legal. According to Weber (1968), charismatic leaders developed faith among their followers and led because of their exemplary character. Further, charismatic leaders were extraordinary, super individuals, who possessed abilities far greater than the average person, as well as a vision for the future. For Weber, charisma came to stand for the forces of change within society. He envisioned traditional and rational-legal forces on one side and charismatic on the other. Weber's work lay in the hands of political scientists and sociologists until the late 1970s when it passed into the domain of organizational studies.

Charismatic leaders differ from others because of their ability to formulate and communicate an inspirational vision and their capacity to take actions that appear extraordinary to followers (House, 1977). Further, the charismatic approach is concerned with the perception of leader behavior, rather than follower outcomes, which concerns transformational leaders (Conger & Kanungo, 1994). The two concepts are very similar; so much so that Bass (1985) claims that transformational leadership is indistinguishable from charismatic leadership. Bass (1985) views charisma as one of the components of transformational leadership. However, House, Conger and Kanungo, and others persist in the study of charismatic leaders as distinct from transformational leaders although the similarities may outweigh the differences between the two.

The Theory of Transformational Leadership

Of the new leadership approaches, transformational leadership has received the most scholarly attention. Superior leadership performance or transformational leadership occurs when leaders broaden or elevate the interests of their followers (Seltzer & Bass, 1990). Transformational leaders influence their followers to perform at the highest levels, transcending self-interest (Shoemaker, 1999). Transformational leaders stimulate their followers to change their motives, beliefs, values, and capabilities so that the followers' own interests and personal goals become congruent with the leader's vision for the organization (Goodwin, Wofford & Whittington, 2001).

In the concept of transformational leadership, originated by Burns (1978), the leader reaches beyond the transactional elements of initiation of structure and consideration (Judge & Bono, 2000). Bass (1985) formulated a model claiming that transformational leadership augments transactional leadership in contributing to subordinate effort, satisfaction, and effectiveness

(Seltzer & Bass, 1990). In other words, transformational leaders handle problems in transactional areas, but their leadership does not stop at this level. Transactional leaders, on the other hand, do not reach the higher levels of transformational leadership. Bass and Seltzer (1990) empirically demonstrated that transformational leadership complements the transactional components of initiation and consideration. Furthermore, research studies have supported the validity of transformational leadership across many different cultures, using a variety of methods (Judge & Bono, 2000).

The Theory of Servant Leadership

Another relatively new and underdeveloped area of leadership study is servant leadership. Robert K. Greenleaf renewed interest in the subject with his 1970 essay entitled *The Servant as Leader*. Greenleaf espoused the view that the servant leader is servant first. The basis of servant leadership is to serve others first and the results will be judged in the growth of the followers. As opposed to transformational leaders, servant leaders do not seek power, fame, or self-interests. Servant leadership seeks to positively impact the employees and the community above the pursuit of short-term profit. Critics claim that servant leadership does not foster efficiency and suggest that non-profit organizations are the best vehicle for servant leadership. While others assert that servant leadership is too soft emotionally and that it runs contrary to the needed model of assertiveness in business. Certainly, servant leadership is not a panacea and there are situations in which it may not apply. Leaders must genuinely espouse the antecedents of personal values and servant attitude because the question of authenticity is relevant. Additionally, the servant leader must have trustworthy followers or take corrective action to ensure their reliability. One of the greatest positives concerning servant leadership is that ordinary people can become servant leaders. It does not require extraordinary charisma to be a servant leader. Therefore, organizations are likely to be full of servant leaders.

The terms ‘servant” and “leader” appear at first blush to be opposites, or antithetical. How is it that they have come together? Greenleaf espoused the view that the servant leader is servant first, “It begins with the natural feeling that one wants to serve, to serve first” (Greenleaf, 1977:27). The concept of servant leadership is growing in its appeal to practitioners as evidenced by its successful application in a diverse array of businesses such as Southwest Airlines (Dallas, Texas), The Men’s Wearhouse (Fremont, California), and The Toro Company (Minneapolis, Minnesota) (Spears & Lawrence, 2002).

Conclusion of Leadership Literature Review

Recognizing leadership as a subject of human interest from ancient times, scholars have attempted to apply the principles of scientific research to the subject over the past eight decades. Originally, researchers looked for the trait or combination of traits that separated leaders from others. Numerous studies attempted to find a link between physical characteristics, abilities, and personality traits and leadership. After inconclusive results, researchers turned to the style or behavioral approach. Here, the Ohio State studies produced the concepts of consideration and initiating structure, which provided a springboard for scholars to the contingency approach. In this stream of research, Fiedler and others recognized that situational variables interact with leader personality and behavior. After thirty years of improving the contingency approach to leadership, researchers have now begun to focus on new approaches, involving charismatic, transformational, and servant leadership. In these approaches, scholars seek to explain outstanding results in organizations, accomplished by highly motivated employees who are influenced by their leader’s vision of the future.

CHAPTER 2:
INTEGRATING LEADERSHIP THEORY IN FAMILY BUSINESS

Literature reviews of family business studies and leadership theory reveal that researchers in the two fields rarely reference each other. As the newer area of research, family business studies can benefit from the insights of the leadership literature. The purpose of this chapter is to help bridge the gap between these two fields of study. For example, findings from the leadership literature may be particularly relevant to the study of succession. Moreover, family business researchers have focused on succession, using a different terminology than leadership researchers. Succession refers, of course, to the passing of the leadership of the firm from one generation to the next. This topic, which is extremely vital to the survival of family businesses (Handler, 1994), has been the leading subject in family business research over the past 25 years (Dyer & Sanchez, 1998).

Referring to succession as "the core of the family business literature," Sharma, Chrisman, and Chua (1996) note that the element of family involvement with its emotions and non-business concerns differentiates succession in family business from succession in publicly owned firms. In recent years, succession research has split into two branches: those interested in succession in the family firm (Handler, 1990; Landsberg, 1988; and Longenecker & Schoen, 1978), and those who study succession among executives in public corporations (Hambrick & Mason, 1984: Pfeffer & Davis-Blake, 1986). The studies in family business view succession as integral to the survival of the firm, while those in executive succession have focused more on leader idiosyncrasies and situational differences (Rubenson & Gupta, 1996). According to Friedman and Singh (1989), there are three basic perspectives of succession in the literature: succession as an inconsequential event, succession as a disruptive event, and succession as a rational organizational adaptation.

In general, the view of succession as rational adaptation is prevalent in the family business literature. Within this adaptation process, the family firm, then, faces the dual problems of business concerns and family challenges. This dual nature makes family firms at once complex and intriguing and presents a great opportunity for the exercise of leadership. Further, successful succession involves the positive performance of the firm after the change in leadership as well as the satisfaction of stakeholders with the process (LeBreton-Miller, Miller, & Steier, 2004). Research shows that only 30 percent of all family firms successfully complete the succession from the first generation to the second, only 10 to 15 percent of family businesses survive to the third generation, and only 3 to 5 percent continue into the fourth generation and beyond (Lansberg, 1988; Handler, 1994; Shanker & Astrachan, 1996; Ibrahim, Soufani, & Lam, 2001; Grote, 2003).

FAMILY BUSINESS LEADERSHIP IN SUCCESSION

In her review of the literature on family business succession, Handler (1994) examined five streams of research: (1) succession as a process, (2) the role of the founder, (3) the perspective of the next generation, (4) multiple levels of analysis, and (5) characteristics of effective successions. Additionally, in their review of the literature, Le Breton-Miller, Miller, and Steier (2004) found the following categories of common predictors of success in succession: incumbent attributes, successor attributes, nurturing and development of the successor, the establishment of ground rules for succession planning, incumbent phase-out, successor phase-in, and board of directors. Following the guidelines set by Handler (1994) and Le Breton-Miller, Miller, and Steier (2004), I will address succession as a process. I will also examine the perspective and attributes of the incumbent generation, the perspective and attributes of the successor generation, the characteristics of successful successions, and the problems in failed successions. Taking these basic aspects of family business succession theory, I will intersperse elements of leadership theory. In the following table, I have outlined some relationships between the terminology used in the family business literature and that used in the leadership literature. In the balance of this chapter, I will use the structure of Table 2.1 to explore these relationships.

Table 2.1: Relationships of Terminology in Family Business and Leadership Literature

Family Business Literature		**Incumbent Role**	**Successor Role**		**Leadership Literature**
The process of leadership succession	→	Grooming the successor, managing relationships	Socialization, education, managing relationships	←	Behavioral approach: Initiating structure, consideration
The perspective and attributes of the incumbent generation	→	Establishing a framework for succession, planning	Career choice, selection	←	Trait approach
The perspective and attributes of the successor generation	→	Passing the knowledge	Growth, development from follower to leader	←	Transformational leadership
The characteristics of successful successions	→	Planning and letting go	Taking the reins	←	Servant leadership
The problems in failed successions	→	Holding on	Dropping the baton	←	Contingency approach

THE PROCESS OF LEADERSHIP SUCCESSION

Handler (1990) describes the process of succession as a mutual role adjustment between the members of the incumbent and successor generations. Incumbent family business leaders often have trouble giving up control of the company they have nurtured and developed (Dyer, 1986). This inability to let go often leads to a lack of succession planning. Some owners may fear the change in their daily routine or even view retirement as a loss of stature and mission in life. Moreover, mutual respect and understanding between the generations is essential to the process. The relationship between the actual successor and incumbent in the business is important, but this central relationship must also have the support of the whole family. Siblings should be accommodated and agree upon their positions either inside or outside the management of the firm.

Grooming the Successor and Managing Relationships

Researchers have proposed variations on the theme of process in succession. Churchill and Hatten (1987) envision a four-stage life cycle approach to succession between a founder and a successor in a family business. In the first stage, the owner is the only family member involved in the business. The second stage is a training and development period in which the offspring has entered the business and learns about it. The third stage is a partnership period in which the owner and successor share the leadership of the business. Finally, the fourth stage is the power transfer stage, in which responsibilities shift to the successor.

Handler (1990) proposed a four-stage process in the role adjustment between predecessors and next generation family members in succession. The incumbent generation must gradually diminish its role over time in response to personal issues (health, age), organizational issues (growth, change), environmental issues (technological developments), and the need to accommodate the next generation. The first phase of role adjustment finds the entrepreneur as the sole operator of the business and the next generation member as having no role in the business. Here, the predecessor operates the business at his discretion. The second phase sees the entrepreneur as monarch and the next generation member as helper after entering the business. In the third phase of role adjustment, the incumbent learns to delegate responsibility to the successor and begins planning for succession as the successor moves into the role of manager. The incumbent may begin working shorter hours and giving up daily activities. The fourth stage finds the predecessor in retirement from the organization and acting as a consultant to the firm, while the next generation member is active as the leader and decision-maker in the firm.

Barach and Ganitsky (1995) propose a list of twelve critical factors in the succession process: five factors involve the CEO or incumbent leader, three factors describe the offspring or successor, two factors center on other participants in the process, and two factors involve the firm. The CEO factors include: strategic commitment to family leadership (keeping the firm in the family); sharing both the joy and the pain of work life with the family; gradually maturing relations with the offspring; reasonable expectations; and the personal characteristics of encouraging others to get involved in the family business, having outside interests, pursuing advice, and receptivity to others' ideas. The critical factors concerning the successor include: actual and perceived responsibility, competence, and decision-making capacity; relationships with others; and strategic commitment to the family firm. Critical factors concerning other participants in the process include: personal goals, career paths, and power, and shareholder mix. Finally, factors involving the firm include: corporate culture and organizational structure; and the health and prospects of the firm (growing, stable, or failing).

Socialization, Education, and Managing Relationships

Researchers have found that succession is more of a lengthy process than an event (Handler, 1994). The process of succession in the family business begins with the preparation of successors as children. Children of business owners are exposed to “shop talk” or the language of the family business practically every night at the dinner table and at virtually every extended family gathering. Longenecker and Schoen (1978) propose a seven stage process of succession which begins with childhood and is highlighted by the entry of the successor into the family business at a lower level and later the ascension of the successor to the leadership of the firm. Successors are prepared or groomed for many years to accept their role of responsibility in the family firm. Succession is a long-term process, not just an event in which there is a management change. Successors work through a socialization process with the incumbent (parent) acting as a chief socializing agent and the successor acting as a novice or learner.

Dyck, Mauws, Starke, and Mischke (2002) view the process of succession as analogous to a relay race, with success dependent on four factors: sequence, timing, baton-passing technique, and communication. Sequence refers to the process of educating the successor to ensure that he/she has the needed leadership skills and business experience to manage the company. Timing is the effective passing of leadership from one generation to the next. Baton passing involves the attention to details in the succession process. Communication refers to the respectful information exchange between the incumbent and the successor. Unless the succession is a sudden and forced event, such as the unexpected death of the incumbent, the process should be thoroughly planned. As Handler (1990) comments, succession should be a mutual role adjustment process between the incumbent and the successor. The incumbent must relinquish power and the successor must demonstrate the ability and desire to assume control of the organization. Moreover, the process does not end with the formal transfer of titles. The successor may be frustrated by an inability to assume control of the organization while the incumbent is still physically present. Trust and mutual respect between the incumbent and successor are necessary for the process to be successful. The family relationship underlying the succession, such as a father-son relationship, may be a significant source of difficulties if past impressions persist (Dyck et al., 2002).

The Behavioral Approach: Initiating Structure and Consideration

Concerning the process of succession, the leadership literature provides some relevant insights. Bryman (1996) reviewed the progress made in the study of leadership over the past 75 years and proposed four stages of leadership studies: the trait approach, the style or behavioral approach, the contingency approach, and the new leadership approach.

In the behavioral approach, which flourished from the 1950s until about 1980, Stogdill and his associates at Ohio State came to identify two broad classes of leader behaviors – task-oriented and person-oriented behaviors. The researchers at Ohio State used questionnaires to survey the subordinates of leaders in numerous organizations, so that the bulk of the information they derived concerned lower level employees (Bryman, 1996). At this time, the Harvard researchers focused on top executives in organizations, which served to bolster the Ohio State studies. Moreover, the Ohio State group found two main components of leader behavior, which they called consideration and initiating structure. Consideration involves concern for subordinates as people manifested by the degree of two-way communication and consultation, mutual trust, respect, and warmth a leader displays toward his followers, while initiating structure involves the degree to which a leader defines and organizes communication channels, group activities, and methods of accomplishing work (Lowin, Hrapchak, & Kavanagh, 1969). Later, these two concepts became the basis for an approach called transactional leadership.

In order for the process of succession to be successful, the incumbent generation must initiate structure and provide consideration for the successor generation. Handler (1990) viewed this process as one of mutual role adjustment in which respect and understanding must come from both sides of the equation. Children of business owners begin a subtle process of initiation into the business as they listen to "shop talk" around the family dinner table. When done correctly, the process grooms successors to understand the intimate details of the family business and to psychologically position themselves for the leadership role.

THE PERSPECTIVE AND ATTRIBUTES OF THE INCUMBENT GENERATION

Researchers have suggested that the person most responsible for the continuity of the family business is the founder or incumbent leader (Barnes & Hershon, 1989). The attributes of owners that have brought them success in business may prove to be stumbling blocks in the succession process. Researchers have looked at the need for achievement and power (McClelland, 1961), an internal locus of control (Brockhaus, 1975), a desire for immortality (Becker, 1973), and a sense of indispensability with respect to the business (Handler, 1994) as characteristics of owners that may interfere with the succession process.

Establishing a Framework for Succession

The very characteristics that brought success to an entrepreneur may render him or her a poor teacher of the next generation. Teaching is an art that requires patience and the loosening of control. Many entrepreneurs have gained success through proactive or dictatorial management styles in which they achieve goals and control events. To prepare successors, they must set aside natural tendencies (Aronoff & Ward, 1991). In regard to incumbent attributes, a good working relationship between the predecessor and the successor is vital to any transfer of power (Cabrera-Suarez et al., 2001). Additionally, the incumbent must be willing to let go of the control of the business (Dyer, 1986). The incumbent must delegate responsibility and allow the successor to make decisions and mistakes (Handler, 1990).

Another primary problem is that some family business owners are reluctant to plan for succession (Ibrahim, Soufani, & Lam, 2001). This reluctance may stem from a desire to retain the position of prominence within the family. Some owners see retirement as a loss of power and status. Some owners value control of the business above all else because they have invested their lives to achieve their status, often at great personal cost. Some entrepreneurs are simply too busy running and controlling the firm to plan for the future (Bjuggren & Sund, 2001). Others refuse to train or coach their chosen successor, resorting to a type of undermining behavior, while some owners simply envy their children (Morris, et al, 1997). They search for fault in the successor and create reasons to fire them (Lansberg, 1988). Still others act as if they are immortal and need no successor (Bjuggren & Sund, 2001). Others determine that they will die in office (Howorth & Ali, 2001).

Yet another problem is described in the literature as the “generational shadow” cast by the founder (Davis & Harveston, 1999: 311). Here, the founder retains a significant role in the business even after the next generation has supposedly taken over. The term refers to an inappropriate involvement, possibly causing disruption in the firm. There are, of course, circumstances in which the older generation may play an important advisory role, but the generational shadow refers to excessive and harmful intervention. In their study, Davis and Harveston (1999) found that the generational shadow of the founder is a primary reason for the increase in conflict found in second generational family businesses compared to first generation firms.

Career Choice and Selection

Concerning the role and attributes of the incumbent generation in family business succession, there is an implicit assumption that a successor is present. While the person most responsible for the continuity of the family business may well be the founder or incumbent generation leader, there can be no succession without an able and available successor. In another study, Stavrou and Swiercz (1999) grouped the reasons for the children of family business owners to enter the business into four categories: family, business, personal, and market dimensions. The family dimension refers to behavior relating to family membership, dynamics, needs, values, relationships, and desires. The personal dimension concerns behavior related to individual needs, goals, and abilities. The business dimension concerns behavior related to the business practices and operations of the firm. Finally, the market dimension concerns employment opportunities in the business community for the offspring of the family business owner. In a similar study, Birley (2002) also noted the four dimensions found by Stavrou and Swiercz (1998). Additionally, Birley (2002) recognized that children coming from the same family often had directly opposing views about entering the family firm and that people may change their minds about entering the family business at a later time in their lives. The worst scenario involves children who are given no choice but to enter the family business, are ill equipped to manage the firm, and spend many years resentfully operating the business until it fails.

The Trait Approach to Leadership

By looking at traits of incumbents and successors, family business researchers have followed in the path laid out by leadership researchers fifty years before them. Recognizing the results of this prior research may shed light on future directions for family researchers. Initially, leadership researchers looked for traits that separated leaders from others (1930 to 1950). Reasoning that individuals, such as Lincoln, Ghandi, and Kennedy, were different in some measurable respect from ordinary people, researchers conducted numerous studies to find these differences. Scholars employing the trait approach searched for personal qualities and characteristics to explain the presence of leadership in individuals and implied that leaders are born. Early researchers examined a plethora of traits, falling into three major categories: physical traits (such as height, muscular build, and appearance), abilities (such as intelligence and speech), and personality characteristics (such as extroversion and self-confidence) (Bryman, 1996). Research results were inconsistent and not replicated among multiple studies, leading both Stogdill (1948) and Gibb (1947) to question the consistency of trait research. By 1950, scholars came to consider the study of leadership traits a failure (Jago, 1982). Additionally, the early trait studies have also been criticized for their reliance on students, supervisors, and lower level managers as subjects to the neglect of executives and high level managers (House & Aditya, 1997).

Interestingly, trait research did enjoy some resurgence in the 1970s and 1980s. Stogdill (1974) revised his opinion concerning trait research, stating that it may be possible that certain traits are universal among leaders. Further, some trait perspectives have found empirical support. Chief among these perspectives is McClelland's Achievement Motivation Theory. The need for achievement has been found to contribute to effective entrepreneurship (House & Aditya, 1997). Additionally, McClelland proposed the Leader Motive Profile Theory (LMP) in 1975. Here, McClelland extended his earlier work in which he recognized three acquired needs – the need for achievement, the need for power, and the need for affiliation. According to McClelland (1975), for leaders to be effective, the need for power must be preeminent, although tempered with a concern for the moral exercise of power. Several subsequent studies have supported McClelland's findings (House, Spangler, & Woycke, 1991). Additionally, an influential study of the inheritability of traits, the Minnesota Study of Twins Reared Apart, began in 1979. If monozygotic twins separated from birth do share common characteristics, there may be some credence to the theory that leadership traits are inherited. However, there are potential problems with this research including the length of time of separation of the twins and the assumption that the twins did indeed have different environments (House & Aditya, 1997). Nevertheless, the most important point to understand is that the trait approach lost favor in leadership circles in the late 1940s and that scholars turned instead to the behavioral or style approach (Bryman, 1996).

THE PERSPECTIVE AND ATTRIBUTES OF THE SUCCESSOR GENERATION

If a family business is to survive, someone has to assume the leadership role when the older generation retires or passes away. While this is conceptually obvious, in practice it can become a difficult situation. The family business literature also describes problems with the successor generation in the path of succession. First of all, some companies lack an interested or capable successor, which brings the succession dialogue to an end because the business will not survive as a family firm. Qualified family members may hesitate to join a family firm for several reasons (Covin, 1994). Some do not want the stress and pressure involved with working with family members. Others simply have different occupational interests. There may be concerns about the fairness of the decision making process, the abilities of co-workers, high turnover among non-family employees, resistance to change, or the fairness of compensation and workload. Some argue that improper management of human resources in the firm, perhaps influenced by family values, has been a major cause of family firm failure (King, Solomon, & Fernald, 2001). Covin (1994) found that a particularly difficult problem for family firms exists in the perception that non-family members may have little chance for advancement in the family firm.

Passing the Knowledge

Succession, by definition, involves the replacement of the founder or incumbent management (Chrisman, Chua, & Steier, 2003). Any time that a management change takes place in an organization the new management may brings its own principles of strategy to the organization. Therefore, succession may lead to changes in strategy and/or structure. When such changes are made, the liability of newness (Stinchcomb, 1965) may be relevant.

During the start-up phase of a business, the strategy and vision for the firm may reside in the mind of the founder. However, as the firm grows and develops, the founder must convey this strategy and vision to others, especially family members. Then, leadership becomes a shared idea (Hoy & Verser, 1994). Problems may arise when new family members enter the firm and fail to understand the sacrifices that the founder made. These new family members may also expect to enter the firm at the top without making sacrifices of their own.

One major problem in the succession process is the need of the successor to acquire the predecessor's knowledge of the business in order to maintain and improve the performance of the firm (Cabrera-Suarez, De Saa, & Garcia-Almeida, 2001). The knowledge embedded in the incumbent owner/manager of a family firm may be viewed as a capability, which can be a source of competitive advantage (Barney, 1991). Another advantage of the family firm is the high degree of commitment among family members and loyal employees to the firm. In the best situations, a sense of belonging engenders a feeling of teamwork inside the company (Ward, 1987). Here, the firm develops trust among its customers for a high level of goods and services, sometimes delivered through unique family techniques and know-how. This knowledge must be passed from the current generation to the successor. The incoming generation must make sense of the resources and capabilities present in the firm, often incorporating knowledge that is implicit and not well articulated (Cabrera-Suarez et al., 2001). Moreover, this passing of knowledge is facilitated when there is a strong working relationship between the incumbent and successor. Relative age and gender may have an affect on this relationship (Dumas, 1998; Davis, 1982).

In another study, Shepherd and Zacharakis (2000) assert that incumbents should structure the succession so that successors feel as though they have invested their own time and money in the family firm. This investment on the part of successors will lead to the assignation of a higher value of the business and a stronger desire to retain the firm, rather than to sell it. Shepherd and Zacharakis (2000) refer to the sunk cost effect, which is defined as the propensity of individuals to let their decisions be influenced by costs incurred at an earlier time. Therefore, if an individual has to invest his own money in the family firm and/or invest his time and effort, he will value the firm more highly and engage in less risky management behavior.

Growth and Development from Follower to Leader

Even when there is an available, qualified successor, more challenges may arise. Often communication is poor between generations–both sides may be hesitant to express their goals in the business. Indirect communication through third parties, such as spouses, can confuse and confound the situation. Feelings of entitlement on the part of the younger generation may emerge. Selfishness and lack of concern for other parties often reigns in family businesses. Lack of forgiveness for mistakes on all sides and lack of appreciation, recognition, and love may be major family obstacles to succession (Hubler & Kaye, 1999).

Furthermore, the successor must be willing and fully committed to the process (Barach & Gantisky, 1995). The successor must demonstrate the necessary skills, performance, and experience for leading the firm (Barach et al., 1988, 1995). The successor needs a thorough training regimen to acquire firm specific knowledge and to develop his/her capabilities (Morris et al., 1997). Exposure at a young age to the company allows the successor to learn about the people and processes involved (Ward, 1987). Additionally, working for other companies may broaden the experience of the successor (Barach et al., 1988). In the best situations, successors receive counsel and instruction from mentors, which may begin informally around family dinners and gatherings (Dyer, 1986). Morris et al., (1997) found a positive correlation between successor education and smooth transitions in family businesses.

In another study of successors, Chrisman, Chua, and Sharma (1998) found that the most important attributes for successors were integrity and commitment to the business. In their literature review of desirable attributes of successors, Chrisman, Chua, and Sharma (1998) developed six categories: relationship to the incumbent, relationships to other family members, family standing, competence, personality traits, and current involvement in the family business. One important consideration is that successors must develop the trust of the family members. Additionally, although primogeniture has been widely used in the past, there is a trend away from the exclusive practice of favoritism towards the first-born male and toward the best qualified family candidate. Chrisman, Chua, and Sharma (1998) concluded that gender and birth order were the least important in their survey and that a manger's years of experience in the family firm was the most important characteristic.

Successors are introduced to the family firm through a socialization process. Garcia-Alvarez, Lopez-Sintas, & Gonzalvo (2002) found two main phases in this process, family socialization and business socialization. The first stage of family socialization occurs during the successor's childhood and involves value transmission and education. The second stage or business socialization begins when the successor enters the business as a full time employee.

Further, Garcia-Alvarez et al. (2002) describe the founder's dependence paradox in which the founder does not retire because he claims that his successors are not sufficiently prepared. However, the founder claims that the presence of successors is his motivation for operating the business for the long term.

Goldberg (1996) proposed that one measure of success for successors is their ability to increase revenues and profits in their companies after assuming the leadership role. He found that effective successors worked in businesses of different types, sizes, and age. Most effective successors had a network of counselors and advisors and had experienced mentoring relationships. Additionally, successors needed to start with a viable business to have a chance for success. Effective successors started in the business full time at an earlier age than ineffective successors. Once in the business, effective successors enjoyed strong relationships with their parents.

Transformational Leadership

We have just described the pattern in which a successor develops from a follower to become a leader in the family business. This development or transformation is essential to the continuity of the business through successful succession. One leadership theory that addresses the issue of the development of followers is transformational leadership. As with other leadership theories previously discussed, the theory of transformational leadership was built upon the foundation of the Ohio State studies. The first two elements used to describe leadership behavior were the concepts of initiating structure and consideration. Initiation of structure is the degree to which a supervisor defines the roles of his/her subordinates in job related activities, specifies procedures, and assigns tasks. Consideration is the degree to which a supervisor develops a trusting and supportive relationship with the subordinate (DeCarlo, Rody, & DeCarlo, 1999; Randolph, 1985). Burns (1978) and Bass (1985) referred to leadership based on these two concepts as transactional leadership. While Burns (1978) saw transactional and transformational leaders as opposite ends of a spectrum, Bass (1985) viewed transformational leadership as encompassing and surpassing transactional leadership. Transactional leaders view leadership as an exchange process between themselves and their employees. In essence, they give to their employees in order to receive something in return (Giampetro-Meyer, Brown, Browne, & Kubasek, 1998). Transactional leadership signaled the growth of management theory away from the use of the employee as an object. However, there is no emphasis on the development of the follower as a respected and responsible person (Bowie, 2000).

Furthermore, the transactional leader may or may not act in a manner that is beneficial to their employees (Farling, Stone, & Winston, 1999). The transactional leader is motivated by the personal drive to achieve and acts in a highly competitive manner to gain success and credit for himself/herself. This transactional leader uses internal politics, focuses on fast action, controls information, gives orders to subordinates, and uses personal power to intimidate rivals (McGee-Cooper & Trammell, 2002). Alternatively, the positive side of transactional leadership is that this type of leader will please the shareholders of a corporation because of the strong emphasis on efficiency and the maximization of short-term financial returns (Giampetro-Meyer, et al, 1998). However, the negative side of this transactional leadership is that bottom-line focus may drive managers to expedient, unethical, or illegal activities. Ethics may become relativistic and be defined, as what top management thinks is right or wrong. Given this scenario, in order to survive, the manager must figure out what his superior desires and, then, give it to him (Giampetro-Meyer, et al, 1998).

THE CHARACTERISTICS OF SUCCESSFUL SUCCESSIONS

Leadership succession, like any business process, begins with an agreed upon or shared goal among the participants. In order to be successful in succession, the owners and managers of the firm must have the goal of transgenerational wealth creation according to Habbershon, Williams, & MacMillan (2003), who refer to the subset of family firms whose performance goal is transgenerational wealth as "enterprising families." While performance is an important goal for all family firms, Chrisman, Chua, & Litz (2003) do not view wealth creation as the only goal of many family firms. Rather, family firms seek a variety of goals, such as providing employment for family members, benefiting the local community, or helping charitable or religious organizations. Many of these goals, while not necessarily economic in nature, wind up advancing the cause of the firm.

Planning and Letting Go

Given an alignment of goals among the parties involved, succession occurs more smoothly when successors are better prepared, when family relationships are based on trust and are cordial, and when there is planning for tax and transfer issues (Morris et al., 1997). Looking at the third item in the list, planning, in general, has long been recognized as a key management activity. Fayol (1949) included planning among his basic elements of management: planning, organizing, commanding, coordinating, and control. Therefore, it is not unusual to find that succession is aided by succession planning, which refers to the deliberate and formal activities that enable the transfer of management control from one family member to another (Sharma, Chrisman, & Chua, 2003a). Moreover, according to Sharma, Chrisman, and Chua (2003a), succession planning involves: selecting and training a successor, developing a vision or strategic plan for the company after succession, defining the role of the departing incumbent, and communicating the decision to key stakeholders. Succession planning should begin well in advance of the actual event (Handler, 1990; Lansberg, 1988). There should be a shared vision among the participants of the outcome of the succession process (Barach & Gantisky, 1995). Harmony within the family characterized by trust and mutual understanding also smoothes the process (Dyer, 1986).

To better explain succession planning, Sharma, Chrisman, and Chua (2003a) draw on the theory of planned behavior (Ajzen, 1987), which states that the probability that a behavior will occur is dependent on the intention of an individual to engage in that behavior. Within this framework, then, intention rests on an individual's attitudes. Therefore, in order for succession to proceed as a planned behavior three attitudes must exist: the incumbent must have the desire to keep the business in the family, the family must be committed to retaining the business in the family, and there must be a trusted and capable successor able to take over the firm. Sharma, Chrisman, and Chua (2003a) found that while incumbents make the decisions regarding the timing and process of succession, the drive behind the decision to proceed with succession lies more in the feasibility of the situation – the availability of a trusted and qualified successor - than in the desire of the incumbent to retain the business in the family. In other words, the drive for succession planning may come as a result of the presence of a capable successor, rather than the need to preserve the family firm. This may lead to repercussions if the incumbent feels pushed out of the business by the successor. According to Davis and Harveston (1998), problems in undertaking a planning process for succession may be attributed to the reluctance of founders or incumbents to accept their own mortality; the desire to retain power; the reticence to choose among the children; or generational envy.

Another key to successful succession is patience on the part of the incumbent as well as the successor (Barach, Gantisky, Carson, & Doochin, 1988). The incumbent must be willing to adjust the organization to fit the skills of the successor. Sometimes companies may be split into a group of related, but independent firms to fit the needs of the incoming generation.

Taking the Reins

While the incumbent must adjust the firm, Barach et al. (1988) found that the successor must obtain credibility within the company by proving his ability to company managers and employees. Credibility is then the key to gaining the status of legitimacy in the firm for the successor. To obtain credibility, many observers believe that it is best for a new family member to work for another business before starting with the family firm. The benefits of delayed entry into the family firm include an opportunity for the successor to gain business experience, self-confidence, and an augmented view of the business environment.

However, research reports that 80 to 90 percent of family members begin working in the firm through summer jobs or low-level employment and that approximately 85 percent of all successors go directly to work for the family business upon graduation from college (Barach et al., 1988). Here, a great emphasis is placed upon gaining knowledge and familiarity with the people and processes involved in the family firm as quickly as possible. On one hand, there are skills which are unique to the business that successors need to develop rapidly, while on the other hand, there are personal relationships that may take many years to develop as employees come to trust the successor over a period of time. This achievement of credibility may take approximately five years (Barach et al., 1988) as successors build their own networks within the firm.

Drawing upon stakeholder theory, Sharma, Chrisman, and Chua (2003b) suggest that families will be most satisfied with the process of succession when the incumbent willingly steps aside, the successor is willing and able to takeover, there is agreement among family members to maintain the family business, individuals are willing to accept their roles, and succession planning exists. The perceptions of the two key stakeholders, the incumbent and the successor, must be aligned in order to facilitate the process. In order to relieve the pressure on family members, there are cases, for example, when the spouse of the owner acts as a behind-the-scenes intercessor between the incumbent and the heir (Morris et al., 1997). Smooth succession will not occur spontaneously, but requires thoughtful cooperation among the various stakeholders involved inside and outside of the family. Sharma, Chrisman, and Chua (2003b) found that incumbents believed the process was better planned because they had been thinking about it informally for years and that the incumbents were more satisfied with succession because they exercised more control over the process. In addition to family satisfaction with the process, successful succession involves continued firm performance after the succession as well.

Servant Leadership

The new leadership approach (Bryman, 1996) is quite applicable to successful succession in the family business. Within the new leadership approach, the well-known theories of charismatic leadership (House, 1977) and transformational leadership (Burns, 1978; Bass, 1985) seek to explain how leaders can effect outstanding results in organizations, motivate employees to very high levels of respect, trust, and performance, and influence followers to share their leader's vision of the future for the organization (House & Aditya, 1997). Nevertheless, charismatic and transformational leadership have some limitations as well. The charismatic aspect can be over-emphasized. In order to galvanize their followers into full support, transformational leaders may display absolutist behavior (Giampetro- Meyer, et al, 1998). Because it is more inspirational to state complex moral dilemmas in simple absolute terms, transformational leaders are likely to make bold assertions concerning difficult issues and to believe that they are correct. This narcissism can encourage leaders to inspire their followers to pursue debatable goals. Taken to the extreme, transformational leaders without limits to their power can become dictators or cult leaders. Examples include Napoleon Bonaparte, Saddam Hussein, or David Koresh of the Branch Davidian cult (Whetstone, 2001).

This problem of narcissism is addressed in another theory called servant leadership. Here, Greenleaf (1970) proposed a different type of leader who views himself as a servant first and a leader second. The guiding principles are to serve others first and then that the results from servant leadership will be evident in the growth of the followers. Therefore, servant leaders do not seek self-aggrandizement or power or fame. Rather, they attempt to positively influence their followers' performance and build their organizations, taking a long-term view of the situation.

Interestingly, Robert Greenleaf does not credit his background at AT&T nor his years of consulting experience for the origination of the concept of servant leadership. Rather, he reports that he conceived of the idea after reading Herman Hesse's *Journey to the East* (Greenleaf, 1977). Hesse's novel details the exploits of a group of men on a mythical journey. A servant of the party, named Leo, grows to the point of becoming the focal character of the group. Leo holds the group together with his spirit and enthusiasm. However, mid-way through the journey, Leo disappears and the group falls apart and abandons the journey. Years later, the narrator of the story finds Leo and discovers that Leo is the leader of the religious order that had sponsored the journey. The man he had known as a servant was all along the leader of an important religious group (Sendjaya & Sarros, 2002). Greenleaf took this concept from the story – the great leader is seen as servant first (Greenleaf, 1977). While Greenleaf is certainly responsible for the resurgence of interest in the concept of servant leadership over the last 30 years, he is not the originator of the practice of servant leadership. Moreover, Jesus Christ lived and taught these basic concepts 2000 years ago (Sendjaya & Sarros, 2002).

So, what does a servant leader do that separates them from other types of leaders? What makes a servant leader unique or different? Spears (1995) compiled a list of ten critical characteristics of the servant leader drawn from careful study of Greenleaf's writings. The list includes: (1) listening, (2) empathy, (3) healing (both for oneself and others), (4) awareness (in general and of oneself), (5) persuasion (rather than positional authority), (6) conceptualization (broad-based conceptual thinking or long-term dreams), (7) foresight (the ability to foresee the outcome of events), (8) stewardship (holding something in trust for another), (9) commitment to the growth of people, and (10) building community.

THE PROBLEMS IN FAILED SUCCESSIONS

Conflict in the family, whether inside a business or not, has been a literary theme for thousands of years (Grote, 2003). The ancient Greeks recounted tales of strife, such as Aeschylus' *Agamemnon,* Sophicles' *Oedipus Rex,* and Euripides' *Medea.* In the *Bible,* the book of *Genesis* portrays open conflict involving sibling rivalry and poor succession planning. Cain's jealousy of his brother Abel led to murder. The intense sibling rivalry between Esau and Jacob resulted in intrigue, plotting, and usurpation on the part of the younger and craftier brother, Jacob. Later, Jacob's own sons sold their brother, Joseph (Jacob's favorite), into slavery in Egypt because they were jealous of him.

Holding On

Moreover, the French anthropologist, Rene Girard (1996) claimed that jealousy is inevitable because human desire is inherently imitative. Following Girard (1996), Grote (2003) refers to the phenomenon of borrowed desire, giving examples such as the cupidity of children in nurseries for the toys of others, the husband who desires his wife only because others desire her, and advertising that works because people want what others have. Grote (2003) continues on to describe what he terms the theory of the double bind. Here, the subject desires an object because the rival desires it. So, the rival alerts the subject to the desirability of the object. For example, in the context of the family firm, the parent may encourage the child to take charge of the business, yet at the same time, refuse to let go of the control. Failure in succession, then, may come as a result of excessive conflict and rivalry within the family.

Dropping the Baton

In the terminology employed by Dyck, Mauws, Starke, and Mischke (2002), the process of succession is compared to a relay race. Far too often, family businesses fail to successfully complete the race. Research has revealed many other reasons for succession failure, including unclear succession plans and incompetent or unprepared successors (Sharma et al., 1996). Another explanation for failure in succession may be an inappropriate relationship between a firm's past and present (Miller, Steier, & LeBreton-Miller, 2003). It is possible to hold too firmly to the past, to blend the past and present incongruously, or to reject the past in a wholesale manner. Miller, Steier, and LeBreton-Miller (2003) refer to these three ineffective patterns as conservative, wavering, and rebellious. In the conservative pattern, the new CEO remains dependent on the old ways of operating, even after the prior CEO has retired or passed away. The firm remains locked in the past and very little change is allowed to occur. The second ineffective pattern is characterized by successors who are indecisive and wavering. There is a tendency to start new programs and then to abandon them before they are completed. This start – stop pattern wastes time, energy, and money and is a common manifestation of the waging of power struggles in which factions gain and lose power within a company. Finally, the third ineffective pattern is characterized by new leadership actions that attempt to overthrow and erase the past and its practices. In this attitude of rebelliousness, the new CEO desires to leave his/her mark on the business in a rapid and chaotic manner. This situation is most common when the successor did not enjoy a good relationship with his/her predecessor. Often the resources of the firm are depleted quickly. Miller, Steier, and LeBreton-Miller (2003) trace the above three syndromes to family dynamics. The conservative problem is hypothesized to be a result of an idealized domineering parent who engenders subservience on the part of the child; the wavering problem is the result of a conflicted and unresolved parent-child relationship; and the rebellious syndrome is the result of a relationship full of rejection and independence.

The Contingency Approach to Leadership

Family business researchers have recognized the importance of situational factors, such as industry context, family context, and social context for successful succession in family firms (Le Breton-Miller, Miller, & Steier, 2004). In the late 1960s, leadership scholars, recognizing problems with the behavioral approach, initiated the next wave of leadership research, known as the contingency approach (late 1960s to early 1980s). Here, they placed situational factors toward the center of understanding leadership. Fiedler's contingency model of leadership (1967) stated that situational variables interact with leader personality and behavior. Furthermore, Fiedler (1972) referred to the three dimensions of situation favorableness as leader-member relations, task structure, and position power. Leaders will have more power if their relations with followers are built on trust and respect. The leader will have greater influence in situations involving well-defined, clearly structured tasks than in situations with vague, unstructured tasks. Finally, leaders will have more influence if their position allows them to reward and punish their followers. Over many years of research, Fiedler concluded that task oriented leaders are most effective in high control and low control situations and that relationship oriented leaders are more effective in moderate control situations. One implication of Fiedler's work was that because it is difficult to change a leader's personality, it is better to change the work situation to fit the leader (Bryman, 1996). Supporting researchers found that leadership effectiveness is influenced by the perception among followers that the leader is competent in the task and able to reward them (Justis, 1975).

CONCLUSION OF LITERATURE REVIEW

Scholars have noted that the dominant topic in family business research has been leadership succession (Dyer & Sanchez, 1998). Furthermore, researchers in the family business paradigm have developed their own vocabulary in reference to leadership succession, operating in an apparently independent fashion from the mainstream leadership movement. This chapter recounted many similarities in ideas between the two streams of literature. Reviews of the literature (Handler, 1994; Le Breton-Miller, Miller, & Steier, 2004) recognize approximately five categories of studies: succession as a process, the perspective and attributes of the incumbent generation, the perspective and attributes of the successor generation, the characteristics of successful successions, and the problems in failed successions. I have examined the role of the incumbent and the role of the successor in each of the five areas of study. Furthermore, this chapter applied relevant leadership concepts to the same areas of study in an attempt to bridge the gap between the two streams of research. This review found that the four basic approaches to leadership studies – the trait approach, the behavioral approach, the contingency approach, and the new leadership approach (Bryman, 1996) are all applicable to family business studies. I have attempted to highlight this applicability and to stimulate leadership studies in family business. Further work is needed to develop and test the leadership concepts in the family business area, using both qualitative and quantitative approaches.

While the literature review reveals that all four of the leadership approaches can be applied to family business studies, early family business studies more closely paralleled the trait approach. For example, in the revived trait approach to leadership, McClelland's (1975) research has been applied to the entrepreneur as an individual with a high need for achievement. First generation family business leaders are often characterized as entrepreneurs and this appears in their leadership style. For many years, family business researchers focused on the founder or incumbent generation leader as their primary interest (Ward, 1987) and studied their traits. I have noted similar parallels with the behavioral and contingency approaches. In the process of leadership succession, the behavioral constructs of initiating structure and consideration appear especially conducive. Also, the contingency approach is relevant for the study of problems in failed successions.

Although family business studies remain open for research in all leadership approaches, the application of the new leadership approach seems especially inviting. This area currently enjoys the greatest degree of leadership scholarly interest and there are many unexplored facets, especially in connection with family business. As highlighted in Table 1 of this chapter, I found in the literature review that an opportunity exists to apply new leadership approaches to the perspective and attributes of the successor generation. The literature reveals that a greater amount of research has been applied to the incumbent generation (Ward, 1987; Handler, 1994) than to the leadership of the successor generation. Therefore, I believe that a study of successor leadership in light of the new leadership approaches of transformational leadership, charismatic leadership, and servant leadership is needed. Based on existing studies, I expect to observe different types of leadership manifested among successors in family businesses, including charismatic or transformational leadership and servant leadership.

CHAPTER 3:
RESEARCH QUESTIONS AND METHODOLOGY

Leadership is a particularly important issue in family business for the following reasons. First, family firms differ from other businesses in that family firms may have non-performance-oriented goals that take precedence over the goals of growth and profitability (Chua, Chrisman, & Steier, 2003). This comparative ambiguity in goals and objectives complicates the leadership process within the family firm because leaders have to consider multiple factors beyond firm performance. Second, although compared to non-family firms, family firms may have a more centralized decision-making process, less formalized systems, more intimate communication, and a more long-term approach (Morris et al., 1997), they also exhibit a greater potential for sustained conflict among involved actors. Finally, the issue of succession is far more important for family firms than non-family firms. Family business leaders view succession as integral to the survival of the firm, while some researchers in executive succession have highlighted leader idiosyncrasies and situational differences (Rubenson & Gupta, 1996).

These characteristics suggest that family business studies in general can benefit from the insights of the field of leadership. Despite this potential for cross-disciplinary enrichment, there is little dialogue between family business researchers and leadership theorists. Even though research on succession in family business necessarily addresses leadership issues, family business scholars have not explicitly attempted to incorporate important insights from the leadership area. For example, Bryman's (1996) four approaches to leadership would be particularly relevant to the study of succession in family business. Within Bryman's (1996) approaches, the new leadership approach, incorporating the concepts of transformational leadership and servant leadership, is the most relevant to this study because of its more recent development and the existence of unexplored facets of interest to researchers.

In addition to incorporating leadership theory, the family business literature can benefit from greater attention to the study of the successor generation in the context of business succession (Handler, 1990). Researchers have proposed that founder leadership has an overshadowing affect on subsequent generations in the family business and is central to the formation of organizational culture, which continues beyond the tenure of the founder (Kelly, Athanassiou, & Crittenden, 2000). I concur that the first generation family business leader is often perceived to be entrepreneurial in their leadership style and as such may prove to be a transactional or perhaps transformational leader. Often, the motivation of a first generation family business leader is to start a new business that will prove to be beneficial to the leader and his family.

However, in the case of the succeeding generation, there is a lack of research or even speculation concerning the style of leadership employed by the successor in the family business. In comparison to the founder, the motivation of the second or subsequent generation family business leader is far different (Birley, 1986). The issue of successor leadership is complex because this individual may not have the same motivation for entering the business as the founder before him. I propose that this individual enters the family business to sustain the firm or perhaps to grow the firm, more as a manager than as an entrepreneur. Further, I suggest that the successor may well be an entirely different type of leader than the founder of a family firm. As opposed to the founder of a family firm, the successor typically enters the firm on a lower level and works his way up through the ranks as he acquires knowledge of the firm. This person begins as a student of the family firm. As the years pass, the successor must grow into the role of a manager of the firm and acquire the predecessor's knowledge of the business in order to successfully lead the company (Cabrera-Suarez, De Saa, & Garcia-Almeida, 2001). The successor must await the time when the founder steps down and turns over the leadership of the business (Stafford, et al., 1999). He or she must be fully committed to the succession process (Barach & Gantisky, 1995) and become the leader of the firm. This view of the successor entails growth and development from student to manager to top executive. Then, in order to perpetuate the cycle, the successor becomes a teacher or mentor for the next generation and finally passes the business to the subsequent generation, becoming an advisor or consultant. From this perspective, I further suggest that the successor in a family business must possess flexibility and good communication skills, while also subordinating his ego to the founder without losing the ability to lead the firm at the appropriate time. The successor must gather the necessary experience and demonstrate the skills required to lead the company (Barach, et al., 1988) and develop the trust of family members (Chrisman, Chua, & Sharma, 1998).

This study makes two contributions to the family business literature. First, it explicitly incorporates leadership theory more fully into the context of family business. Second, it fills a gap that exists in the family business literature created by a focus on the leadership style of the founder to the exclusion of the leadership style of subsequent generations. Therefore, because the successor may well be an entirely different type of leader than the founder, research is needed to focus on the leadership of the successor in the family business. While leadership is especially important for family businesses because of the multiple and ambiguous goals of family firms, the great potential for sustained conflict among involved actors, and the heightened importance of succession to survival of family firms, a gap exists in the literature regarding the role of successors as leaders. In this study, I will examine the leadership styles of family business successors and the reflection of that leadership in their organizations. As successors, I will note their rise through the family business and how this background may affect their leadership.

RESEARCH QUESTIONS

Given the relative absence of academic research on the leadership style of successors in family business, it was necessary to supplement the academic insights with my personal experience and the preliminary results of a pilot study specifically conducted for this purpose. Therefore, in framing the questions for research, I have drawn from three sources: the academic literature, my personal experience in a family business, and a pilot study. Having explored the academic literature at some length, I will now address the other two elements briefly.

Personal Experience

John Cater, Sr., founded Cater's Furniture in 1925 in West Palm Beach, Florida. Having moved from the greater Atlanta, GA area because of an economic crisis occasioned by the widespread destruction of the cotton crops by the boll weevil, he guided the retail company through the difficult years of the Great Depression and the Second World War. In the 1950s, John Cater, Sr. expanded the operation to include three locations in Palm Beach County. The intense involvement of the family in the business resulted in high expectations for succeeding generations. One favorite family story relates that when the author was born in 1959 that John Cater, Sr. happily announced, "Now, we have somebody who can run the business in the future."

Upon the death of the founder in 1968, John Cater, Jr., become president and CEO of the company. For a period of fifteen years, he repurchased the company's stock, which his father had dispersed among the extended family. While John Cater, Sr. had managed the company conservatively through a very difficult time period, John Cater, Jr. decided to lead the company in a different direction. Although he honored the founder of the company by, among other things, keeping a portrait of him on display prominently in his office, John Cater, Jr. clearly had his own leadership style. Repeatedly, he attempted to "do things differently" and to not make the same mistakes that his father did. Most notable among his decisions was to tighten the ownership of the company to include only the immediate family. As a second-generation leader, John Cater, Jr. capitalized on a growing economy in South Florida with an aggressive expansion program in the 1980s. Upon graduation from college in 1983, the author entered the business and participated in the growth and development of the company to a peak of eight retail locations in Palm Beach, Martin, and Indian River counties. During the period from 1983 to 1990, sales revenues increased soared from $6 million to $20 million and profits grew accordingly. Also, during this time period, the author's star rose as he moved from assistant store manager, to store manager, to manager of two stores, to vice president.

However, the 1990s were not as kind to Cater's Furniture. In hindsight, perhaps the expansion was done too rapidly because several of the store locations had high leases, with hefty $10 plus per square foot rents. The Caters closed the high lease stores in the early 1990s and then sold four stores to Heilig-Meyers Furniture as heavy and sophisticated competition, including the nation's number one furniture retailer, Rooms To Go, moved into our market area. By the end of the decade, it became apparent that the succession to the third generation would be extremely difficult if not impossible. Although the family owned three valuable properties in Palm Beach County (two stores and a warehouse), the operation of the business was still not profitable in spite of the downsizing efforts. Further, the dark cloud of a large inheritance tax loomed on the horizon. When President Clinton vetoed the Republican-sponsored inheritance tax reduction bill, the chances of the third generation succeeding in the business dropped considerably. For the business, the best alternative became a liquidation of the inventory and real estate assets of the firm in order to provide for the second generation's retirement and to preserve some value for the third generation.

This experience in a family business has taught the author that business leadership is complex and that the presence of family issues in a business adds to this complexity. The author observed his father's leadership closely and believes that his motivation, objectives, and style were consciously different from that of the founding generation in regards to business growth and ownership consolidation within the immediate family. Also, the author learned about the furniture industry and how to lead the firm from his father as he did from his father. In this regard, the author shared the background of the successor with his father. While the author's personality is entirely different from his father's, the training and development inside the firm impacted the leadership styles in a similar manner. While John Cater, Sr., as the founder of the firm, did cast a shadow on the succeeding generations of the firm, the successors freely chose to enter the firm. The successors assumed a generational burden that they did not create. This experience leads the author to believe that there is much to learn about family business, especially in regard to successor leadership.

Pilot Study

Although the academic literature and personal experience were valuable in shaping my thought process for this study, I also felt a pilot might provide additional insight. I interviewed ten Baton Rouge area family business leaders. Please see Appendix 1 for a summary of interview notes for the pilot study. I asked open-ended questions concerning the individual, the company, and the involvement of the family in the leadership of the company. The interviews were exploratory in nature. I found that there are many subtle issues concerning successor leadership that have been left largely unresearched. Often, the respondents, while directly involved in family businesses, had some trouble articulating the issues. In the following table, I give a summary of the participants in the pilot study.

Table 3.1: Pilot Study Participants

Firm	Industry	Date Founded	Respondents	Respondent's Position	Generation
ACME Refrigeration	Wholesale Air Conditioning	1945	John Kaiser	Retired Owner & Sales Manager	2nd
			Adrian Kaiser	Chairman of the Board	2nd
			Manny Kaiser	President & CEO	3rd
Baton Rouge Coal & Towing	River Tug Boats	1902	Jack Jackson	Retired CEO	3rd
Billy Heroman's Flowerland	Retail Floral & Gift	1878	Billy Heroman	Chairman of the Board	2nd
			Robert Heroman	Employee	4th
Naylor's True Value Hardware& Garden Center	Hardware & Garden	1953	John Naylor Sr.	Retired Owner	1st
			John Naylor Jr.	CEO	2nd
Seale Funeral Services	Funeral Home	1957	Mickey Seale	CEO	2nd
			Stacey Seale	Vice President	3rd

While the academic literature and my personal experience provided some insight into successor leadership, the pilot study enabled me to fine tune my research. The pilot study helped to get a better grasp of the issues concerning successor leadership and helped to ascertain what questions would be relevant for further examination. Additionally, the pilot study indicated that the leadership of family business founders may be entrepreneurial in nature and that these individuals may be perceived as transactional or perhaps, transformational leaders. The path successors take to the top of a family business is different from that of founders, who start an organization as the leader. Typically, successors must learn from the incumbent generation first and serve under the incumbent generation before they are allowed to take a leadership role.

While this does not preclude founders from the ranks of servant leaders, a good fit may exist between the role of the successor and the servant leader. When I consider the answers I received to the question, “why did you come into the business?” The successors usually responded, “because of my pride in my family” or “because my father wanted me to join the family business.” The reasons successors enter the family business may not be the same as the founders. Successors may enter the family business to please other people. There may be some self-interest in this, but I see this as a servant attitude, which flows nicely into the concept of the servant leader as described by Greenleaf (1970).

Upon reflecting on the pilot study, I believe that the concepts of the new leadership approach, especially that of servant leadership are relevant to family firms. Moreover, I question if servant leaders are present in older family businesses – firms that have passed from the founding generation to the second generation successfully. Also, I question if the presence of servant leaders may be a large underlying reason for the successful transfer of the family firm to the second generation and beyond.

Starting from the broad framework of the literature review and then narrowing the focus for this project through the pilot study, I have arrived at the following set of research questions:

Research Question 1: Why do successors join the family business?

Research Question 2: Once successors enter the family business, how do they grow and progress from being followers to leaders?

Research Question 3: Does the leadership style of the successor differ systematically from the founder?

Research Question 4: What are the leadership qualities of successors in family businesses?

METHODOLOGY

The above questions required a flexible research program in order to gain an understanding of successor leadership. I employed both quantitative and qualitative approaches; therefore, I will briefly discuss the philosophical bases of these approaches. Berger and Luckman (1966) assert that the underlying philosophical foundation for qualitative research is constructionism, which says that reality is not objective, but that it is socially constructed or given meaning by people. There has been a trend toward constructionism since the early 1980s. Constructionists focus on the way people make sense of the world through the medium of language and are concerned with what people are thinking and feeling. In contrast, the underlying philosophy of quantitative research is positivism, which states that the social world exists externally and can be measured objectively. Positivists trace their roots back to the French philosopher, Comte (1853). Positivism requires the independence of the observer from the situation, seeks to identify causality or laws that explain behavior, uses hypotheses and deduction, operationalizes constructs, and generalizes. Easterby-Smith, et al (2002) give the following analysis.

Table 3.2: Philosophy of Research

	Positivism	**Constructionism**
The observer	independent	part of what is being observed
Human interests	irrelevant	main drivers
Explanations	demonstrate causality	general understanding of situation
Research	hypotheses & deductions	gathering rich data
Concepts	operationalized to be measured	incorporate stakeholders perspectives
Units of analysis	simplest terms	whole situation
Generalization	statistical probability	theoretical abstraction
Sampling	large numbers	small numbers of cases

A Comparison of Qualitative and Quantitative Research

Qualitative research takes place in the real world, rather than the artificial world of the laboratory. The researcher does not manipulate the variables, but studies subjects in their natural setting. Qualitative research gives detailed information about a small number of people or cases, which are selected purposefully, and tells a story (Patton, 2002). Often, the researcher is the instrument of research and therefore must be skilled and disciplined in order to produce quality work. Qualitative research typically asks open-ended questions. Sometimes, the researcher participates directly in the project in the field. A well-written qualitative report takes the reader into the field through the power of words and imagination. Qualitative works often use the first person active voice in writing, while quantitative reports employ the third person passive voice. Qualitative data is focused on words rather than numbers. Here, we seek rich descriptions that are full of detail. We are concerned with the real life context in which events occur. Stories are often the best means of conveying concepts and ideas. Qualitative research can be very labor-intensive with researchers spending months or even years collecting data. They may experience data overload in which there is too much information and coding the data is difficult and time consuming. Qualitative research is often concerned with the everyday life of individuals, groups, or organizations. The researcher seeks a holistic view of the situation and attempts to capture the inside story.

Qualitative researchers must be cautious because researcher presence may alter the natural setting; therefore, they practice reflexivity or self-awareness in their research. There are three kinds of qualitative data: interviews, observations, and documents. Qualitative researchers use triangulation – multiple methods, multiple data sources, and multiple researchers – to validate their research.

Quantitative research by contrast is parsimonious, systematic, and standardized. Here, researchers use large samples that are randomly selected. Surveys, using predetermined response categories, are a common quantitative instrument. Criticisms of quantitative research include assertions that it is inflexible, artificial, and not effective for processes or significance that people attach to actions (Easterby-Smith, Thorpe, & Lowe, 2002). Quantitative methods tend to focus on what is, rather than to aid in generating new theory. The two kinds of research are not mutually exclusive, rather qualitative research may supplement quantitative analysis by giving illustrations and examples in addition to numbers and statistics.

Types of Qualitative Research

Although qualitative research may follow numerous designs, I will focus on three of the leading types: grounded theory, ethnography, and the case study approach. In the first of these three approaches, Glaser and Strauss (1967) developed the grounded theory approach, using what they called the comparative method as they collected their data. According to Glaser and Strauss (1967), a good theory should allow the researcher to analyze the subject and enable the researcher to generalize on his findings. Grounded theory calls for the researcher to be immersed in the data and to guard against imposing a theory prematurely. Data collection and analysis are done simultaneously, constantly comparing the new data to the old as it comes in. There are three steps in data analysis – open coding, axial coding, and selective coding. In open coding, the researcher seeks to understand categories in the data. In axial coding, the researcher seeks to connect categories and sub-categories. In selective coding, the researcher seeks to identify the core category or central phenomenon.

A debate developed between Glaser and Strauss over differences in their approaches to grounded theory. Glaser (1978) asserted that the researcher should start with no presuppositions and allow the theory to emerge from the data. In other words, literature reviews would prejudice the researcher and were not needed. Strauss (1987) countered that this position was very difficult to maintain and that the researcher should familiarize himself with existing research because preconceptions are inevitable. Strauss (1987) went on to enumerate structured processes to follow for grounded theory research. In response to this, Glaser (1992) claimed that "if you torture the data enough, it will give up." In any event, grounded theory seeks to generate theory and this emphasis separates it from most qualitative theory.

The second type of qualitative research is ethnography, the primary method of anthropology. Ethnos is Greek for "a people" or cultural group. Ethnography uses participant observation to study and understand other cultures. Early ethnographic studies made tremendous contributions to the study of management. Whiting Williams disguised himself as a day laborer in a Pittsburgh steel plant in 1919 in order to learn of the working conditions and improvements needed on a first-hand basis. Donald Roy (1950) went inside a factory and worked as a machine operator to produce his famous work on job satisfaction and informal interaction referred to as "Banana Time." In ethnography, the researcher makes first-hand observations as he is immersed in a culture over an extended time period. Because the culture is unfamiliar, the researcher must keep close records in order to make sense of the situation and act as his own research instrument. In a more recent example, Schultze (2000) went inside the information systems department of a large company to gain an understanding of rapidly evolving technology and the strain it places on workers. She wrote a reflexive, confessional account of her study, outlining the risk for a researcher to spend tremendous amounts of time and effort for what may be questionable results. Ethnography looks beyond what people say in interviews to what they actually do on the job. The method requires extensive time in the field and emphasizes writing skill and the use of thick description.

The third type of qualitative research and perhaps the most commonly employed is the case study method in which the researcher looks in depth at one company or a small number of organizations over a specified time period. A case is a phenomenon of some sort occurring in a bounded context and is the unit of analysis (Patton, 2002). Cases may involve individuals, small groups, organizations, communities, or even nations. Yin (1993) and Eisenhardt (1989) are the most highly recognized authorities on the case study method. The qualitative case study seeks to describe the subject in depth and detail (Patton, 2002). The case study is bounded by a specified time frame (Miles & Huberman, 1994). Additionally, the case study employs multiple sources of evidence, which serve to "triangulate" the data. The term triangulation is borrowed from the practice of land surveying in which multiple lines of sight are used to establish measurements in the field. Therefore, in a single study, the researcher may converge the evidence from a variety of sources to discover the facts. Further, Patton (2002) recognizes four types of triangulation: (1) data triangulation – the use of several data sources in a study, (2) investigator triangulation – the employment of more than one researcher in a case, (3) theory triangulation – the use of multiple perspectives to interpret data, and (4) methodological triangulation – the use of multiple methods in one study.

Qualitative Analysis

According to Miles and Huberman (1994), researchers may attempt multisite, multimethod studies to overcome questions of generalizability. However, methods of analysis are not always well formulated and there is not a complete agreement on what is best. Further, Miles and

Huberman (1984) outline three approaches to qualitative data analysis: interpretivism, social anthropology, and collaborative social research. Interpretivists see human activity as text or symbols expressing layers of meaning. Social anthropologists primarily use ethnography and are concerned with everyday behavior. In collaborative social research, collective action is undertaken in a social setting. Additionally, researchers should employ the attitude of reflexivity, which is a questioning stance, rather than accept data at face value. Miles and Huberman (1984) also suggest the use of dialectics, which involves formulating, juxtaposing, and synthesizing opposing interpretations of the data. Noting that qualitative data is based on observation, interviews, or documents, Miles and Huberman (1984) view qualitative analysis as a process in three parts, including data reduction, data display, and conclusion drawing/verification.

Qualitative research designs vary from tightly constructed designs to loose, exploratory endeavors. Most often research falls between the two extremes. In order to convey the concepts of research designs, Miles and Huberman (1984) assert that conceptual frameworks are best done graphically. In this regard, the researcher should avoid double arrows and no-risk frameworks. Further, Miles and Huberman (1984) claim that research questions may be formulated before or after the conceptual framework.

The Case Study Approach

In choosing a research strategy, Yin (2003) recognizes the importance of three conditions: (1) the type of research question posed, (2) the amount of control a researcher exercises over behavioral events, and (3) whether the study focuses on historical or contemporary events. I elected to employ a case study approach. According to Yin (2003; 13), a case study is "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident." Further, by studying processes and exploring meanings, case study research seeks to answer 'how' and 'why' questions, using the reference point of involved actors as opposed to pre-determined solutions imposed by the researcher (Howorth & Ali, 2001). While experiments and histories also answer "how' and "why' questions, the case study method is advantageous when the investigator is interested in 'how' and 'why' questions within a contemporary context over which the researcher has little or no control (Yin, 2003). Also, in an improvement over an historical perspective, the case study approach may involve direct observation of events or interviews of the persons involved. Case studies may have different goals, such as to give description, test theory, or generate theory (Eisenhardt, 1989). Additionally, case studies usually combine several data collection techniques, such as interviews, questionnaires, observation, and archival data. This information may be either qualitative or quantitative or both (Yin, 1984). Following in the theoretical groundwork laid by Eisenhardt (1989) and Yin (1984), this study will utilize both qualitative and quantitative techniques.

Selection and Number of Cases

In selecting cases, Eisenhardt (1989) asserts that randomization is not necessary, nor is it preferable. The goal of the research is to choose cases that are likely to replicate or extend the theory. Therefore, qualitative samples should be purposive rather than random. Researchers look for critical cases to prove their main findings or confirming cases, disconfirming cases, extreme cases, or typical cases. Some researchers believe prior instrumentation blinds the researcher, while others claim that one must focus the research to avoid too much information and bias (Miles and Huberman, 1984).

Multiple cases add confidence to findings. Yin (2003; 53) stated that multiple case projects are preferable because they avoid the risk of putting "all your eggs in one basket." In other words, the risk of making mistakes in your conclusions is reduced with multiple cases. Yin (2003) also compared the addition of cases to the addition of experiments, looking for replication. Eisenhardt (1989) proposed that the researcher should continue adding cases in an iterative process until the incremental improvement is minimal. While there is no ideal number of cases, Eisenhardt (1989) believed that between 4 and 10 cases is best. In response to Eisenhardt (1989), Dyer and Wilkins (1991) asserted that in depth study of a single case and deep description might be more valuable than spreading research time and resources thinly over more cases. Dyer and Wilkins (1991) referred to some classic case studies, using single cases, to support their view. Creswell (1998; 63) concurred with Dyer and Wilkins (1991), stating, "The more cases an individual studies, the greater the lack of depth in any single case." Creswell (1998) called for researchers to limit the number of cases to four. Eisenhardt (1991) replied with a list of classic case studies that used multiple cases. In the table below, I list some recent family business studies that employed the case study method and the number of cases in each study.

Table 3.3: Family Business Case Study Research
(Table Continued)

Study	**Journal**	**Description of cases**	**Research problem**
Barach & Ganitsky (1995)	Family Business Review	1 Canadian retail firm	Successful succession
Dunn (1999)	Family Business Review	3 Scottish firms	Family relationship dynamics
Dyck, Mauws, Starke, & Mischke (2002)	Journal of Business Venturing	1 U. S. manufacturing firm	Process of succession
Garcia-Alvarez, Lopez-Sintas, & Gonzalvo (2002)	Family Business Review	13 Spanish firms	Socialization of successors
Miller, Steier, LeBreton-Miller (2003)	Journal of Business Venturing	16 U.S. firms	Patterns of failure in succession

Murray (2003)	Family Business Review	5 U. S. firms	Process of succession
Santiago (2000)	Family Business Review	8 Philippine firms	Succession planning
Tsang (2002)	Journal of Business Venturing	10 Chinese firms	Organizational learning

Cases for This Study

I selected six cases for in-depth analysis. I chose this number of cases so that there would not be a problem if attrition occurred. Six cases falls within the range suggested by Eisenhardt (1989) and Cresswell (1998). Due to time and cost constraints, I selected six family businesses within the greater Baton Rouge area. The firms vary by industry and size. I purposefully chose firms from different industries, including air conditioning wholesale, pest control, automobile sales and service, printing, funeral service, and air conditioning service. The size of the firms is small, varying from 16 employees to 95, averaging 56. A major criterion for selection was that the firm had experienced one leadership succession. Further, I selected firms in different stages of development, from first generation leadership to second-generation leadership to third generation leadership or beyond. I used one firm from the pilot study that fit the established criteria.

Data Collection Methodology

The primary data collection methods included qualitative interviews, observation of the participants, documents supplied by the participants, and a survey questionnaire-the Organizational Leadership Assessment (OLA).

Qualitative Interviews. I began with in-depth qualitative interviews of the top management team of each selected firm. This necessitated that the families still be actively involved in their businesses. These interviews were semi-structured in nature and they were tape-recorded. The interviews were conducted individually with the members of the top management team at each family firm. The interviews were transcribed. The interviews varied in length from 20 minutes to two hours, averaging 45 minutes.

Observation. I observed the actions and interactions of the managers in each family firm throughout the process. I informally observed their leadership styles in connection with the research process. Field notes and informal conversations complemented the taped interviews.

Documents. I asked members of the management teams to supply company documents and family information as available. I also requested newspaper and magazine articles, advertisements, company catalogs, and other documents. I also made an effort, when I felt it was necessary, to gather this information independently.

Survey Questionnaire. The final major data collection method was the administration of a survey questionnaire designed to examine the leadership practices and beliefs of each firm and their impact throughout the organization. For this purpose, I used the Organizational Leadership Assessment (OLA), developed by James Allen Laub (1999). See Appendix 2. The OLA was developed using the Delphi process with a panel of 14 leadership experts. Laub (1999) tested the instrument in the field with 828 participants from 41 organizations and found a reliability of .98 (Cronbach-Alpha) for the OLA. Laub (2003) also reports strong construct and face validity. Subsequently, the OLA group reports that the instrument has been used successfully in multiple doctoral dissertations as well as for organizational diagnosis and consulting.

The OLA assesses organizational health based on six key dimensions, stating that healthy organizations display authenticity, value people, develop people, build community, provide leadership, and share leadership. Further, the OLA is designed to identify six levels of organizational health, beginning with the lowest level – toxic health – and moving up to poor health, limited health, moderate health, excellent health, and optimal health. An autocratic mindset typifies the two lowest levels of organizational health, a paternalistic mindset characterizes the middle levels of health, and a servant leadership approach relates to the two highest levels of organizational health.

Content Validity. The survey consists of 66 items that the respondents rated, using a 5-point Likert scale. Each of the six facets or sub-dimensions is represented by at least ten items. In this regard, content validity addresses the issue do the items measure what we intend to measure. According to Nunnally and Bernstein (1994), content validity involves sampling from a pool of required content or the adequacy with which a specified domain is sampled. We can ensure content validity in terms of a well-formatted plan and procedure of test construction before the actual test is developed, rather than evaluate this after construction of the test. The two major standards for ensuring content validity, a representative collection of the items, and a “sensible” method of test construction, such as multiple-choice questions, are met with the OLA.

Common Method Bias. One problem concerning the sole use of the OLA as a survey instrument is common method bias—variance that is attributable to the measurement method, rather than the constructs the measures represent (Nunnally & Bernstein, 1994). In other words, we will measure the dependent and independent variables with the same instrument, meaning that self-report bias may occur when the respondent provides the measure of both the predictor and criterion variable (Mossholder & Bedeian, 1983). Additionally, some common rater effects include the consistency motif (when the respondent tries to maintain consistency in their responses), social desirability bias, leniency bias, acquiescence bias, and mood state. Finally, there are item characteristic effects (social desirability, item ambiguity, positive or negative wording), and item context effects (item priming, scale length).

Reliability. According to Laub (1999), the OLA meets the concern of reliability with a Cronbach's alpha score of .98. Reliability refers to consistency, precision, and obtaining the same score over and over again. Moreover, reliability is a necessary, but not sufficient condition for validity. We can increase reliability on tests by increasing the number of questions, reducing administrator bias- making sure the instructions are clear and presented in the same manner, making sure that the questions are written clearly, unambiguously, and without technical jargon the respondents may not understand, and avoiding noise or distractions during the test. On the survey, the items are stated strongly in order to obtain variance in response, rather than using items to which everyone would agree. Additionally, the OLA has avoided trivial item redundancy, such as using the same words in a different order. Also, the survey does not confuse respondents with negatively worded items. However, the OLA does use a 5-point format, allowing some respondents to use the "neutral" response of a middle choice.

Reliability measurement choices include: logical analysis, the test-retest method, parallel testing, split-group testing, and internal consistency. Logical analysis involves critical thinking in which we logically consider the situation and make sure that everything makes sense. The test-retest method involves administering the same test to the same group more than once with some specified time interval in between. Parallel testing involves testing the same concepts in similar but different tests. Split-group testing involves dividing the group taking the test into two groups and comparing the results of the groups. Internal consistency measures the test items among themselves to be sure that you are getting the same responses to the same type of question. This is probably the best measure. According to Nunnally and Bernstein (1994), internal consistency describes estimates of reliability based on the average correlation among the items within a test. Coefficient alpha reflects the number of items and their average correlation.

If alpha is too low, the test is either too short or the items have very little in common. We want to know if the test questions are consistent among themselves in asking the same questions, measured with similar responses. Cronbach's alpha provides actual estimates of reliability. Error sources include sampling, guessing, clerical errors in grading, respondent marks wrong answer, misreading questions, and randomness.

Survey Analysis

This survey is intended to be taken by employees at all levels of the firm, including workers, managers, and the top management team. The OLA consists of 66 items, which the respondent is asked to rate on a 5-point Likert scale (from 1-Strongly Disagree to 5- Strongly Agree). Further, the items are divided into three sections: the first section involves the respondent's perception of the entire organization (items 1 to 21); the second section refers to the respondent's perception of the managers/supervisors and top leadership in the organization (items 22 to 54); and the third section questions the perception of the respondent concerning his or her own role in the organization (items 55 to 66). The responses to the 66 items are tabulated and an average score from 1.0 to 5.0 is calculated. Laub (2003) reports that the average score on the OLA is a 3.64 on a 5-point scale. A score of 4.0 is the minimum for an organization to be identified as servant, while a paternalistic organization would range from 3.0 to 3.99, and an autocratic organization would fall below 3.0.

Additionally, Laub (2003) outlines the A-P-S Model (Autocratic-Paternalistic-Servant). The autocratic leader is described as a dictator, who puts his needs as a leader first and treats others in the organization as servants. The paternalistic leader is characterized as a parent, who puts the needs of the organization first and treats others within the organization as his children. The servant leader is portrayed as a steward, who puts the needs of the followers first and treats others within the organization as partners. According to Laub (2003), at the lowest level, there is inertia or the inability to move or change. Then, gradually organizations can improve to the middle levels, at which there is incremental change and then to the highest levels, at which there is quantum change. In order to move from one level to the next requires a major shift in thinking and behavior within the organization. The capacity to move from one level to the next is characterized as power or the ability to do and to act. Additionally, Laub (1999) proposed the paradoxical view that leaders in an organization are the most powerful when they give power away. By giving power away to employees within the organization, the leaders are able to tap into the great capacity within each individual in the firm.

Factor Analysis

Once the survey was administered and the results obtained from the respondents, the next step consisted of a factor analysis. Factor analysis may be used to examine the underlying patterns or relationships for a large amount of variables and to determine if the information can be condensed or summarized by a smaller set of factors or components (Hair, Anderson, Tatham, & Black, 1998). The objective of factor analysis is to reduce the number of variables to a manageable number and group the variables together that belong with each other. Factors are linear combinations of variables that are not correlated with each other (Cooper & Schindler, 2001).

With factor analysis the researcher may first identify the separate dimensions of the structure and then the extent to which each variable is explained by each dimension. Factor analysis can assist in selecting a representative subset of variables or even creating new variables as replacements for the original variables while still retaining their original character (Hair, et al, 1998). In factor analysis all variables are considered simultaneously in relation to the others.

The underlying statistical assumptions include normality, homoscedasticity, and linearity. Statistical packages for personal computers, such as SAS and SPSS may be used (Cooper & Schindler, 2001).

Exploratory factor analysis is useful in searching for structure among a set of variables as a data reduction method. Here, the researcher takes what the data gives him and does not set a priori constraints (Kline, 1998). In other situations, when the researcher has preconceived thoughts about the structure of the data, variables may be grouped together. The researcher may test hypotheses. This is referred to as confirmatory factor analysis.

When a large set of variables is factored, the researcher first extracts the variables that explain the largest amount of variance. The most commonly used technique for deciding which factors to extract is the latent root criterion or eigenvalue. The rationale is that any factor should account for the variance of at least a single variable in order to be retained for interpretation (Hair, et al, 1998). Therefore, all factors having eigenvalues greater than 1 are considered significant. Factors with eigenvalues less than 1 are considered insignificant and are discarded.

Factor rotation has the goal of obtaining some theoretically meaningful factors and if possible the simplest structure. The factors can become more easily interpretable (Kline, 1998). The VARIMAX rotational approach attempts to simplify the columns of the factor matrix. In this approach, the rotation is orthogonal, meaning that the factors remain uncorrelated throughout the rotation process (Pedhazur & Schmelkin, 1991).

A factor loading represents the correlation between an original variable and its factor. Factor loadings greater than .30 are considered minimal, factor loadings greater than .40 are more important, and loadings above .50 are usually considered significant (Hair, et al, 1998). The researcher should look for the highest loading of a variable on a factor and assign the variable to that factor. In practice many variables may have moderately-sized significant loadings on multiple factors. A variable with several high loadings may be deleted. If the variable has several loadings on different factors, the researcher may look for a difference in loading of at least .10 between factors. Variables loading too closely on multiple factors may be deleted. When a factor solution has been found in which all variables have a significant loading on a factor, the researcher may label the factors and attempt to assign some meaning to them.

Case Research Process

In conducting the proposed case study research, I took the following approach to each individual family firm. I approached a prospective subject and first ascertained if the firm met the requirements of the study as to family involvement, size, and leadership succession. Then, I did some exploratory interviews with the top management of the firm to determine willingness and compatibility for the study. If this initial phase was satisfactory, I proceeded to phase two - interviewing the top management team. The interviews were qualitative in manner, with open-ended questions concerning the leadership in the firm. Following the successful completion of the interviews, I administered the OLA to all available employees in the subject firm. After the questionnaires were completed, I analyzed the data for the purpose of communicating the results to the subject firm. Then, I shared the results, first with the CEO, and then with the top management team of the firm. The table below summarizes the research process.

Table 3.4: Case Research Process

Phase	Description	Participants
1	Approach subject	CEO
2	Qualitative interviews	Top management team
3	Administer survey	All employees

(Table Continued)

4	**Analyze data**	**Researcher**
5	**Share results**	**CEO**
6	**Feedback**	**Top management team**

DATA ANALYSIS

First, I analyzed each case separately to understand the inner workings of each firm. I employed content analysis of the data looking for patterns or core consistencies and meanings. Based upon careful reading and re-reading of the transcribed interviews, I coded and analyzed the data. I began the process using both manual cut and paste methods and the Atlas t.i. software system. After some trial and error, I followed a system of separating phrases and thoughts by manually cutting the transcribed documents, labeling the thoughts, and placing them in separate folders. This is consistent with unitizing methods described by Glaser and Strauss (1967). Lincoln and Guba (1985) outline this method using stacks of note cards. I followed their guidelines except that I found the folders to be more efficient. I coded this data into 27 open emergent categories (Corbin & Strauss, 1990). (See Table 3.5)

Table 3.5: Emergent Open Coding Categories

1. History of company
2. 1st generation description
3. 2nd generation description
4. 3rd generation description
5. 4th generation description
6. Next generation, future
7. Similarities between generations

(Table Continued)

8. Differences between generations
9. Business operations
10. Industry practices
11. Respondent background
12. Entering the business
13. Development of successor
14. Reasons for success of business
15. Family business advantages
16. Long-term thinking
17. Pride in the business
18. Hands-on/ technical knowledge
19. Change – technology
20. Resistance to change
21. Management by committee
22. Women's issues
23. Sacrifices
24. Servant leader
25. Employees – valuable assets
26. Employees' view of the family
27. Culture gap – family to employee

This analysis yielded a set of themes and clusters of thoughts and phrases from which I looked for unifying phrases and connective language to build a framework for analysis (Cresswell, 1998). Once I arrived at an understanding of each company, I proceeded to cross-case analysis. Here, I searched for patterns that tie the separate cases together. Among all the differences between the six family businesses in the study, some recurring themes emerged from the data. I traced these themes across the cases, noting commonalities upon which to build a theoretic base to understand the leadership of successors in the family business.

Eisenhardt (1989) observes that people are poor processors of information, often jumping to conclusions prematurely without enough data or being too easily persuaded by vivid responses or elite respondents. To protect against such errors, she recommends several different approaches. One idea is to select categories or dimensions and look for within-group similarities and intergroup differences. A second strategy is to select pairs of cases and list similarities and differences between the pairs. A third strategy is to divide the data by the data source. The ultimate idea is to force the researcher to look beyond surface appearances and to delve into the data. In this manner, researchers iteratively compare data and theory, working toward the theory that best fits the data.

Following the guidelines established by Eisenhardt (1989) and Cresswell (1998), each of the family businesses in this study was purposefully chosen from different industries. The companies vary by industry, from air conditioning wholesale, to automobile sales and service, to pest control, to printing, to funeral services, to air conditioning service. The number of cases – six - falls within the range of four to ten cases recommended by Eisenhardt (1989). Multiple cases add confidence to findings (Yin, 2003). The six firms all meet the primary criterion of having completed at least one generational succession. This criterion eliminated 70 percent of all family businesses (Lansberg, 1988; Handler, 1994). The businesses range in age from 33 years to 140 years, and generations of family participation from two to five. Each company involves two to a dozen family members in management and ownership. The firms share a location in the greater Baton Rouge area, but several have expanded beyond the local region. Several of the families own multiple but related businesses.

Miles and Huberman (1994) state that researchers may attempt to overcome questions of generalizability through the use of multisite, multimethod studies. The primary research method used in this study was qualitative interviews of the top managers of the six family businesses. For this study, I interviewed 34 respondents, averaging six per company, and tape recorded their responses. The interview time per respondent varied from 20 minutes to 2 hours, averaging 45 minutes. The tape recorded interviews totaled approximately 26 hours. The interviews were then transcribed, resulting in 438 pages of transcripts, for an average of 13 pages per respondent. According to the Three-Circle Model of Family Business (Gersick, Davis, Hampton, & Lansberg, 1997), the respondents may be described in seven sub-sections concerning their relation to the family business. In this study, four of the seven sub-sections are represented. (See Table 3.6.) I also list the family member respondents according to their generation within the family firm. (See Table 3.7)

Table 3.6: Respondent Position in the Family Business

Respondent positions	**Number of respondents**
Family member-owner-manager	**16**
Family member-manager	**2**
Non-family member-manager	**15**
Non-family member-employee	**1**

Table 3.7: Family Member Respondents by Generation

Family Business Generation	Number of Family Member Respondents
First Generation	**1**
Second Generation	**7**
Third Generation	**7**
Fourth Generation	**2**
Fifth Generation	**1**
Respondent Total	**18**

Secondary research methods included observation of the participants during the interview process, documents supplied by the participants, and the utilization of a survey questionnaire, the Organizational Leadership Assessment (OLA) developed by Laub (1998). The OLA was administered to all the employees of the six family businesses. Because the OLA is primarily a measure of servant leadership, I will describe the analysis of the OLA results in chapter 10 under the theme of servant leadership.

CHAPTER 4:
ACME REFRIGERATION OF BATON ROUGE, INC.

The story of Acme Refrigeration of Baton Rouge begins in a neighboring state with another business. Before the outbreak of the Second World War, Emanuel (Manny) Lopez Kaiser owned and operated an ice cream manufacturing plant in Natchez, Mississippi. In order to hold down expenses in his small business, Emanuel "wore many hats" in the company. One of the most important functions he learned to perform was the maintenance and repair of refrigeration equipment, which is an essential element in the production of ice cream. Later, this understanding of refrigeration would provide the basis for the start of Acme Refrigeration in Baton Rouge.

Emanuel was confronted with three major challenges in the operation of the ice cream plant. First, in 1939, there was a fire and the wooden factory building burned to the ground. Fortunately, the most important equipment in the factory, the freezer unit, was well insulated and survived the fire. With the help of his son, Adrian Kaiser, Sr., Emanuel rebuilt the plant and continued to sell ice cream. At the beginning of World War II, the soldiers at Camp Van Doren in Centerville, Mississippi provided a customer base. Although the circumstances of the war initially brought new customers, as the war dragged on a second challenge arose. Production of military equipment and supplies took precedence in the war-time economy and many consumer goods were rationed. Sugar, a primary ingredient in ice cream, was deemed to be a luxury, not a necessity, and was rationed. The scarcity of sugar made the production of ice cream very difficult. The rationing of sugar along with the advent of a third challenge—the entrance of national and regional competitors in ice cream—convinced the Kaisers that it was time to move on. Sealtest, Borden's, and Brown's Velvet were large enough to win the contracts on many military bases. This intense competition proved too much for the local company to overcome.

FOUNDING AND FIRST GENERATION

The Kaisers sold the Natchez factory to Brown's Velvet Ice Cream. At this point, Adrian Kaiser, Sr. needed employment. As he was searching for possible career opportunities, he received news of job openings in Baton Rouge from a younger brother, who had moved there. The capital city of Louisiana lies about one hundred miles south of Natchez across the state line. Because his younger brother extolled the virtues of Baton Rouge and described a desperate need for good refrigeration mechanics, Adrian Kaiser, Sr., moved to Baton Rouge along with his family, which included his teenaged sons, Adrian Kaiser, Jr. and John Kaiser.

Adrian, Sr. went into business for himself as a refrigeration mechanic. He started in the refrigeration of ice cream, selling refrigeration boxes for ice cream to grocery stores and restaurants. After the refrigeration boxes were sold, Adrian, Sr. maintained and serviced them. At first, the majority of his employment came as a service mechanic, but Adrian, Sr. soon found himself spending a great deal of time going to New Orleans to purchase parts. There were no supply houses in Baton Rouge at that time. Whenever he made the trips to New Orleans, Adrian, Sr. would purchase additional supplies and keep them on his truck. In the aftermath of the Second World War, appliances and other electrical equipment were difficult to obtain. When other refrigeration mechanics in Baton Rouge needed supplies, they would come to Adrian, Sr. Soon he became known not only for the supplies, but also for his good sound advice according to later reports from family members. One thing led to another and in 1945 Adrian, Sr. opened the first supply business for refrigeration parts in Baton Rouge. He called the business Acme Refrigeration.

SECOND GENERATION INVOLVEMENT

Meanwhile, Adrian, Jr. developed his own refrigeration installation business. He took a service course and then started a business by himself, naming it Ajax Refrigeration and Service. Adrian, Jr. worked as an installer for about four years, but then ran into some conflicts of interest because he found himself competing with his father's customers. Adrian, Sr.'s business had grown to the point that he needed some help in operating the company. So, the second generation became involved in the business. Adrian, Jr. left the service contracting business at some sacrifice to himself because he gave up several large and lucrative accounts with Baton Rouge area businesses

The Kaisers were in the right place at the right time with specialized knowledge that they could apply to an entirely new industry. During the 1950s, air conditioning was developed and become commercially available. This technological advance provided a great opportunity for the Kaisers whose knowledge of refrigeration positioned them strategically for air conditioning products and service. The second generation, consisting of Adrian, Jr. and John Kaiser, joined their father at Acme during this time, making the business a multi-generational operation almost from the beginning. "Basically, Acme was first and second generation right from the beginning. There was not a long period of time where it was just first generation and then second generation came in," explains Susan Kaiser Treigle, Corporate Secretary, Acme Refrigeration. John Kaiser, Adrian Sr.'s younger son, joined the family business several years after Adrian. Jr. because he attended Louisiana State University and then served a stint in the Air Force. During the summers and after school, John Kaiser worked for his father and became interested in the business. In 1958, after serving in the Air Force, John returned to Baton Rouge and entered the family business.

Not only did the Kaisers possess a valuable technical skill in refrigeration mechanics, but they were also in a location where people could benefit significantly from air conditioning products. The hot weather in southern Louisiana extends beyond the summer months, well into October and November, providing ample incentive for businesses and residential customers to invest in air conditioning products. Gradually, consumers learned to love air conditioning and then to demand it as a matter of course. Air conditioning became more and more important to Acme, so that today air conditioning products are Acme's primary focus. According to John Kaiser, "We gradually migrated from refrigeration supplies to more air conditioners, which make up about 90 percent of the business."

SECOND GENERATION TRANSITION TO LEADERSHIP

Although environmental changes favored the business, personal and family problems emerged as time passed. During the last ten years of his life, Adrian, Sr. suffered a series of heart attacks and developed prostate cancer. His poor health forced him to give the daily management of the firm to his sons, Adrian, Jr. and John. Adrian, Sr. had always personally handled the accounts payable or the "checkbook strings" of the company. After Adrian Sr.'s third heart attack, John and Adrian, Jr., went into the company books and figured things out, including credit and collections. Adrian, Sr. did return to work, but in a diminished role. "He would go to the Post Office and get the mail, open the mail, distribute it around. Then, he set up Adrian and I on accounts payable software. That kind of pulled the rug from under him a little bit, but he accepted it," explains John Kaiser.

Additionally, Adrian, Sr. incorporated the company, holding 51% of the stock himself and giving 24% to each of his two sons who were working in the business. John and Adrian, Jr. divided the workload among themselves, with Adrian, Jr. choosing to work inside the office and

John, choosing to work outside the office in sales. Over the years, the two brothers steadily built the business from around $100,000 in revenue in 1958 to approximately $23 million in 1996 when John retired. The number of employees grew from five in 1958 to approximately 100 today.

The business suffered a blow in 1969 when Adrian, Sr. passed away. Although his health was poor, the elder Kaiser did not expect to die so quickly. There were warning signs that he had health problems, but Adrian, Sr. went into the hospital for a seemingly simple hernia operation and then things went badly. Adrian, Sr. had not planned ahead for the passing of the business to his sons. This hesitation or lack of foresight would prove costly for Adrian, Jr. and John.

> I don't think Paw-Paw (knew the situation). And, he looked like, man, he had gone from a man being sixty years old to a man being ninety years like that…The next day or two he died. So, he didn't plan on doing anything but going and having a few stitches and coming back to work.
>
> Manny Kaiser, President, Acme Refrigeration.

Although the two sons had persuaded their father to give them some additional shares of stock, Adrian, Sr. still owned a large share of the company stock at his death. Because of the lack of estate planning by their father, the Kaisers nearly lost the business to taxes. According to John Kaiser, "Daddy wasn't a planner. He didn't plan." Fortunately, John and Adrian, Jr. were able to persuade the IRS to agree to a 10-year payout period for the estate taxes. Due to their hard work and a steadily increasing demand for air conditioning products in southern Louisiana, the Kaisers paid off the note to the IRS.

SECOND GENERATION PARTNERSHIP

John Kaiser attributes the success of the business to honest dealings with customers, fair treatment of employees, and hard work. These basic business values came as a result of sound moral upbringing and a Catholic religious faith. Although the company was a corporation, the two brothers formed a good working partnership among themselves. According to the long time Controller of Acme, Cleve Banquer, "It used to be a 50-50 thing with John and Adrian in which all the decisions were made together." Moreover, a spirit of cooperation dominated the relationship and this led to the realization that the two brothers needed each other to be successful. They divided the work between them to suit their personalities. Jay Kaiser, V. P. of Sales, Acme Refrigeration, remarks, "They were different people. They were almost opposites…Adrian was more of an inside person and paper-oriented, whereas my dad, John, was more of an outside person. For a long time, he was doing the outside selling."

The partnership worked and the brothers survived the initial problems of taking the business over from the first generation and then the vagaries of seasonal and cyclical fluctuations in the industry. They also managed their employees with honesty and respect.

> They were pretty different. John was more of a 'this is the way it is I'm the boss kind.' Adrian was more like 'let's sit down and talk about, but when we're done I'm still the boss.' They did a good job of communicating with the employees and making people feel like they were part of the decision-making process, whether they were or they weren't. Sometimes just hearing somebody out goes a long way even if you decide to do something different than their opinion is. They both had an open door policy.
>
> Mickey Ashmore, Purchasing Manager, Acme Refrigeration.

Both brothers married and had children. John's children are John, Jr. (Jay), Chad, Keith, Jimmy, and Katherine. Adrian, Jr.s children are Susan, Manny, Chuck, and Lisa. All of the children worked during the summers in the family business at low-level jobs in the warehouse and store. Of John's children, only Jay has remained actively involved in the management of the firm. Chad works in a related air conditioning service business, Kaiser Heating & Air, Inc. Keith had a similar business, Keith Kaiser Sales and Service, Inc., but sold out a few years ago although the business still bears his name and is a confusion for Chad's business. Jimmy works in sales at Star Service, Inc., an HVAC company. Finally, Katherine is a registered nurse. In contrast, all of Adrian, Jr.'s children have come into the family business.

SECOND GENERATION: LETTING GO

After thirty-seven years in the business, John Kaiser's health became a problem as he battled cancer. John retired in 1996, leaving a portion of his stock to his son, Jay, and selling the rest back to the company.

> John was very fair. He did not push Adrian to sell the company outright… In the early years, John was just as gung-ho as Adrian, but I think once John saw that his kids for the most part had different career ambitions, it became more of a job. Adrian's got four kids and John's got five kids. We got to the point where all of Adrian's kids were here, but only one of John's kids… When he came down with cancer, that was it.
>
> Cleve Banquer, Controller, Acme Refrigeration.

John's son, Jay, now owns roughly nine percent of the company's stock, giving him an equal ownership share to that of each of his four cousins. Therefore, the five members of the third generation (Jay Kaiser, Manny Kaiser, Chuck Kaiser, Susan Kaiser Treigle, and Lisa Kaiser Kenaley) own a total of approximately forty-five percent of the stock, while

Adrian Kaiser, Jr. owns the remaining controlling interest. While it is very understandable that Adrian, Jr. has been somewhat slow to relinquish his fifty-five percent control of the company's stock, this may present problems for the third generation. The IRS recognizes the importance of a controlling interest in a family corporation. In terms of valuation of the business for income and inheritance tax purposes, 51 percent is the magic number. If an individual owns 51 percent or more of a company, they may sell that controlling interest on the open market, which makes their ownership much more valuable.

> I want him to get below 50 percent, so that whatever he has left at the time of his death, we get that minority discount. I haven't prodded him. It is a big valuation issue. What is the difference between 49 percent and 50 percent? A bunch of dollars for the IRS. Cleve Banquer, Controller, Acme Refrigeration.

THIRD GENERATION: MANAGEMENT BY COMMITTEE

While Adrian Kaiser, Jr. still owns over fifty percent of the stock and retains the title of chairman of the board, he no longer manages the business on a daily basis. The third generation, led by Manny Kaiser, Adrian Jr.'s oldest son, is firmly in control of the day-to-day management of the firm. (See Figure 4.1 for an organization chart.) While the second generation at Acme operated as a sibling partnership, the third generation is a cousin consortium, with four siblings and one cousin all owning equal shares of stock according to the descriptive terms used by Gersick, Davis, Hampton, & Lansberg (1997). Over the past four or five years, the Kaisers of the third generation have developed their governance structure. Manny Kaiser is the president, but he leads a management team. The following statement from Susan Kaiser Treigle, Manny's older sister, is indicative of the prevailing spirit of cooperation at Acme.

If Manny says yes, it is yes and if he says no, it is no. And that's pretty much how we work, but on issues that are really big he is going to come to the group and say this is what's going on, what do you all think, okay.

Susan Kaiser Treigle, Corporate Secretary and Credit Manager, Acme Refrigeration.

Manny Kaiser has emerged as the leader of the third generation in a participatory style of leadership. Because no one individual in the third generation owns a controlling interest

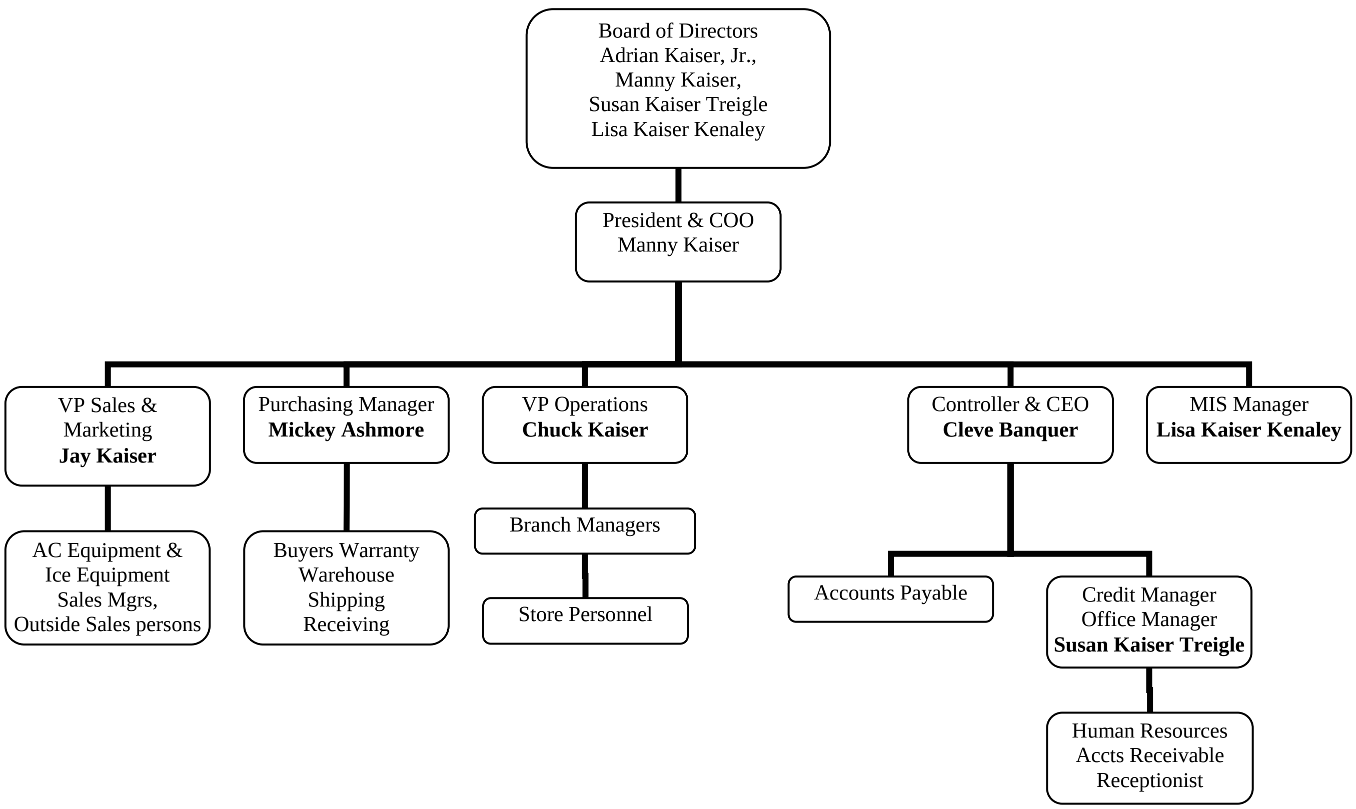

Figure 4.1: Acme Refrigeration of Baton Rouge Organization Chart

in the stock of the company, the concept of management by committee has come into the organization. On important issues, this requires the top management team to come to a consensus through a process of proposals and counter-proposals, which leads to a longer and slower decision-making process, but perhaps better decisions.

> We have an organization chart and we have positions, but one of the reasons for success in this business is that virtually all the decisions are made jointly. People can express their opinion, push their point of view, and listen to the other guys' point of view and in the end everybody's going to be on the same page, even if it means an out-and-out vote.
> Cleve Banquer, Controller, Acme Refrigeration.

Because of the division of the stock among the five members of the third generation, there is the possibility of dissention. Foreseeing this problem, the Kaisers brought in a consulting group to establish a business plan and an organization chart to smooth the transition to the third generation. Lisa Kaiser Kenaley remarked, "We are very fortunate that we get along well." As the oldest son of Adrian Kaiser, Jr. and the senior third generation member in terms of years at Acme, Manny Kaiser has assumed the role of CEO and each family member has carved out an area of specialization for themselves.

> Manny has gone through a learning curve and a learning process and I think he is getting better at it every day…Everybody has their area that they are focusing on now. I can't imagine it not being this way any time a group of siblings take over a business. When everybody's got an equal share, what makes you the boss? I want to be the boss. There has to be a natural progression and a time to settle out in a pecking order, I guess.
> Mickey Ashmore, Purchasing Manager, Acme Refrigeration.

THIRD GENERATION: 'SPECIAL K' MEETINGS

With the transition to the third generation now in full swing, the Kaisers have also developed a process to handle the tough decisions on important issues. Although they do not meet on a regular basis, the top management team does meet frequently to discuss issues of importance.

> We try to get together all five of us, not my dad, but my two brothers, my sister, myself, and our cousin, the five of us who are the third generation. We try to get together periodically as often as we can, but with five people it is difficult scheduling. When we do, these sessions will last two hours or more and it is time consuming when we cover all the topics, but we try to at least discuss as a group how we feel about hiring or firing or a new location or new lines that we may be taking on or distribution, not too many things are just solely one person's decision…But on major issues like building a new store or something like that, we sit together and hash it all out and vote. Majority rules.
>
> Susan Kaiser Treigle, Corporate Secretary and Credit Manager, Acme Refrigeration.

The management process takes longer now in the third generation than in the second because of the larger number of individuals involved; however, this study shows that the Kaisers are making good use of the management talent available in the family through their inclusive practices. This style works well in the today's complicated business environment, with increasing demands for improvement in the quality of management for survival. At Acme, they describe the process as follows.

> We call it a "Special K" meeting. You have heard of the cereal, Special K cereal. Well, it's the Kaisers. We just say we need to get together and have a Special K meeting. You know, something to keep some humor around here. We have a Special K meeting and at times we will involve some of the other top management.
>
> Chuck Kaiser, VP Operations, Acme Refrigeration.

GENERATIONAL DIFFERENCES

One of the major differences between the second and third generations at Acme is the number of family members participating at the top of the business. The five members of the third generation have divided up the work and each has their own area of expertise; however, there are still some problems and areas of ambiguity.

> Yeah, probably the hardest thing is having five bosses instead of two bosses. As far as an employee, even though there is a chain of command and I report directly to Manny that doesn't mean if Chuck or Jay or Susan or Lisa walk in the door, I can say take a hike you are not my boss. At some later date in a closed door meeting the discussion would go somewhere else. It's tough instead of having two ideas for a direction; you have five ideas for a direction that we are going to go. That is always a challenge. You can't manage by committee. They have to channel it where we are going to pick a leader and that is the direction we are going to go.
>
> Mickey Ashmore, Purchasing Manager, Acme Refrigeration.

Despite the misgivings expressed above, it is necessary for the leadership of a business to provide direction and vision. The third generation at Acme is accomplishing this through its top management team rather than through any single individual. This third generation is quite different than the two that came before it. Because of the timing of the founding of the business in 1945 and the entry of Adrian, Jr. as the second generation within four years, the first and second generations seem quite similar to each other. Manny Kaiser remarked, "I think that John and Adrian were much more similar to their father than we are to John and Adrian."

One difference, though, between the first and second generations was the entrepreneurial role of founder that Adrian, Sr. played. He moved from Mississippi to Baton Rouge and started a new life and a new business. Adrian, Sr. brought his family with him, including Adrian, Jr. and John. Although Adrian, Jr. did start an installation business in Baton Rouge, working on his own, he preferred the role of inside manager at Acme. The family described Adrian, Jr. as more of a manager/builder type than an entrepreneur.

> Yes, to me an entrepreneur is somebody who strikes out into uncharted waters, which my grandfather did. Daddy just picked up where he started and grew it. That is more how I see the two of them, the founder and the manager/builder. The third generation is an extension of the builder type…We are not breaking any new ground, except when we go into a new city that we are not in now. That is about the only entrepreneurship that I would see.
>
> Susan Kaiser Treigle, Corporate Secretary and Credit Manager, Acme Refrigeration.

There are many differences between the generations, especially between the second and third. The country was a different place in 1945 with a much slower pace of life especially in the southern states. When Adrian, Sr. founded the business, Baton Rouge was a much smaller city than it is today and as Baton Rouge has grown in population, the people have become increasingly heterogeneous demographically.

> Part of it is the changing of the world. We can't run the business like Daddy and John were able to. That was the good old boy days and you could let them walk out the door with whatever because you knew that they would come back and pay you. You just can't operate like that these days.
>
> Lisa Kaiser Kenaley, Manager of Information Systems, Acme Refrigeration.

For the most part, the days of operating businesses with trust built on a handshake, rather than written contracts, have disappeared throughout the nation. The third generation of Kaisers realizes this and understands that today's business environment is much more complex and that they cannot treat customers the way their grandfather did before them.

> The other big distinguishing factor that was different in the second and third generation was that my grandfather forgave a lot of debt. A lot of people owed him money and he forgave it. I don't know if he just didn't have the heart to pursue it in litigation. The second generation still worked with the customers a lot. If they communicate with us today, we will still work with them. But the point of people owing you money is different. We may have to give up debt, but not forgive it. Over time, the second and third generations do not forgive debt like the first.
>
> Jay Kaiser, VP of Sales, Acme Refrigeration.

The business has grown enormously since Adrian, Sr. sold refrigeration parts from New Orleans out of the back of his truck to installers in Baton Rouge. Today, Acme has twelve branch locations, ranging in size from 7000 to over 20,000 square feet, and located throughout Louisiana from Baton Rouge to Lake Charles in the west to Alexandria in the north to Slidell in the east. Although Acme has increased in size to over $30 million in annual revenue, the competition has grown as well. The air conditioning industry has changed in size and character becoming increasingly larger, more complex, and much more competitive. Fortunately, the family has been able to provide the management talent that the company required. The third generation is quicker to respond to challenges in the marketplace.

> My grandfather started the business and operated the business in a time where the competitive nature of the business was not anything like what it became today. For one, when he started there were no other competitors. He was the only one. As the business grew, he encountered competitors, but nothing like we have today…The first generation, my grandfather, did not have to encounter finding a way to compete, he just did what he did and did it well… The younger generation has a sense of or a more keen

> awareness of the things that are evolving in the marketplace because I think the business world is much more competitive than it was 30 years ago.
>
> Chuck Kaiser, VP Operations, Acme Refrigeration.

Profit margins have been squeezed as new competitors have entered the market. Today, Acme faces approximately thirty different competitors in the wholesale air conditioning/electrical supply business in their market area. In order to cope with this much more competitive environment, the Kaisers have adopted more professional and technologically advanced business practices. Upon his graduation from college, Manny Kaiser entered the business and began the process of computerizing Acme. Previously, everything was done by hand, using cardex systems. John and Adrian, Jr. did not prefer the new technology, but they did understand the need for improvement and operating efficiency. Now, personal computers dominate the offices, e-mail is commonly used, and the inventory is tracked by computer as well. In order to manage the geographically dispersed units with thousands of inventory items, computerization is needed and has allowed the company to stay abreast of the competition.

> With respect to leadership style, Manny and this generation is more organized in the sense that they like to see things in writing. Part of that is that we have grown so big. There is a little bit more formality. We are in the process of putting together an employee handbook. This is something Adrian and John would never have done. We didn't do an organization chart until two years ago. But Manny thinks we need those basic things and he is right.
>
> Cleve Banquer, Controller, Acme Refrigeration.

GENERATIONAL SIMILARITIES

Although changes to the operating model of the business have been necessary, many things remain very much like they have always been at Acme. There are basic guiding principles, beliefs, and business philosophies that have been passed from one generation to the next. Manny Kaiser recognizes that the generations are "similar from the standpoint of caring about people. We want to do right by our employees, our customers, even our vendors." Repeatedly, the third generation members echoed this philosophy of trying to treat everyone fairly that comes into contact with the organization.

> Yeah, I think just the general philosophy that you have to take care of business and that means taking care of the customers, making them happy, content, satisfied, whatever the case may be. Taking care of the employees I think is an important factor, even more than taking care of the customers because if they take care of the employees, the employees will take care of the customers. I think that more than anything, they have been a very family-oriented business. When I say that I mean that they have been in tuned to their employees' families and what is going on with them.
>
> Mickey Ashmore, Purchasing Manager, Acme Refrigeration.

Good management practices in successful organizations can become ingrained or expected. At Acme, the family has created a distinct culture in which positive behaviors are the norm. According to Cleve Banquer, Acme's Controller, "You get to the point where the children want the respect of the parents and they are going to do the right thing." The norms of positive behaviors are modeled by the incumbent generation and adopted by the next generation. Jay Kaiser, VP of Sales at Acme, remarks "We are hard workers and very family conscious. That goes back to my grandfather. That is a common thread. My grandfather was a very hard worker…I have always heard that he only took off for Christmas and Easter." The concepts of doing the right thing, working hard, and treating people fairly are constantly reinforced at Acme. Following these ideals is rarely the easiest path in the current competitive landscape.

> Our business has never been one in which the ownership has been selfish and put themselves first and the employees last. We just don't operate like that. So, that is a similarity that we struggle with today because it is so competitive out there and you have to find ways to make sure that you keep people channeled in the right direction.
>
> Chuck Kaiser, VP Operations, Acme Refrigeration.

ORGANIZATIONAL LEADERSHIP ASSESSMENT (OLA) SURVEY RESULTS

The Organizational Leadership Assessment (OLA) survey results for Acme Refrigeration are congruent with the descriptions of the firm by its leaders. The response rate of 85.3 percent was very high, showing interest and involvement on the part of management and employees. The overall score of 3.83 on a scale of 1 to 5 places the organization highly into the Paternalistic Leadership category and close to the Servant Leadership threshold of 4.0. A factor analysis revealed three dimensions in the OLA in this study, (1.) values people, (2.) develops people, and (3.) provides leadership. A break down of the survey responses into the three dimensions shows consistent answers across the board. (See Table 4.1.) Although it was originally thought that the geographic separation of the 12 branches may have led to lower scores because the employees in the branches may have less contact with the top management of the firm, a breakdown by branch did not reveal this. (See Table 4.2.)

Table 4.1: Organizational Leadership Assessment (OLA) Survey Results by Factor

Overall (Items 1-40)	3.833
Factor 1: Values People (Items 1-27)	3.706
Factor 2: Develops People (Items 28-36)	4.156
Factor 3: Provides Leadership (Items 37-40)	3.909

Table 4.2: Organizational Leadership Assessment (OLA) Survey Results by Branch Office

Branch	Respondents	OLA Average Score
Company	81	3.833
Corporate Office	23	3.951
BR1	7	3.426
BR2	8	3.851
BR3	6	4.083
NIB	3	4.222
LKC	6	3.785
LAF	2	2.780
HMN	5	4.030
GNZ	6	3.365
ALX	5	4.209
NAT	3	3.985
SLI	4	4.392
JEF	3	3.949

THE NEXT GENERATION

The concepts of doing the right thing and treating people fairly contribute toward a long-range view of the business. The Kaisers are not looking to make a quick profit; rather the goal is to create intergenerational wealth. In order to do this, Manny believes in a positive approach.

> I try to project a very positive message at all times from here. You can't always do that when you get down to the nitty-gritty and you see a sale go through for zero profit. You have to ask why. You can't always be totally positive, but at the same time, the people out there, the troops if you will, don't need to hear doom and gloom. I really believe in communicating and when you do communicate, try to make it very positive. You always pump up your people. I would much rather focus on, 'Hey, you are doing great. The last time I was there the store looked great.' I really think that is important. Manny Kaiser, President, Acme Refrigeration.

The fourth generation has entered the business with Ryan Kaiser, Manny's son, who has taken a sales position at Acme. Because the third generation has only recently come into managerial leadership in the past four years and the question of ownership transfer from the second generation still remains open, speculation concerning the fourth generation is perhaps premature. However, the third generation of Kaisers ranges in age from their forties to their fifties, meaning that many of their children are old enough to enter the business, but only one has done so.

> The fourth generation will do like we did. I mean work here for many years before they become stockowners unless there is a death and they inherit something, which is possible. There is no written plan for the succession to the fourth generation other than he is by himself right now, being Ryan. He has got an awful lot to learn…The fourth generation running things is a long way off.
>
> Chuck Kaiser, VP Operations, Acme Refrigeration.

For now, the third generation will focus on running the business profitably, while continuing to operate as people of high moral character. Competitors will continue to increase in size and strength and the environment will become even more complex as technology changes. The ability of the third generation to work together and to use the full range of managerial talent available will be very important to the long-term survival and success of Acme Refrigeration.

CHAPTER 5:
DUGAS PEST CONTROL

In the mid 1950s, Dr. Alvin Dugas, a professor of entomology at Louisiana State University, was searching for ways to improve the yields for sugar cane farmers in south Louisiana. He took a sabbatical and started a consulting business. Sugar cane farmers needed assistance using pesticide sprays and consulting was more lucrative than his professorship, so he retired from LSU. Dr. Dugas discovered a type of insect that would feed on the sugar border beetle, which was a huge pest for the sugar cane farmers. Dr. Dugas raised the insects and then went out in the fields and released them to attack the sugar border beetle. The farmers liked the results and continued to call for his services, so Dr. Dugas incorporated the business in 1958 and called it Dugas Pest Control. The business started in the cane fields, but soon came into the city of Baton Rouge. Dugas found that the sugar cane farmers only kept him busy from May until September, so he branched into standard pest control activity, eliminating rodents, roaches, ants, and various insects.

Dr. Dugas managed the small business until his untimely death in an automobile accident in 1971. Mrs. Bernice Dugas, his widow, attempted to operate the firm for a while even though she only held 25 percent of the stock. The remaining three-quarters of the stock of the company was held in a trust by the Louisiana National Bank Mrs. Dugas did not manage the firm with much success, so two years later, the business was sold by the bank on the open market to an unrelated buyer. The new owner, Doug McPherson, took over the management of the business and it is his family which still owns and operates Dugas Pest Control.

FIRST GENERATION: DOUG MCPHERSON PURCHASES THE COMPANY

Born and raised in Ohio, Doug McPherson graduated from Ohio State University with a bachelor's degree in entomology in 1955. McPherson continued his studies at Ohio State, earning a master's degree there in 1956. Doug stayed on in Columbus, Ohio and put his degrees to work in the pest control industry, where he worked for an independently owned and operated business. After gaining some initial experience in Columbus, McPherson then moved to Huntington, West Virginia in order to try his hand in a pest control franchise, which he purchased from a Dayton, Ohio company. Doug operated the franchise for over a year and a half without great success, so he decided to leave the business. McPherson believed that the opportunity in West Virginia was not suited for him, but he still enjoyed the pest control industry and felt that he wanted to stay in it. Perhaps, he thought, a change in climate might be in order. At this point, McPherson chose to leave the Midwest and head south in search of greater opportunities in pest control.

Doug first took a job with Redd Pest Control in Jackson, Mississippi, which had offices all over Mississippi. He became a branch manager and worked in several of Redd's offices in that state. Then in 1964, Redd offered McPherson a position in Baton Rouge. So, he moved to the Louisiana capital city with his family and managed operations for Redd Pest Control there for the next nine years. Doug was instrumental in expanding the company into New Orleans and into other areas across the state of Louisiana. During this nine-year period, McPherson gathered experience, both in operational matters in the pest control industry, and in the development of personal contacts in the community of Baton Rouge. Doug worked his way from branch manager to a quasi franchisee status, which he explains.

> Well, when I was working at Redd the last two years, I had an offshoot of a franchise. The deal was basically, Redd owned the business, the accounts, and I owned the equipment and the men worked for me and I paid (Redd) a percentage of the deal for the privilege of operating it. So, that was the beginnings of running my own business.
>
> Doug McPherson, Former Owner and CEO, Dugas Pest Control.

In 1973, McPherson learned of the opportunity to purchase Dugas Pest Control and to go into business for himself. Before that time, although he had been in Baton Rouge for nine years, McPherson did not have any association with Dugas. However, after seventeen years in the pest control industry, Doug McPherson was a veteran of the business and possessed full operational knowledge. Therefore, he felt ready to operate his own business and decided to purchase Dugas Pest Control.

> I bought Dugas and we just never changed the name because, well, I bought it in September of '73 and the telephone book had just come out, and so, you know, don't change it. It came out in August so, we went from September to the following August, so you go one year, you might as well keep on going, and that's what we've done. That's why we never changed . . . Some of those customers, we still have them today.
>
> Doug McPherson, Former Owner and CEO, Dugas Pest Control. .

When Doug McPherson bought Dugas Pest Control, in 1973, the company had annual revenues of less then $100,000. The business had waned in the two years since Professor Dugas passed away and several of the employees had left to start their own businesses. Apparently, the professor's wife was not very proficient in handling the finances of the business or in managing the company's employees.

> It was *very* small when he (Doug McPherson) bought it. I do know that those two years when his (Dugas') wife was running it, it dropped significantly. They had a lot of trouble with employees leaving and taking business with them. It was in a real turmoil…She (Mrs. Dugas) wasn't doing a good job of keeping it together, and so she was having a lot of employee problems… I think they probably had maybe five employees, and I think my dad kept like two or three of those, and the others left.
>
> Laura McPherson Simpson, Owner and CEO, Dugas Pest Control.

Besides Doug McPherson's telephone book explanation, there was some logic to leaving the name of the company as Dugas, rather than McPherson Pest Control. The name 'McPherson' is not a familiar one to people in Baton Rouge and is a little difficult to pronounce. On the other hand, 'Dugas' is a French name, which is much more common in the French Cajun area of southern Louisiana. Also, 'Dugas' is fairly close to 'Doug', which was considered as a possible name change. In any event, the McPhersons chose to stay with the Dugas name.

FIRST GENERATION: LEADERSHIP STYLE

Doug McPherson took over the fledgling company and turned it around through the combination of hard work, concern for detail, and pest control expertise that he brought with him. McPherson managed the process largely by himself at first. Later Laura Simpson described her father: "He's very detail-oriented, likes to be hands-on. I couldn't say he micro-managed… He loved looking at the numbers… His degree's not in accounting, but he's always loved accounting." Starting with a handful of employees left over from Dugas and a couple of employees from Redd, McPherson brought a driving force to the company. While commonly described as detail-oriented, Doug McPherson also possessed the entrepreneurial spirit to lead the company. Additionally, respondents repeatedly used the term "hands-on" in their descriptions of McPherson. This term possessed positive connotations when used here. "Hands-on" appeared to refer to an individual who understood the operation of the business with all the incumbent nuances and subtleties. Also, "hands-on" in this context referred to an owner who was involved in the business on a daily basis and one who had mastered all the necessary tasks.

> Doug was more, very into the company, you know, he was here every day and was, more hands-on, he was, I think he was more involved… He was hands-on…He was really involved. He was here every day, very accessible. Great person. He just expected accountability and he was wonderful to work for.

Dierdra Scott, Office Manager, Dugas Pest Control.

SECOND GENERATION: ENTERING THE BUSINESS

Doug McPherson was the entrepreneur who stepped out on his own to operate a business. He set the stage for his children to have an opportunity to enter a going concern and develop the business. Although McPherson did not have any sons, he did have three daughters. Even though the pest control industry was traditionally male-dominated, Doug McPherson still remained open to the idea of passing the business on to the next generation. The children were not pressured to join the business, but each one of them could have done so. The oldest daughter, Laura, was the first to show any real interest in Dugas Pest Control.

> My sisters worked occasionally, part-time, you know, summers and that kind of thing, which I also did during college, I guess… But once I started working full-time, like a real job, they didn't want to participate. They didn't want to work with me.
>
> Laura McPherson Simpson, Owner and CEO, Dugas Pest Control.

In a form of sibling rivalry, McPherson's youngest two daughters chose not to work in the firm because their older sister was there. Both of the younger daughters graduated from LSU. The middle sister, whose degree was in fashion merchandising, moved to Houston to pursue a career, first as a manufacturer's representative of paper goods and stationary and then in the retail end of that industry. Meanwhile, the youngest sister earned her degree in journalism and worked in public relations for an advertising agency and then for a law firm. Currently, she does creative work developing literature for the United Methodist Foundation on a part-time basis.

Doug McPherson's oldest daughter, Laura, has chosen a different path than her sisters. According to Dierdra Scott, Office Manager, Dugas Pest Control, "She (Laura) worked in the summers and she's been involved in the business almost from the get-go when Doug purchased it." Laura graduated from LSU with a degree in accounting and began to pursue the profession outside the family firm. However, she soon joined Dugas Pest Control at the invitation of her father to help with the accounting in the family business.

> Laura came in to do the accounting and so forth … in '79, right after she graduated, and she has been here ever since,basically in the office and doing the accounting and the bookkeeping. She grew into the management from the accounting side… Of course, she has taken a lot of technical courses and been to a lot of seminars and meetings and she's very proficient now.
>
> Doug McPherson, Former Owner and CEO, Dugas Pest Control.

<u>SECOND GENERATION: DEVELOPMENT</u>

From her entry into the business in 1979 for approximately sixteen years, Laura learned the business. Her father served as her mentor and prepared her for a leadership role. Over the years, McPherson gave his daughter more and more responsibility and she became more involved in every aspect of the business.

> It was a very gradual process and I'd coach her on: 'This is the problem. This is the way to handle it. There's other ways, but this is what has to be done.' Then, of course, she was doing a lot of the back office work, if you will, in terms of routing and handling the assignments to the men and things like that.
>
> Doug McPherson, Former Owner and CEO, Dugas Pest Control.

For the first twelve years, Laura learned about the business and then in the final four years before she took over the firm, her father helped her focus on the top management perspective. Laura was a willing and able student and according to McPherson, "It was a natural progression and she wanted to take more and more and was capable and willing. So, I gave her more and more." During this time, Laura gathered experience and knowledge of the pest control industry. In order to obtain the necessary operator's license from the state of Louisiana, Laura had already surpassed the required four years of service in the firm, but she had to attend entomology classes at LSU and obtain additional training from pest control industry associations.

> You have to know all the biology of insects and what chemicals are and how to use them and all of that, but there's a lot of training opportunities available through our national association, our state association, and through LSU.
>
> Laura McPherson Simpson, Owner and CEO, Dugas Pest Control.

<u>FIRST GENERATION: LETTING GO</u>

Both generations described the process of succession as slow, gradual, and over an extended period of time. The process included Laura's early years as a part-time worker during the summers while she was still in high school and college, her decision to enter the business full-time, her development as a manager, her preparation for leadership, and then the actual passing of the business from father to daughter. A very important element in this process was the creation of a second business. In 1985, Doug McPherson started the Louisiana Pest Control Insurance Company, which insures pest control operators across the state. Primarily, the insurance company helps pest control businesses in the event of damage claims from their customers. McPherson recognized a great need as a pest control businessman for protection against a rising number of claims, which are inherent in the operation of a business that enters homes and businesses with poisonous chemicals and gas. For approximately ten years, McPherson operated both Dugas and the insurance company. As the businesses grew, Doug McPherson found that he could let go of Dugas Pest Control because Laura became more and more involved at the top of the firm. According to Laura McPherson Simpson, "About ten years ago, he made me president… It was a gradual process over several years of him giving me more and more responsibility and being involved in every aspect of the business." Because of the availability of the insurance business, Doug McPherson felt that passing Dugas on to his daughter was not a great sacrifice on his part.

> No, I didn't look at it as a sacrifice. Not at all. I guess because I had this over here. Now, if I hadn't had this, it may have been. It wouldn't have been the same…because the first two-three years, I was doing all my work at the Dugas office. I was there to answer questions, and she was doing most of the physical work, if you will, but I was always around to consult. And then, I came over here and now I go over here most of the time and she can still call me for things and you know, and she just gradually started doing more and more on her own and now she doesn't call me very often.
>
> Doug McPherson, Former Owner and CEO, Dugas Pest Control.

Although the relationship between father and daughter remains close, Doug McPherson is no longer physically present at Dugas, meaning that he does not come into the office to visit or open the mail as many former CEOs do. He will communicate by telephone, when needed, but he is careful not to interfere with the operation of the business. The success or failure of Dugas rests on the leadership of the second generation and not the intervention of the first. The shadow from the first generation does not interfere with the leadership of the second generation at Dugas.

> He's really removed himself. I mean it kind of perplexed me for a while that I would occasionally call him and ask about this or that and he'd be completely non-committal and say, 'Whatever you think and I don't know much about that anymore.'…I mean now if I ask Daddy for advice, he won't give it to me.
>
> Laura McPherson Simpson, Owner and CEO, Dugas Pest Control.

PASSING THE BUSINESS

Beyond the management of the firm, succession involves ownership change as well. In order to bring about the transfer of the ownership of Dugas Pest Control from Doug McPherson to Laura Simpson McPherson, several financial vehicles were employed. First, an agreement was reached to create two types of stock. Doug McPherson obtained the preferred stock, which is held at a constant value, and Laura received the common stock, which possesses the voting rights and the control of managerial decision-making.

> Basically, we created a new class of stock. We now have common stock and preferred stock. He owns all the preferred stock; I own all the common stock. By definition, preferred stock has a constant value. And that value was set back at the time we made this agreement, the value of his stock, so any fluctuation in value of the business would be mine – for good or bad. If it went up, it would be mine. If it went down, I would

> lose, but, you know, whatever changes in the business would be my responsibility and, to my benefit if I was able to increase the value of the business.
>
> Laura McPherson Simpson, Owner and CEO, Dugas Pest Control.

Therefore, the business was valued at the price of the preferred stock, but Laura Simpson gained control of the management of the company immediately. In order to fund this process, the family used a second financial vehicle, a life insurance policy. The life insurance policy requires a stream of annual payments, which are within the ability of the business to generate.

> What we have done is set up a life insurance policy for the value of the preferred stock, so that at the time of my father's death, the life insurance policy will pay Dugas Pest Control and Dugas Pest Control will buy those preferred shares from his estate and then the company will essentially be entirely mine. So I'm paying those life insurance premiums, which, as you can imagine, when you start buying life insurance when somebody's in their 60s, they're pretty hefty premiums. But, on the other hand, it's not, well, it all depends on how long he lives, but, you know, in all probability, I will not pay as much as if I had just paid a flat fee and went to the bank and borrowed the money and paid them X amount of dollars back, you know, five years ago.
>
> Laura McPherson Simpson, Owner and CEO, Dugas Pest Control.

Additionally, Doug McPherson retained the ownership of the buildings in which Dugas Pest Control operates. The business pays him rent, which supplements his income as well, because the buildings are now clear of any mortgages. However, due to the deterioration of the surrounding neighborhood, the location of the buildings is no longer desirable and Laura Simpson plans to move as soon as possible. She explained her reasoning.

Top of the list is the neighborhood, as you can see. And the other problem is the buildings; the configuration of the buildings really doesn't suit our needs at this point in time. We need things to be more cohesive, together.

Laura McPherson Simpson, Owner and CEO, Dugas Pest Control.

SECOND GENERATION: LEADERSHIP STYLE

As the second generation in the family business, Laura Simpson is now firmly in place as owner and CEO and she has been running the company for over ten years. While respondents have characterized her father as entrepreneurial, detail-oriented, and "hands-on" in leadership style, Laura has her own style. According to Wayne Duke, Pest Control Supervisor, Dugas Pest Control, "Laura's been good to work for. And, like I said, she's fair and she's very intelligent, you know, knowledgeable. Her only negative might be organization." This is a reference to two separate organizational challenges. The first challenge is Laura's personal organization skills, which involve a desk piled high with papers in Laura's own arrangement. This situation is not of primary concern to Laura, who admits that organization skills have not been her strong suit. The second organizational challenge is more important and involves the structure of the company. With a total of sixteen employees, it has been tempting for Laura to supervise all the employees directly. However, this span of management has proved unwieldy. Therefore, Laura Simpson decided to create three branches of the company and delegate responsibility among them. (See Figure 5.1 for the Dugas Pest Control organization chart.) The three branches include the office staff, the pest control division, and the termite division. The office staff includes one manager and two employees. Pest control consists largely of exterminating typical household insects, such as roaches, ants, ticks, and fleas and includes one manager and four technicians. Termite extermination/sales is a separate division because it involves different processes, such as tenting a building, and includes one manager, one salesperson, and five technicians. This recent organization change has benefited the company.

> Well, the office was there, but the pest control and termite wasn't there. The sales was there, because I did have a man working for me full-time, but now he's just down to the part-time, so the sales was there. Really, there was no supervision of the pest control department or the termite department, no direct supervision. So now we've got that in a better situation, much better.
>
> Patrick Dunham, Termite/ Sales Manager, Dugas Pest Control.

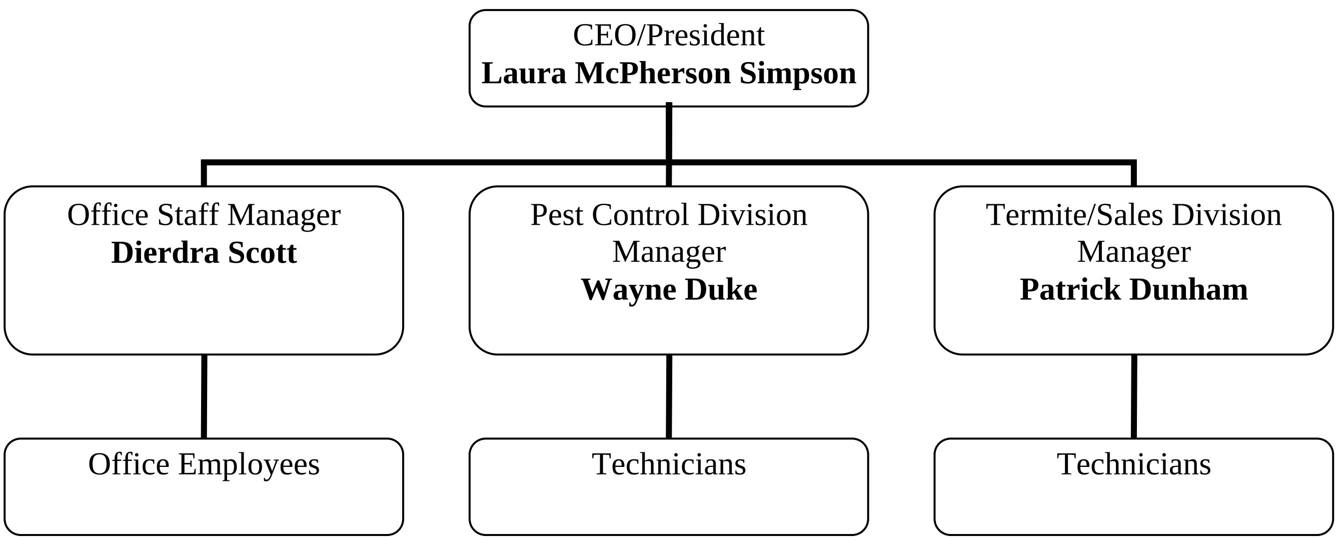

Figure 5.1: Dugas Pest Control Organization Chart

The current management organization at Dugas Pest Control is stronger than before and will enable the company to grow and serve a larger and more varied customer base. The new positions for Wane Duke as Pest Control Supervisor and Patrick Dunham as Termite/ Sales Manager have improved morale and communication as well.

> The recent changes that she's made as far as promoting some supervisors…now that she has done that, everything is running much smoother, more production's occurring.

We are starting to see the company grow, even after this short period of time.

Patrick Dunham, Termite/ Sales Manager, Dugas Pest Control.

GENERATIONAL DIFFERENCES

Repeatedly, Dugas Pest Control managers describe Laura Simpson's leadership style in positive terms, but not the same as those used to describe her father. Dierdra Scott, Office Manager, Dugas Pest Control, believes that Laura Simpson is more of a manager than an entrepreneur, "I would say that she's very proud to own her company, but I just think it's different. I mean, it's different from building something from the ground up than to get it in the middle." Also, the difference between being a founder and a manager may extend into the individual's perception of the business. Again, Dierdra Scott remarks, "I think if you founded the company, then it's like your baby and you just hold it with kid gloves. I think when you inherit it, you assume it's a well-oiled machine."

Although they appear to possess many qualities in common, such as intelligence, fairness, and knowledge of the business, Laura Simpson's leadership style varies from that of her father. First of all, Laura does not view herself as detail-oriented, nor does she see herself as a hard task master. As an entrepreneurial leader, Doug McPherson often led by setting the example for others to follow.

> Possibly, I am too laid back and let people get away with a bit too much sometimes. I believe that people have a job to do and they are supposed to do their job without me having to run behind them every day. I expect them to not be completely self-sufficient, but I expect them to do their job.
>
> Laura McPherson Simpson, Owner and CEO, Dugas Pest Control.

While Doug McPherson described himself as almost a one-man show, especially in the beginning with Dugas Pest Control, Laura Simpson explains that she is not afraid to rely on her supporting staff, “The business is not as all-consuming with me as it was with him… He was completely immersed in it for a number of years. And I have never been that way with it.” For Laura, her family comes first and she will take off from work to be with them when needed. When she does take time off, Laura relies on her staff. According to Dierdra Scott, Office Manager, Dugas Pest Control, “I think Laura shows a lot of confidence in the people that work for her, so she doesn’t feel like she has to be here every day, every working hour.”

Laura Simpson’s father agrees with this assessment, but phrases his view in a slightly different manner. Doug McPherson comments, “She’s more laid back than I am and more easy going in a lot of ways. She doesn’t zero in on some of the money things like I think she should.” McPherson cites his Scottish ancestry as a reason for his frugality, but somehow this sense did not carry over completely to the next generation, “I’m Scotch background, so I know frugality…That’s one of the differences between Laura and I.”

Another view of the differences between the two generations centered on the concept of the “hands-on” management style. In this case, Patrick Dunham, Termite/Sales Manager, Dugas Pest Control, expressed the view that Doug McPherson was a “hands-on” manager and that Laura Simpson was not.

> Mostly, what I have heard about her father is that he was a very hands-on type of owner. He was very hands-on, when something needed to be addressed, it was addressed immediately… You do it, you do it right. It’s a very fair type of person…But he was more of a hands-on (person) in the day to day operations than Laura is.”
>
> Patrick Dunham, Termite/Sales Manager, Dugas Pest Control.

The lack of detail-orientation, the easy-going personality, and the willingness to rely on her staff have separated Laura from her father in terms of leadership style. These differences flow together to create a new approach at Dugas. Whereas, Doug McPherson was known for carefully watching the expenses and doing a lot of work himself, Laura Simpson's approach is more inclusive of her employees. She encourages their input in decision making and follows a more participative approach to leadership.

> I guess it's more of a team deal now than it was when I was there. I mean, I knew what had to be done and told people to do it and worked together to get it done. But now, they're more of get everybody's input and committee decisions and so forth.
>
> Doug McPherson, Former Owner and CEO, Dugas Pest Control.

GENERATIONAL SIMILARITIES

Generational differences exist in many areas, but there are some very basic principles that have been passed from the first to the second generation at Dugas Pest Control. Doug McPherson mentored his daughter in gaining an understanding of the pest control industry, the inner workings of the company, and a desire to reach out to help others. Both father and daughter have been heavily involved in trade associations in the pest control industry. In the late 70s and early 80s, Doug McPherson went through the chairs of the board for the National Pest Control Association and became president. Because he was so busy with the association, this was part of the reason for inviting Laura into the business according to McPherson, "I needed somebody in the business that was looking out for the family." Laura has followed in her father's footsteps in pest control associations.

> Oh, she is in Associated Pest Control, National Pest Control Association, Louisiana Pest Management Association, I mean, she's, she is very involved in that aspect of the

> company, in the industry, so a lot of people know her in a lot of places. She's been president of Louisiana Pest Management Association, she's been on the board of the National Pest Control Association, I think she's also been on the board for Associated, so, yes, she's been very involved in the industry and in those particular associations.
>
> Dierdra Scott, Office Manager, Dugas Pest Control.

Other similarities include intelligence, good knowledge of the industry and the operations of the firm, hard work, fairness, and a willingness to listen to their employees. Wayne Duke, Pest Control Supervisor, Dugas Pest Control, summarizes the similarities, "I think they are both fair, and they have an open-door policy. We could always go in there and vent on anything we had a problem with and they're both like that." Doug McPherson did pass some important concepts on to the next generation, especially in the very important areas of customer service, employee relations, and the need to maintain one's knowledge of the industry and technological changes.

> Customer service, of course, is, we're very similar. Both of us are very similar in the customer is who's the boss, and doing things to make the customer feel like they're getting their value and at the same time, doing the job for them. And, of course, in training the employees to keeping them up to speed on everything that's going on. Keeping yourself up to speed on things, we're very similar in that area. We keep abreast of the industry and honing your technical skills and the latest, you know, technology and things like that. That's, we're probably very similar in those areas.
>
> Doug McPherson, Former Owner and CEO, Dugas Pest Control.

ORGANIZATIONAL LEADERSHIP ASSESSMENT (OLA) SURVEY RESULTS

In the case of Dugas Pest Control, it is evident that major concepts have been passed from the first to the second generation and that a continuous organizational culture is being maintained. The Organizational Leadership Assessment (OLA) results bear this point out as well. A high response rate of 75 percent indicates an interest on the part of management and employees to improve the operation of the company. The global response number of 3.693 is above the average of 3.64 established by Laub (1998) in previous research. This number places the organization in the area of moderate to excellent health and identifies the leadership of the organization as paternalistic, but headed toward the servant leadership category. A breakdown of the three sections of the survey finds that the respondents placed a higher value on their own role in the company. (See Table 5.1.)

Table 5.1: Organizational Leadership Assessment (OLA) Survey Results by Factor

Overall (Items 1-40)	3.749
Factor 1: Values People (Items 1-27)	3.574
Factor 2: Develops People (Items 28-36)	4.000
Factor 3: Provides Leadership (Items 37-40)	4.200

NEXT GENERATION

The first two generations have built a solid foundation at Dugas Pest Control and established a good reputation in the community of Baton Rouge for reliability and quality of service. However, the question is open concerning the succession of the business to a third generation. Laura Simpson has three children, all of whom are boys: Jeremy, age 24; James, age 22; and Alex, age 16. The avenue of the family business is open to them for career consideration. At this point, Jeremy is finishing his bachelor’s degree at LSU and is currently working part-time in the business. However, none of the three children has expressed an interest to come into the family business yet. Doug McPherson views the prospects of a third generation as follows.

> Too early to say. The younger one has worked in the business, the middle one has worked in the business, and the older one is working now, and the youngest one, he’s

> gone down and done filing and stuff like that, but it's hard to say. He may. I wouldn't be surprised. I tried to get this, the middle boy, 'cause he's the most personable and so forth, I try to get him to take entomology and business so that he could do that kind of thing well, it, it fell on deaf ears. But he is in business, so . . . who knows?
>
> Doug McPherson, Former Owner and CEO, Dugas Pest Control.

For now, the second generation must continue to grow and develop the company because the future is uncertain for the next generation at Dugas Pest Control. However, the opportunity may become more inviting to the third generation when they observe some of the advantages of owning a family business. Patrick Dunham, Termite/Sales Manager, Dugas Pest Control, summed up his feelings about working for a family business, "I think I prefer working in a smaller, family organization. I feel like there's more communication. There's less people climbing the ladder… And, it's less stressful and a little more laid back and a much better work environment." Flexible work hours, accessibility to the top management, the ability to shape the direction of the company, and less stress than a corporate environment are some positive aspects that may entice the third generation to enter Dugas Pest Control.

CHAPTER 6:
DUPLESSIS CADILLAC-VOLVO

In 1956, Sidney Duplessis, a car salesman from New Orleans, moved to Baton Rouge to accept a sales management position. From this beginning, Duplessis developed an outstanding automobile business and served his community as a "good Samaritan" for over 45 years (Randolph, 2003). Born and raised in New Orleans, Duplessis learned to speak French fluently from his parents, who were of Cajun descent. Sidney had a rough beginning in life because his father died when he was only twelve years old. Duplessis attended a very minimal amount of school, only managing to go about five years. On his own at an early age, he acquired "street smarts." This was a common sense approach to business that centered on developing strong personal relationships and treating people fairly. Because he did not have the opportunity to acquire a college degree, Sidney compensated by working hard and giving one hundred percent effort.

Sidney Duplessis grew up during the Great Depression of the 1930s when life was difficult for most Americans. As a young man, he worked at various odd jobs, including delivering telegrams, and began to develop the communication and selling skills that would later serve him well. With the outbreak of World War II, he answered his country's call and served in the U.S. Army, earning the Bronze Star. After the war, Sidney returned to New Orleans and began his career in business. From the very beginning, Duplessis capitalized on the opportunities that were available to him and made the most of his situation in life. He was a natural salesperson, who related extremely well to people on their level. His French Cajun roots served him well as he entered the car business in New Orleans in the 1950s.

Because he spoke French, or rather Cajun French, very fluently, the Cajun people in New Orleans came to him to buy their cars. Through the bond of the language and an understanding of the needs and wants of the people, Duplessis became very successful at selling cars. After several years of selling cars in New Orleans for a dealership called Marcy Motors, Sidney Duplessis got a job with Austin Cadillac-Oldsmobile in Baton Rouge as a sales manager and moved with his wife, Evelyn, and step-daughter, Cynthia Ann. Shortly after moving to Baton Rouge, Sidney and Evelyn had their only child, a son whom they named Ron. Sidney Duplessis served on the Cadillac side of the business, while Robert Coleman was the sales manager on the Oldsmobile side. Coleman later purchased the Oldsmobile portion of the business.

FIRST GENERATION: PURCHASING THE BUSINESS

Working as a sales manager, Sidney applied himself to the car business. After a period of about six years, the owner of the business, Mr. Austin, passed away with a cerebral hemorrhage at the young age of 37. In 1962, Duplessis stepped into the void left by Austin's departure and became the general manager of the dealership. He ran the dealership for Austin's widow for about five years. Then, he bought into the business and it became Austin-Duplessis Cadillac. Within a few years, Duplessis bought out the Austin family until the business became his alone in 1974 as Duplessis Cadillac.

As the owner and president of the business, Sidney Duplessis also had the opportunity to expand upon his interest in civic affairs. He served as a founder, a board member, or president of Baton Rouge's largest and oldest service organizations. He invested many hours of his time in approximately 27 different service organizations during his career. Among the organizations were Our Lady of the Lake College of Nursing and Allied Health, the United Way, the Better Business Bureau, the Baton Rouge Symphony, Crime Stoppers, the Credit Bureau of Baton

Rouge, the Baton Rouge Rotary Club, the Chamber of Commerce of Baton Rouge, the Boy Scouts, and the Salvation Army. A long-time friend, Bob Greer, claimed, "Sidney was the kindest man I was ever associated with. He's been one of the great citizens of our city" (Baton Rouge Advocate, 2003).

SECOND GENERATION: ENTERING THE BUSINESS

The immense amount of civic activity coupled with the stress of owning and managing Duplessis Cadillac began to take a toll on Sidney Duplessis. He became ill and had a heart attack in 1977. After quadruple by-pass heart surgery, Sidney did not expect to live another ten years. He feared that his business would fall to ruin and his family would be left with little or nothing to show for his efforts. His son, Ron, recalled the situation.

> I knew that if he were to pass away on the table that I would have to come back and do what I could do as principal and manage the business. So, he did well and I did fine. I finished college and he continued to run the business until he got sick again in '95.
>
> Ron Duplessis, Owner and CEO, Duplessis Cadillac-Volvo.

Fortunately, Sidney Duplessis recovered from the heart surgery and exceeded all the bad health expectations by working another eighteen years in the business. Ron Duplessis was able to finish out his college years, earning two degrees from Northwood University in Michigan. General Motors and Ford, among others, sponsor Northwood, which places a heavy emphasis on free enterprise in its business school. Ron returned to Baton Rouge in 1979 and entered the family business upon the invitation of his father. Ron expressed some doubts concerning this decision because of his independent nature and desire to shape his own career.

> But there was an opportunity for me to come that I thought was just right. I could become my own man. I didn't want to be daddy's little boy, which I think is a real tough role to play no matter if you are in a family business or not.
>
> Ron Duplessis, Owner and CEO, Duplessis Cadillac-Volvo.

SECOND GENERATION DEVELOPMENT

After a short stint as sales manager, Ron assumed the role of general manager of the business with his father as president of the firm. For a period of eight years, Ron worked in the Cadillac dealership with his father. Described by Marie Vutera, Personal Secretary, Duplessis Cadillac-Volvo, as "very independent and hard working," Ron acquired most of the technical knowledge of the business on his own. Although Sidney Duplessis was there for advice, Ron is very dynamic— "a go-getter" according to E. J. Badeaux, Retired Parts Manager, Duplessis Cadillac-Volvo.

Ron's dynamic personality is reflected in the opinions expressed by his employees in which they attribute positive qualities to him which may not in fact be accurate. From all accounts, it is evident that Ron quickly acquired a great knowledge of the business. However, contrary to his employees' comments, Ron did enter the business at the top of the management structure straight out of college. E. J. Badeaux, Retired Parts Manager, Duplessis Cadillac-Volvo, claims for instance, "Ron worked through this. Ron didn't just jump into the general manger's position. He was there when I got here, but they tell me that he has worked all through the different sections of the business." During the summers while he was still in high school and college, Ron worked in the business and gained a great deal of operational knowledge, but he did not work his way up through the ranks as this comment implies. Rather, Ron joined his father at the top of the company. Additionally, there continued to be concerns for Sidney Duplessis' health although he was working.

In spite of Sidney's health concerns, in December 1987, the Duplessis's decided to purchase a Pontiac dealership in Gonzalez about fifteen miles away from the Cadillac operation in Baton Rouge. For three years, Ron directly managed both dealerships as the general manager. Then, as the operations both grew in size, Ron concentrated on the Gonzalez Pontiac store from 1990 until 1995. Sidney remained at the Baton Rouge store. However, in January 1995, Sidney again became deathly ill and never really returned to work again on an effective basis. According to Ron Duplessis, "He died two or three times on the table and they were fortunate enough to save him. We had up until last year (2003) with him and every day was a borrowed day. He got sick January 17, 1995. I came in (to the Cadillac store as general manager) March 1, 1995."

With his accustomed vigor and vitality, Ron returned to the Baton Rouge store and tackled some problems that had built up during his father's last days of management. He instituted some new personnel policies, bringing stricter discipline to the workplace, and brought the Cadillac dealership back into shape. Ron observed, "I find that employees will work differently for a 70 year-old man than they will for a 38 year-old man. There is an energy level and focus."

PASSING THE BUSINESS

In Sidney Duplessis' situation, the psychological affects of letting the business go were moderated by his bad health. There was no question in 1995 that it was time for Ron to fully take the leadership role in the business. The two men worked out a buy-out agreement by August 1995. They developed some holding companies and property corporations (LLCs and LLPs) and transferred the estate with Ron buying out his father.

> It took about a year to pay off the business under conducive terms and a long-term contract with him. He had not much use for cash, but he did have a concern for life style. So, the price he gave me was pretty close to market value I think. There was no gouging. He was looking for a safe haven and he owned the building. I started to pay him rent for that. But I owned part of the property, so we created LLCs and LLPs.
>
> Ron Duplessis, Owner and CEO, Duplessis Cadillac-Volvo.

Although virtually all successions in family businesses are stressful, the Duplessis situation had clear-cut roles and a minimal amount of family actors to fill those roles. Sidney Duplessis had no siblings and Ron Duplessis was an only child, except for his half-sister, Cynthia Ann, who was never actively involved in the business. Sidney and Ron made financial provisions for Cynthia Ann so that she is taken care of and not involved in the management or ownership of the family business. Also, Sidney's wife, Evelyn, passed away several years before he did. Therefore, the family situation is not complicated – Ron is now the sole owner of the company. Upon completion of the buy out agreement, Ron went on to obtain the Volvo dealership for the Baton Rouge area in 1997. Thus, Ron owns and manages the Cadillac-Volvo operation in Baton Rouge and the dealership in Gonzalez, which includes Pontiac, Buick, and GMC.

The focus of this study is on the Cadillac-Volvo dealership. Ron Duplessis serves as the president and general manager. Within this operation, there are two major divisions: the front end and the back end. The front end consists of car sales, while the back end houses the service shop, the parts department, and the body shop. Also, car sales are divided into new car sales for Cadillac and Volvo and used car sales (See Figure 6.1 for an organization chart).

FIRST GENERATION: LEADERSHIP STYLE

Both Ron and his father have led the family business alone as president and owner without the help or involvement of any other family members. Sidney rose to the top of the business over a period of years, working under the Austin family, then alongside them, and finally buying them out. Sidney's main concerns were the automobile dealership and his civic work. As noted earlier, Sidney spent an incredible amount of time helping to improve the community of Baton Rouge. At times, the preoccupation with charity work may have interfered with his management of the business and it certainly took away a large amount of time from his family life. We are

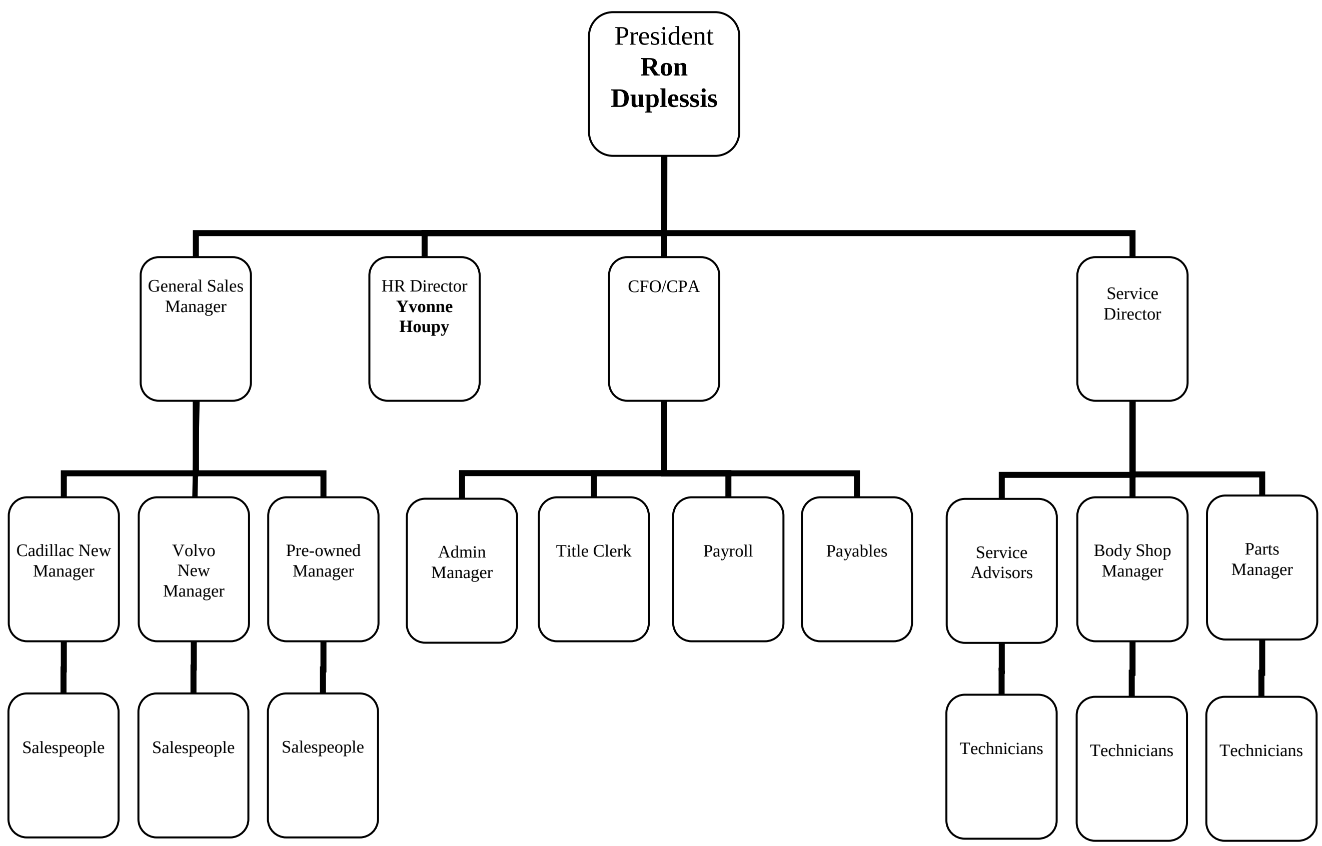

Figure 6.1: Duplessis Cadillac-Volvo Organization Chart

left with the picture of a very nice, friendly, and charitable gentleman, a model citizen of his community. Sidney Duplessis was certainly people-oriented as opposed to task-oriented.

> He would a lot of times, put an employee before the business. Like even if a person wasn't doing his job to the full potential and it was causing a problem, he might not address it. Mr. D would have given the shirt off his back to any employee here, which is great. Even when there were issues, he was more inclined to look the other way.
>
> Yvonne Houpy, Human Resource Manager, Duplessis Cadillac-Volvo.

There are at least two explanations for this management behavior. First, Sidney valued people so highly that he would sacrifice profit maximization in order to help individuals. This explanation fits with the picture of the "Good Samaritan" painted by his civic contemporaries and business associates. Secondly, when an individual is very busy with civic activities outside the business, there is a tendency to let disagreeable decisions go, rather than address them actively. This is not an uncommon reaction as managers near the end of their careers as well (Handler, 1994).

Nevertheless, one must keep in mind that Duplessis Cadillac was an outstanding organization. In 1993, Time Magazine recognized the company as one of the Top 20 dealerships for quality and service throughout the United States. It may well be that Sidney's management style fit the situation very well. Because a Cadillac dealership involves selling luxury cars as opposed to medium-priced cars, the stereotype of the high pressure car sales manager does not apply. Rather, Cadillac sales were more relationally oriented for many years with brand loyal customers, who would only buy Cadillacs.

> He was laid back in his management style, but he was very precise in what he wanted done. So, he wasn't a manager or owner who was hovering over employees checking everything. But he had it how he wanted it and he had a set idea of what he wanted. If

he didn't like the advertising, he would say, "I don't like this. Switch it around. Do this, whatever." Then, he wouldn't check on it for a while.

Yvonne Houpy, Human Resource Manager, Duplessis Cadillac-Volvo.

Certainly, Sidney Duplessis worked hard and cared for his business, but he had other concerns as well with his health and local civic organizations. When compared to the accounts of other respondents, the following comment from Mark Kogel, Parts Manager, Duplessis Cadillac-Volvo is probably an overstatement, "I was down in the store in Gonzalez, but they tell me he was here just about every day." In fact, between his illness and his civic work, Sidney had to step back from his involvement in the business and could not have been there every day. This overstatement from an employee may reflect a basically positive sentiment felt regarding the leadership of the older Duplessis and the desire to speak well of him in all aspects.

Sidney Duplessis had a charismatic presence and a personable approach to management that was appropriate for an upper-end or luxury goods business, his community, and his time period. Although Baton Rouge after World War II began to grow, it was still a small city. Business could be accomplished through trust and a gentleman's handshake. According to Ron Duplessis, "Certainly, in his day, his management style was good. As times changed, he didn't. He was a charismatic kind of guy. I think it was more presentation than it was substance."

SECOND GENERATION: LEADERSHIP STYLE

Sidney Duplessis' strengths centered around a warm and winning personality. His son, Ron, while certainly personable as well, is portrayed by his employees as a more driven and entrepreneurial leader. His employees described five primary characteristics involved in Ron's leadership style: knowledge of the business, strictness, intelligence, accessibility, and honesty.

> He knows a lot about the business, all angles not just sales, the parts, service, the mechanical things. He knows the tools he needs. He has a good knowledge of the car business. Some owners don't know the fixed operation. That's the back end, not sales. Some just look at a financial statement. They don't know what goes on behind the doors. Ron does know that. I have worked for some dealers who don't know what is happening back there.
>
> E. J. Badeaux, Retired Parts Manager, Duplessis Cadillac-Volvo.

The fact that Ron Duplessis knows what is going on in the back end of the business, not just the up front or sales end, is immensely important to understanding his success as a leader and the positive attributions made by his employees. This "hands-on" knowledge greatly impresses the employees; therefore, they give Ron a great deal of respect. Another way of interpreting the statements made by the employees at Duplessis Cadillac-Volvo would be to say that Ron's operational knowledge and businesslike manner leads to a certain amount of fear on the part of the employees or even intimidation. While his father may have been too lenient, Ron Duplessis' leadership style is much firmer.

> Ron, I would say, is a pretty strict leader. He wants you to stay on top of your business. It is his business and he wants you to watch it for him. He knows what's back there. He knows how many people are in each department. He knows everything that is going on back there.
>
> Mark Kogel, Parts Manager, Duplessis Cadillac-Volvo.

Certainly, Ron's demeanor is serious and forceful. Whether or not Ron really knows what is happening in the parts department, his employees believe that he does know. The implication is that Ron's knowledge and constant presence keeps the employees in line. The fact that the employees attribute other positive characteristics to Ron also contributes to a desirable corporate culture. The third characteristic mentioned universally by the employees was Ron's intelligence.

> Ron is complex and so intelligent. Ron is computer savvy and a wonderful speaker…He is very knowledgeable and well read. No matter what the subject is, Ron can tell you about it. He is so intelligent…His employees just idolize him.
>
> Marie Vutera, Personal Secretary, Duplessis Cadillac-Volvo.

Remember that this is a car dealership and we are discussing the impressions of blue-collar workers, such as mechanics, and white collar workers, such as clerks and secretaries. In this context, the attribution of high intelligence may lead to a separation or gulf between the owner-manager and the employee. This is not the case at Duplessis Cadillac-Volvo. Not only do the employees apparently "idolize" their leader, but he is accessible to them as well.

> His door is always open if you will notice no matter who is in that office. Ron has that door open for anybody…His employees think highly of him, too. He spends a lot of time, not just in his office. Ron walks around and talks to people in the body shop. He knows every employee.
>
> Marie Vutera, Personal Secretary, Duplessis Cadillac-Volvo.

Finally, an important quality that has led to the success of Duplessis Cadillac-Volvo is the emphasis on honesty. Ron Duplessis is a very honest, forth-right individual, as such he demands that his employees behave honestly in an industry that is not known for this sort of behavior.

> We are very straight forward and honest. Ron is adamant that he does not want a customer leaving that feels hassled or taken advantage of. He always says in our managers' meetings that we run a high line dealership and we want high customer

> satisfaction and high customer service. We hear that every day. Nothing funny is going to go on here, which is great. He is a straight forward businessman.
>
> Yvonne Houpy, Human Resource Manager, Duplessis Cadillac-Volvo.

GENERATIONAL DIFFERENCES

Each generation in a family business faces unique challenges because the external and industry environments are constantly changing. Sidney Duplessis' world of the 1960s and 1970s was simpler than the one confronting Ron Duplessis today. The community of Baton Rouge is much larger, the population is more diverse, and the competitive landscape is much more crowded. Sidney operated one dealership for many years, Ron now has five franchises and the size of the business has grown tremendously. Given the situational contexts, there are still many differences between Sidney and Ron Duplessis concerning their leadership styles in the family business. There are four areas in which general differences can be observed: background, management style, view of modern business practices, and lifestyle choices.

Sidney Duplessis built an excellent company, so that Ron was provided a head-start in the business world. Sidney came out of a poor family in New Orleans, losing his father at the age of 12 and living with his mother who spoke only Cajun French. Sidney did not have the opportunity to gain a solid formal education; instead he gathered knowledge through common sense and street savvy. Nevertheless, Sidney was very well spoken, very amenable, and a gentleman. The civic leaders of Baton Rouge, men and women who commonly held multiple degrees of higher education, sought Sidney's advice regularly in the 27 charitable organizations he served during his career. In contrast to Sidney's humble beginning, Ron had the advantage of a college education, earning two degrees from Northwood University. This small college in Michigan specializes in business education and is supported heavily by General Motors and

Ford. Ron's parents were present in the home and provided a much higher standard of living than Sidney had in New Orleans.

Second, their management styles were very different. According to E. J. Badeaux, Retired Parts Manager, Duplessis Cadillac-Volvo, "Ron is more hands-on than his dad was. Don't get me wrong, his dad knew what was going on. But Ron is more hands-on." Here, the concept of "hands-on" appears to refer to closeness to the business activity or an involvement in the processes of the firm. In the automobile business, it may not be uncommon for the owner to step back from the daily activities of sales and repair and insulate himself from the stress of customer relations. The Duplessis employees are expressing their approval of Ron for not taking the easy way out. Another connotation to the concept of "hands-on" management involves the willingness of the leader to personally face employee problems. Here, the owner-manager must be willing to enforce disciplinary rules and by-pass the temptation to give in to personal emotional pleas that may not serve the best interests of the company. In the family business context, it is much more difficult to enforce a rule that you as the owner-manager have the power to side-step.

> Ron is more hands-on. He is people-oriented, but he wants to get things done. Whereas his father might tend to look the other way if someone wasn't doing something right, Ron will address it head on. Ron is very good to his employees, but he expects them to be good to him as well…Ron is very hands-on. He is here every day and wants to work on it every day. Whereas, his father was not like that. Ron could tell you every department, every profit for the last year. He is very hands-on.
>
> Yvonne Houpy, Human Resource Manager, Duplessis Cadillac-Volvo.

In this context, Ron Duplessis is not people-oriented or perhaps not individual-oriented, he is task-oriented. In seeking to accomplish the goals of the company, Ron will not be side-tracked by the variant wishes of an individual employee. Ron recognizes that his father may have been philanthropic to a fault, especially in his later years. He understands that his father probably was too lenient and spent too much time trying to rehabilitate under-performing employees. Ron explains his thinking as follows.

> I hold that the individual is a part of the company and I manage by what I call a benevolent autocracy. It is sole ownership. It is going to run my way. It is going to run with compassion, but it is going to run for performance.
>
> Ron Duplessis, Owner and CEO, Duplessis Cadillac-Volvo.

Ron's orientation to performance is evident in a different view of the value of professional practices than that held by his father. Sidney Duplessis, as was common in his generation, saw little value to be gained in formalizing business policies. For instance, today, Duplessis Cadillac-Volvo has an extensive employee handbook that did not exist years ago. Now, Ron views drug testing as a necessary business practice. The risk of having a car crash due to mechanical failure from improper service work is too great. Here, the individual employee's right to privacy is outweighed by the need to protect the entire firm from litigation. The difference in opinion between Ron and his father concerning professional practices is embedded in the different time periods in which they led the company.

The final major difference between the two generations involves personal priorities in life style choices. Sidney Duplessis, although a great citizen of the community of Baton Rouge, did not emphasize the importance of his family. Ron, who experienced this as a child, seeks a stronger relationship with his family. Ron remarks, "I think I value time with my family much more. He didn't have a family." So, Ron works long hours in the business and is concerned about the community of Baton Rouge, but he remembers the importance of time with the family.

GENERATIONAL SIMILARITIES

As successful business leaders from the same family, Sidney and Ron share many commonalities across the generational divide. Yvonne Houpy, Human Resource Manager, Duplessis Cadillac-Volvo observes, "Although they would think that they are totally different. They remind me of each other in the regard that they were both very precise in what they wanted done and they had a plan of action and they wanted it followed." The first similarity, then, is a strong business vision, which involves the ability to plan for the future. Sidney Duplessis wanted his own business and after many years of working for others, he obtained that goal. Ron Duplessis did not want to be just "daddy's boy," rather, he wanted to be his own man and to operate his own show. He has achieved that goal with the acquisition of five franchises. Each generation had their goals or driving ambition.

Secondly, the Duplessis's both possessed the influencing skills to implement those plans. Their styles of persuasion may have been different, with Sidney relying on selling skills and Ron using his technical knowledge, but they both provided the leadership necessary to move the business forward. Sidney's more relaxed or laid-back approach worked well when Baton Rouge was a smaller town and the times were somewhat easier going. Ron's more direct and aggressive approach has grown the company as the environmental and competitive conditions have intensified over the past thirty years.

In spite of their different personalities, both generations have focused on the need for profit. According to Mark Kogel, Parts Manager, Duplessis Cadillac-Volvo, "Both of them were very conscious of gross profit, keeping the gross profit…They just wanted a tight ship run. Keep your people busy. Keep your department clean." Efficiency is important to Ron Duplessis and he conveys that message to his employees regularly, while Sidney Duplessis maintained a profitable operation by closely watching the financial statements.

The most important generational similarity lies in a shared basis of values. Ron basically agrees with his father on the most important religious, family, and social values. These values form the foundation upon which all the other business principles rest. Specifically, the Duplessis's share a belief in God. Sidney, who was a devout Catholic, taught Sunday School classes regularly at the Salvation Army for over 13 years. Ron has high values and his children attend a Christian school.

> I think my father and I both believe in God and religion, however you want to worship as long as it doesn't harm anyone. We believe in the family unit. We believe in social, economic, and personal responsibility. We believe in helping others. We are both very philanthropic.
>
> Ron Duplessis, Owner and CEO, Duplessis Cadillac-Volvo.

Ron established the Duplessis Foundation in memory of his father. Beginning in 2003, the Duplessis Foundation is the leading sponsor of the Greater Baton Rouge Downtown Christmas Parade, which benefits the needy children of the downtown area. The parade, held every year in the middle of December, is a large event in which visitors may enjoy live music, classic holiday movies, the lighting of the Mississippi River Bridge, and a fireworks display. In this manner, Ron honors his father and carries on his work to help the community of Baton Rouge. This commitment reflects a strong and healthy organization at Duplessis Cadillac-Volvo.

ORGANIZATIONAL LEADERSHIP ASSESSMENT (OLA) SURVEY RESULTS

The Organizational Leadership Assessment (OLA) measures the relative health of an organization, claiming that in healthy organizations individuals display authenticity, value people, develop people, build community, provide leadership, and share leadership. The OLA identifies six levels of organizational health, ranging from lowest to highest: toxic health, poor health, limited health, moderate health, excellent health, and optimal health. In the case of Duplessis Cadillac-Volvo, the survey showed a very healthy organization. The overall global response number of 4.019 places the company into the category of optimal health and implies that the respondents perceive servant leadership in the organization. (See Table 6.1.) These findings reinforce the interview results, which found strong positive attributions by employees concerning the leadership style of the top managers of Duplessis Cadillac-Volvo.

Table 6.1: Organizational Leadership Assessment (OLA) Survey Results by Factor

Overall (Items 1-40)	4.019
Factor 1: Values People (Items 1-27)	3.957
Factor 2: Develops People (Items 28-36)	4.130
Factor 3: Provides Leadership (Items 37-40)	4.143

NEXT GENERATION

Presently, Ron Duplessis is firmly in control of operations at Duplessis Cadillac-Volvo and at the height of his management career. The future of the organization is open. Ron has two children: a son, who is twelve years-old; and a daughter, who is eleven. The children are too young to know if they want to come into the family business, but there may be some interest. Although Ron Duplessis works long hours, he also presents the positive and fun side of the business to his children. Ron observes, “They are interested and they like to see what we do. They see the hard work. They see the Christmas parade and they think that the whole combination is neat.” The Duplessis children are attending an excellent preparatory school and are planning to go to college. There is every reason to believe that they will have an opportunity to join a strong business in a few years. If the perceptions of the Duplessis Cadillac-Volvo employees are correct, the third generation of the Duplessis family will have a servant leader to mentor and develop them.

CHAPTER 7:
FRANKLIN PRESS, INC.

E. J. and Inez Land decided to go into business for themselves in 1922 after working in the printing industry for many years. The Lands opened a printing company in the center of Baton Rouge, Louisiana, and named the business after the nation's most famous printer, Benjamin Franklin. At first, the Lands were the only employees of the Franklin Printing Company, but soon the business began to grow and prosper along with the city of Baton Rouge.

In 1933, the Lands hired a young apprentice, Francis Holliday, who had come to the city from the very small town of Gross Tete, which is just west of Baton Rouge across the Mississippi River. Francis decided that he did not want to be a farmer, the main occupation in his little bayou home town, and acquired the job with the Lands although he knew very little about printing. His early lack of printing knowledge did not stop Francis Holliday as he quickly learned the business and showed strong management skills. By 1942, Francis bought a half interest in the company and became a partner with the Lands. Holliday's interest in the company continued to rise and the Lands gradually backed out of the business. In 1949, Francis Holliday became president and changed the name of the company to Franklin Press, Inc. As the company continued to grow, a larger production facility became necessary. So, under Holliday's direction, the business was moved from its original Main Street site to its current location on Highland Road, near Louisiana State University, in 1953. Eleven years later, in 1964, Francis completed acquiring the remaining stock of Franklin Press, and became the sole owner. Over the years, Francis' brother, Sidney Holliday, and his sister, Bernadette, both worked for Franklin Press. Sidney was a salesperson for over forty years and Bernadette was the company's bookkeeper. However, their roles in the business were secondary to Francis, who was the CEO and sole owner of Franklin Press.

FIRST GENERATION: LEADERSHIP STYLE

Coming from an agricultural background, Francis played the role of entrepreneur for the family, striking out into totally unknown areas in the printing industry and business ownership. Besides his involvement in the printing business, Francis Holliday became a leader in civic organizations, such as the Kiwanis Club, in Baton Rouge. He set the tone for the company's active participation in community activities. His son, Tommy Holliday, Vice President of Production, Franklin Press, later described Francis, "He was very, very outgoing, very friendly, very helpful, just a gracious, giving person."

Besides being a warm and friendly gentleman, Francis Holliday, possessed the necessary toughness to face a competitive business environment. According to his granddaughter, Julie Holliday Crifasi, Secretary/Treasurer and Chairman of the Board, Franklin Press, "Francis had a strong business personality as far as being aggressive about getting things done." Francis was a strong leader and laid an important foundation for the company with his emphasis on technological growth and advancement within the printing industry. Julie Holliday Crifasi explains further, "I think our philosophy today is staying on the leading edge of technology and that goes back to his beliefs as well. Since his leadership, we have stayed with the latest and greatest in technology, trying to stay ahead of the curve." A picture of Francis Holliday still graces the entrance area of the company's offices, underscoring his contribution to the culture of the company. Beginning in 1949, Francis served as president and owner of Franklin Press for over twenty-five years. During this time period, the company grew steadily as the number of employees increased to around seventy.

SECOND GENERATION: ENTERING THE BUSINESS

The Holliday family involvement in Franklin Press also continued to grow. In rapid succession, Francis Holliday's two sons entered the business. Jensen came into the Franklin Press in 1959 and Tommy joined the company the following year. Both sons grew up in and around the business, working there during their high school and college summers. Although Francis Holliday did not have the benefit of a college education like many individuals in his generation, the Hollidays believed in education. Therefore, both of Francis' sons completed their college degrees at LSU before coming to work full-time for Franklin Press. Jensen and Tommy admired their father and sought to follow in his footsteps. Concerning his feelings toward his father, Tommy made the following statement.

> A lot of times people would remark about me that you are just like your dad. Of course, that made me happy. I see (that Jensen and I) handled ourselves, both inside and outside the company, as reflecting a great deal of his personality.
>
> Tommy Holliday, Owner and Vice President of Production, Franklin Press.

In many ways, the second generation of Hollidays at Franklin Press was an extension of the first generation. For some time, the company continued to operate as it had always done—as a high quality general printing company. According to Stan Guedry, Production Supervisor, Franklin Press, "After Francis passed away and Jensen came along, we had a ten or fifteen-year period with the same presses, the same way of doing things. We had some updates, but nothing like the last ten years with the computers." The increasingly heavy workload was divided between Jensen and Tommy. Upon Francis' death in 1975, the ownership of the business passed to his children: Jensen, Tommy, and their sister, Frances P. Holliday. Jensen, the older brother, assumed the leadership role as president and CEO of the company. Tommy managed the production processes or printing work of the company. Frances did not take a management role in the family business, but she had a seat on the company board of directors as part owner. Today, she still maintains her role on the board and has an active voice in company decisions. Using their father as a role model and mentor, Jensen and Tommy led the firm for the next twenty-eight years.

SECOND GENERATION: JENSEN'S LEADERSHIP

The business relationship between the two brothers was quite clear in that Jensen provided the overall leadership for the firm and managed the office including sales and finances, while Tommy concentrated on the production side of the business, or the actual printing. This division of labor and responsibility had its roots in their childhood. Jensen excelled at team sports, such as football, baseball, and basketball, anything that involved people. Whereas, Tommy loved hunting and fishing, things one could do alone or perhaps with one other person.

> We always laughed about it that he (Jensen) needed nine or ten other people to keep him going. His personality was gauged toward team sports and he was good at running this company. I was always mechanically inclined. If my bicycle broke, I fixed it. If his bicycle broke, I fixed it.
>
> Tommy Holliday, Owner and Vice President of Production, Franklin Press.

With his mechanical aptitude, Tommy enjoyed the challenge of producing the printing for the company and Jensen naturally stepped into the leadership role for the company. Over a period of a few years, the brothers became an inside-outside team, with Jensen depending on Tommy's work in production and Tommy depending on Jensen's work in the financial and sales areas.

Tommy Holliday had some outside interests, such as the Lion's Club, but as the years passed, he spent more time inside the company and Jensen spent more time outside in the community. Jensen followed in his father's footsteps by becoming involved in community activities and charitable work. Jensen, however, pursued this community service on a far greater level. Jensen served as a board member of the Baton Rouge Area Foundation, the Better Business Bureau of Baton Rouge, the Baton Rouge Opera, Baton Rouge General Hospital, Crime Stoppers, Louisiana Arts and Sciences Center, and the Baton Rouge chapter of the National Conference for Community and Justice. Jensen was the chairman of Baton Rouge's Red Cross chapter, the Arts Council, the Speech and Hearing Foundation, Junior Achievement, and the Capital Area United Way. He also espoused several political causes, attempted to improve education in Baton Rouge, and enhance business opportunity throughout the state of Louisiana. Jensen also served the Camp Fire USA association and the Kiwanis Club. A member of the Most Blessed Sacrament Catholic Church, Jensen worked on several advisory boards for St. Joseph's Academy, a leading preparatory school for girls in Baton Rouge.

> I don't think there was ever a year when Jensen was not on at least ten boards and served as president on most of them. He spent a lot of time…In the school of Mass Communications (at LSU), they have named the forum after my brother because he was so active in community affairs. That was his bailiwick. That was his life…He spent as much time out in the community as he did here.
>
> Tommy Holliday, Owner and Vice President of Production, Franklin Press.

Because he spent so much of his time with charitable work, it is remarkable that Jensen Holliday still managed to project a strong and powerful image at Franklin Press. Jensen's leadership style could be forceful according to Stan Guedry, Production Supervisor, Franklin

Press, “You pretty much knew where you stood with him. There was no question…There was times when there was harsh words. I think that is in any business.” He was a strong CEO, who used a demanding presence to accomplish the necessary work. Ernest Seals, President, Franklin Press, described Jensen, “He was very assertive, interested in technology and growing the company.” Beyond the force of his personality, Jensen was also very detail-oriented. Somehow, despite all the community service, Jensen found the time to attend to the details of the business or at least create the perception that he did.

> Again he had a leadership personality. He got in and got things done. During his span of service to the company, he monitored everything from the production side to the financial side…. He watched everything, every last penny that went out the door. He was very detail oriented.
>
> Julie Holliday Crifasi, Chairman of the Board, Franklin Press.

Jensen kept his community service work and Franklin Press separate. Although he was very active and visible in Baton Rouge community affairs, he did not seek to profit from his charitable activities. Ernest Seals, President, Franklin Press further characterized Jensen as an “amazing individual.”

> It was interesting that he never seemed to want to capitalize on his community relationships to further the business. It was strictly a love he had for Baton Rouge. It was amazing the way he could handle so many outside interests and still put in a full day’s work in the company. He did all the pricing himself, personally, for several years until we grew to where it was too big of a task.
>
> Ernest Seals, President, Franklin Press.

SECOND GENERATION: TOMMY HOLLIDAY AND NON-FAMILY MANAGEMENT

For approximately fifteen years, Jensen was able to lead the company in a similar manner to the way things had been during Francis Holliday's tenure. However, Jensen came to realize that the competitive environment in the printing industry was becoming increasingly price-oriented. There were so many competitors in the general market that it became very difficult to find jobs that were profitable. The Hollidays recognized that they needed to find a niche in the market where they could produce quality work and stay ahead of the competition technologically. During the mid 1990s, several significant events took place at Franklin Press.

Jensen Holliday became sick with cancer and realized that he could not continue to manage the company for many more years. Because of his situation, the Hollidays had a warning period or a time when they knew that leadership changes were necessary for the survival of the firm. Also, at this time, Tommy Holliday decided that the leadership role in the company was not for him. To ease the transition and to handle the volume of work, the Hollidays decided to bring in an outside person as vice president. They found that person in Ernest Seals, a long-time friend and competitor in the printing business. Ernie, as he is called, had worked for 33 years for Moran Printing, a local family-owned competitor. At Moran, Ernie rose to the top of the company to become the president and a stockholder, but there were dysfunctional family dynamics in the business. Ultimately, the inability of the Moran family to cooperate with each other and their professional managers led Ernie to seek employment elsewhere and then to the demise of the firm as well. The Hollidays had known Ernie Seals for many years and had even worked together with him in the 1970s to jointly negotiate contracts with the printers union of Louisiana. The negotiations were successful for the local printing companies. Within a few years, the union found a lack of worker interest in Louisiana and left the state. The Hollidays invited Ernie to come into the company as vice president to work with Jensen in 1995. Upon Jensen's death in 2002, Ernie was made president of the company.

> Currently, our president is not a member of the family. I am still vice president. To be quite honest with you, my makeup and my background is not suited for being president. It does not bother me. I am happy doing what I do. I have always been in production, always handled production. I like it just like that.
>
> Tommy Holliday, Owner and Vice President of Production, Franklin Press.

Another major event at Franklin Press in the mid 1990s was the decision to leave the general printing market and focus on the printing of direct mail advertisements. The Hollidays realized that they could not continue to operate profitably in the general printing market, but they received vital assistance from their newly hired manager in finding a suitable market niche. Ernie Seals led the way in the decision to acquire a company called Digitrans, which was in the data processing and direct mail business, but did not do any printing. Craig Chumley, who started Digitrans in the mid 1980s, came to Franklin Press along with the company.

> In '96, Ernie approached me about an acquisition…They bought my company in August of '96. In the acquisition of us, while he (Jensen) was excited to put up the money and do the acquisition and could see the benefits, it wasn't his idea. It was Ernie's idea to change direction like that…Since then, we have transitioned Franklin Press to data processing and direct mail, which is probably 85 percent of our sales now.
>
> Craig Chumney, Vice President of Digital Printing and Database Management, Franklin Press.

The company has maintained a competitive advantage in the data processing and direct mail niche by investing heavily in technologically advanced equipment. Franklin Press was the first company in the South to have a multi-color printing press, one of the first to employ computerized type-setting, and the first in Baton Rouge to have UV ink presses. In 1999, the firm purchased the Sanden Web Press in order to process large quantity printing orders and in 2002, a four-color Halm Jet Envelope Press was added to process full color envelopes quickly.

TRANSITION TO THE THIRD GENERATION

In spite of the addition of non-family members to the top management team, the Hollidays still control the ownership and management of Franklin Press. The family still possesses the ability to transfer the business from one generation to the next. Of Jensen Holliday's six children, only one has entered the business, Julie Holliday Crifasi. Jensen's oldest daughter, Jennifer, is a teacher; the second daughter, Chris is a hairdresser; the fourth child and oldest son, Dan, is an attorney; the fifth child, Ellen, is a homemaker; and the youngest son, Matt is a computer analyst in Houston. While the other children certainly had the opportunity to join Franklin Press, they chose to go elsewhere.

Julie Holliday Crifasi states, "We all worked here in high school during the summers, but no real career paths developed." As a matter of fact, Julie did not plan on coming into the family business either. Jensen asked her to come in and help with the financial and accounting side of the company. "I remember being pretty shocked when my dad asked me. I was young and it was a big responsibility," Julie explains. She had earned her degree in accounting at LSU, worked for a public accounting firm for two years, and acquired her CPA certification, but her father asked Julie to join the business when Franklin Press encountered some problems with their controller in 1992. Julie had grown up working for the company in various aspects during the summers, doing jobs such as binding books, working in the shipping department, and helping in the accounting and administrative offices. This company knowledge and her formal education and certification in accounting uniquely qualified her for the job.

While Jensen had six children, Tommy Holliday had four, three daughters and a son. None of the daughters were interested in coming into the business. The oldest daughter, Elizabeth, lives in Natchez, Mississippi; the second daughter, Madeline, is a nurse; and the youngest daughter, Catherine lives in California. Patrick, the third child and only son, worked for the family business during his summers in high school and has chosen to continue with Franklin Press. Patrick graduated from high school and decided to come straight to work for Franklin Press, rather than to attend college. He has worked in deliveries, shipping, and receiving, but has spent most of his time in the press room doing production. After running the presses for about ten years, Patrick moved up to the position of Press Room Supervisor five years ago. Patrick is quite content with a role he describes as "hands-on." He enjoys the demands of the physical aspects of printing and the use of advanced technology. Much like his father before him, Patrick enjoys the mechanical aspects of printing and the challenge of making things run smoothly. In his position of Press Room Supervisor, Patrick works closely with the technicians who actually do the printing at Franklin Press and serves as a liaison between the blue collar workers and the top managers of the firm.

> There is a definite difference between people who work in production and the president or vice president in mentality and in the way they work. That is why those supervisors who work in the back have to be in the middle to be able to deal with the workers and deal with the superiors. And get them to understand each other because a lot of the time they don't.
>
> Patrick Holliday, Press Room Supervisor, Franklin Press.

CURRENT SITUATION: BOARD OF DIRECTOR'S CONTROL

Patrick Holliday understands the production of printing at Franklin Press, but he does not desire to move into the top management of the firm. Currently, the top management consists of a combination of second and third generation family members and non-family members (See Figure 7.1 for an organization chart). While the president, Ernie Seals, is a non-family member, the power of Franklin Press resides in the board of directors, where the Holliday family maintains a controlling majority with four of six members and ownership of 70 percent of the stock. Tommy Holliday, Estelle Holliday (Jensen's wife), and Frances Holliday (Tommy and Jensen's sister) represent the second generation and Julie Holliday Crifasi is the start of the third generation. Estelle Holliday is the largest shareholder with 21 percent with the other family members fairly evenly divided in ownership interest. Tommy, Estelle, and Frances together own over 50 percent of the stock and have a voting trust, which is the controlling factor in Franklin Press.

MANAGEMENT BY COMMITTEE

Although the family still controls the ownership of Franklin Press, the daily management of the company is done by a committee, consisting of family members and non-family members. Before he passed away in 2003, Jensen set up the management committee to operate the company. This management committee consists of family members - Tommy Holliday, Julie Holliday Crifasi, and Frances Holliday, in an advisory capacity, and non-family members: President Ernie Seals, Vice President Craig Chumney, and Production Supervisor Stan Guidry. This planning and forethought is perhaps Jensen's greatest contribution to Franklin Press. According to Stan Guidry, Production Supervisor, "It was kind of a weird thing when it happened because we didn't know what he was doing or why he was doing it. I was honored to be asked to be on the committee.” Rather then leave the company in a weak management position upon his death, Jensen started the management committee in motion, so that the transition without him was less painful. There was no committee prior to Jensen’s illness, but approximately two years before his death, he formed the group and called the committee together to meet once a week to make operational decisions.

> He (Jensen) was still in the loop all the way until he died. Then, after he died, we just continued and it has worked. We have heard a million people comment, ‘There is no way you can run a business by committee.’ We have actually done that. The fact that we operated as a management group for a year and a half with him overseeing it made it a flawless transition.
>
> Julie Holliday Crifasi, Chairman of the Board, Franklin Press.

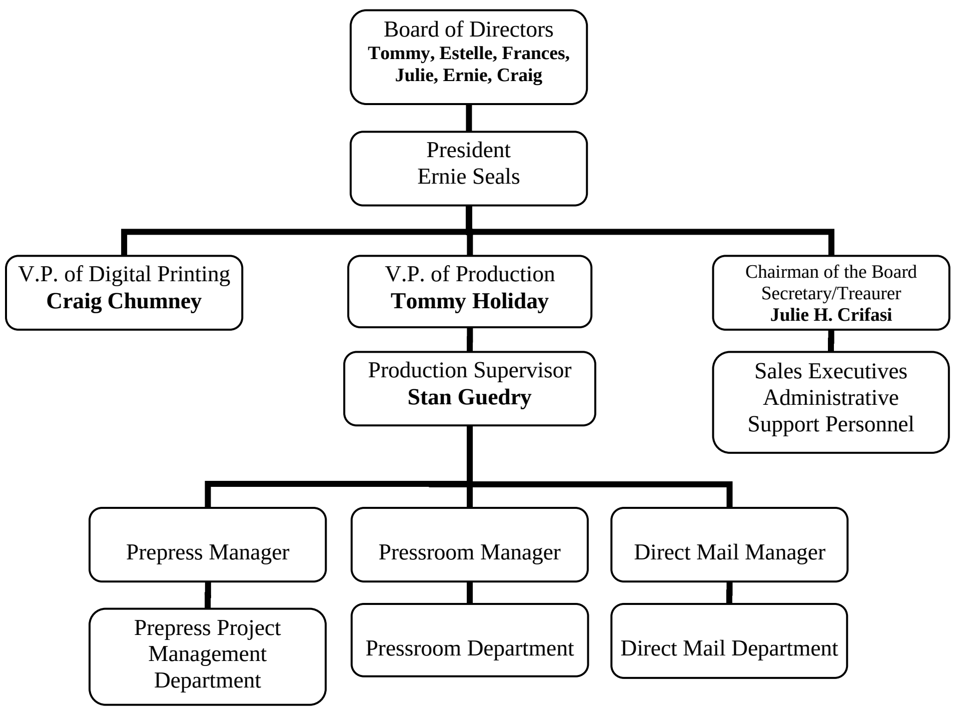

Figure 7.1: Franklin Press Organization Chart

Whereas Julie Holliday Crifasi characterized the transition after Jensen's death as flawless, there were nevertheless some difficulties. The main question was 'Who should be president after Jensen?' Ernie Seals had been in the position of vice president since coming over to Franklin Press, but he was not a family member. A controversy developed over whether Julie Holliday Crifasi, the most qualified family member, or Ernie Seals should receive the promotion. Julie remarks, "So, we went back and forth between me and Ernie as president. It took about a year to make that decision among the family and stockholders. I guess the compromise was naming Ernie as president and I am chairman of the board. Ernie and I work real closely together." As the president, Ernie Seals leads the committee, but he respects the fact that Franklin Press is a family business and before any major decisions are made, the management committee meets for discussion.

CONSENSUS

Ernie Seals oversees the operations of the business and is the CEO, but the strength of Franklin Press' management has been a sense of cooperation and a sublimation of personal ego by all the members of the management committee. The arrangement has been positive and harmonious according to Craig Chumney, Vice President, "I can't remember, but the biggest argument we have had is whether to renew our Saints tickets or not." While this is probably an overstatement, the fact of the matter is that the group has worked together as a team to produce a higher quality of decision-making than they could have as individuals. "We have made decisions as a group that none of us would have made individually by somehow talking things through among the six people. Several of us are very conservative; a couple of us are more risk-oriented. We just kind of reach a happy medium," remarks Julie Holliday Crifasi. Ernie Seals perceives this management process at Franklin Press to be a search for consensus.

> You are working toward a consensus position…Fortunately, since Jensen died, we have not had a problem reaching a consensus. I think the reason for that is that we have had a strategic plan. I think that is the most important part of a family business to have an agreement on what your plan is and what your goals are because you can have divergent interests.
>
> Ernest Seals, President, Franklin Press.

GENERATIONAL DIFFERENCES

The major difference in leadership style between the second and third generations of the Holliday family at Franklin Press is the need for and presence of the management committee. In the first generation with Francis Holliday and in the second generation with Jensen Holliday, the company had unquestioned, strong leaders. Additionally, family members filled complementary roles. "In years past, it was always my father as head and everyone else was underneath him if you did a flow chart. Jensen would be at the top and everyone reported to him," states Julie Holliday Crifasi.

Today, the third generation of Holliday leadership involves only Julie, who is sharing the top management of the firm with non-family managers. In time, Julie may come to fill a role similar to that of her father and grandfather, but for now she is developing her leadership ability and improving her knowledge of the company. Julie recognizes that she does not know the "ins and outs" of the production side of the business as well as Ernie Seals and Craig Chumney. She comes from a financial and accounting background and this remains her strength in the business. The fact that Julie is a woman and a mother of two small children also is a complicating factor for her career. The printing industry is still male-dominated as are many businesses. Julie will have to overcome the vestiges of prejudice against women, balance her personal and professional life, and develop her own leadership style within the company.

Other generational differences have their roots outside the company. Franklin Press faces an increasingly demanding competitive environment. Tommy Holliday realizes this difference and explains, "The big difference was that in his (Francis Holliday's) era the technology might take fifteen years to change, but in my era, it started off like that, but today technology changes in six months or two months." With the continuing improvements in technology, it is necessary for Franklin Press to upgrade their printing equipment more and more often. In the 1960s, a great deal of work was done by hand or with partially automated equipment. Today, the work is done by machine. Finally, as previously described, the focus of the company has shifted from general printing to the niche of direct mail printing. Recognizing the trend toward increasing competition and lower and lower profit margins in the broad, general printing market, Franklin Press moved to the market niche of using variable data and direct mail printing over the past ten years.

GENERATIONAL SIMILARITIES

Differences exist in that the management by committee structure is new to Franklin Press, the competitive environment has become increasingly more complex, and the company has embarked on an entirely new niche in the printing market in direct mail. However, there are some basic similarities between the generations or concepts that have been passed down and stayed with the firm. Jensen Holliday had a motto to which the leadership of the business still holds firmly—"Yesterday's ideals and tomorrow's technology." The Hollidays have believed in staying on the cutting edge of printing technology and have invested in the equipment to do so across the generations. Patrick Holliday explains the reasoning, "We strive to stay on top of technology because without staying on top of technology, you are going backwards. Basically, the customers are driving it. If the customers want it, you have to have it." The leading reasons for the success of Franklin Press may be summed up as follows: the family has agreed on who should lead the company and top management has been willing to change the focus of the firm from general printing to direct mail and forego the immediate gratification of bonuses and dividends in order to invest in new technology.

> In the printing business, if you are not growing, you are dying. A lot of companies are self-liquidating. They are not willing to invest in new technology. So, they are just trying to live hand-to-mouth. Their equipment may be fully depreciated and they don't want to replace it. So, they are dying on the vine. They won't make the investment as we did in computer technology and direct plate technology. Eventually they will lose.
>
> Ernest Seals, President, Franklin Press.

The Holliday family has been proud to be in the printing business and has wanted to stay in the business, rather than sell out. According to Ernie Seals, he decided to come to Franklin Press because "the family was committed to excellence and growing the company." The family pride in the business has also led to a desire to produce a high quality product, a concept that has been passed down from generation to generation.

> I can say this and I am not bragging, but for years and years, the printing community set their standards by what the Franklin Press did. It was almost like we are not a good printer until we are as good as the Franklin Press. In our meetings, our production meetings, that philosophy is still preached today in our company. We tell our employees that we are the best, but you can't stay the best if you don't work at it.
>
> Tommy Holliday, Owner and Vice President of Production, Franklin Press.

Along with the family pride in being in the business and the commitment to produce a high quality product, the Hollidays have held to the belief that their employees were a very valuable asset. This concept has been passed down through the generations. According to Tommy Holliday, "Well, I guess the major thing that was passed down is the value of employees, over and above equipment. My dad always said you can buy all the equipment you want, but you can't buy people. You have to take care of your people and the company will survive." The company is full of long-term employees. Incredibly, 37 of 68 employees have worked for Franklin Press for over 5 years and amazingly 19 employees have worked for the company for over 20 years. Patrick Holliday claims that "I have two pressmen who have been here 30 years and a cutter operator who has been here 32 years." Management has treated employees well in order to elicit such long-term loyalty.

ORGANIZATIONAL LEADERSHIP ASSESSMENT (OLA) SURVEY RESULTS

Management's care and concern for the employees is also reflected in the results of the Organizational Leadership Assessment (OLA). The global response number of 3.655 places Franklin Press above the Laub (1998) average and into the category of moderate to excellent health. The survey results position the organization in the paternalistic leadership area. As previously noted, Franklin Press has a large number of long-term employees, but the company also has a significant number of employees with less than one year of employment (12) and less than five years of employment (31). The short-term employees may possess a lower sense of belonging and attachment to the company and this may have been reflected in their OLA responses. (See Table 7.1.)

Table 7.1: Organizational Leadership Assessment (OLA) Survey Results by Factor

Overall (Items 1-40)	3.655
Factor 1: Values People (Items 1-27)	3.581
Factor 2: Develops People (Items 28-36)	3.734
Factor 3: Provides Leadership (Items 37-40)	3.900

NEXT GENERATION

Franklin Press is in transition to the third generation of Holliday family management and ownership with several members of the second generation—Tommy Holliday, Estelle Holliday, and Frances Holliday—still firmly in control of the board of directors and ultimate leadership of the company. Julie Holliday Crifasi is the leading member of the third generation, while Patrick Holliday, the only other third generation member involved in the business, is content in his production role and has no desire to manage the overall company. There are several possible scenarios for the future of Franklin Press.

Upon the retirement of Ernie Seals, who is currently in his mid-60s, Julie Holliday Crifasi, as the most qualified family member, will probably become president, adding this responsibility to her title of chairman of the board of directors. Julie will then have the opportunity to assume the leadership role in the company, following her father and grandfather. Her path will not be as clear as that of the preceding generations. Because of her need to improve her knowledge of the production side of the business, Julie may encounter resistance from within her organization. Here, Julie should proceed cautiously. Alternatively, Julie may choose to share more ownership and management responsibility with non-family managers. This may prove to be a wise solution to avoid top management team dissention, which could disrupt the company.

Another option for Julie would be to call on her family for help. Her brother, Dan, is an attorney, her brother, Matt, is a computer analyst, and her husband, Chris, is a financial analyst. Although these family members have chosen other careers, they could help the company in the future. Another alternative would be to sell the business entirely either to Craig Chumney and other non-family managers or on the open market. This option should only be explored if the family decides that they no longer want to be in the printing business. Such a scenario could present itself if Julie is the only family member in top management and she wearies of the task. For now, the Holliday family seems to be firmly entrenched at Franklin Press and enjoying the ride. The company has weathered the storm of Jensen's death and the subsequent management reorganization and now looks to a profitable future.

CHAPTER 8:
RABENHORST FUNERAL HOMES

From its inception in 1701, Prussia was involved in a series of wars, which swept the European continent. In order to escape from the climate of war-torn strife, a 14-year-old Prussian boy was sent by his family to America in 1842. The boy, named Charles F. Rabenhorst, landed in New Orleans and settled there. Charles met a young German girl, Caroline Focken, and married her in 1858. Although he came to America to escape war, Charles formed a company and joined the Confederate Army, serving as a captain in the 21st Louisiana Regiment during the Civil War. To show his support of the South, Charles changed the family's savings into Confederate money. Rabenhorst served with distinction until 1864. Charles returned safely to his family at the end of the war and would later watch his children play with the worthless Confederate money.

The Rabenhorsts moved to Baton Rouge and Charles opened a furniture and cabinet-making business in 1866. Furniture-making was Charles' trade, not the funeral home business. However, this was before the modern days of specialization when businessmen did whatever was needed in their local communities. Charles gradually built more and more coffins as time passed. In the later 1800s, entry into the funeral home business came through various avenues, such as owning wagons to transport coffins or serving as a barber, which required some knowledge of anatomy. A barber could take a one-week course at an embalming school and become an undertaker. Even so, undertakers did various other jobs as well to support themselves.

An invoice from 1872 describes the Rabenhorst business, "Household and office furniture, cabinet maker, upholsterer, and undertaker. Metallic and wooden coffins kept constantly on hand and furnished to order at the shortest notice." People came from neighboring towns all over southern Louisiana to buy coffins. Charles Rabenhorst, the undertaker, would lay the body out in the family's home, lead a funeral and provide a wagon to take the deceased to the cemetery. The preparations of the body for burial were most often done in the home of the deceased. Karen Rabenhorst Kerr, Charles' great granddaughter and present owner of Rabenhorst Funeral Homes, recalls being told, "They brought a cooling board and used ice to keep the body cool." Larry Moore, Rabenhorst Funeral Homes General Manager adds, "Many times they would take the doors down to serve as an embalming table. Many times they embalmed in the bed where the person died." The Rabenhorsts posted funeral notices around the town on telephone polls and other posts. "Door badges were initially put on the door of the home of the deceased or at his place of business. It was customary to have at least black bunting around the front door," states Larry Moore, General Manager. As was the custom of the times, Charles' children helped their father in the business. For instance, according to Karen Rabenhorst Kerr, Charles' daughters "would help their father line the inside of caskets with satin." Usually, the family of the deceased and neighbors would dig the grave. There were very few government regulations in those days.

SECOND GENERATION

Charles Rabenhorst died an early death at the age of 52 in 1880. Caroline Rabenhorst, his widow, took over the management of the funeral business with the assistance of some loyal employees. The Rabenhorst's two sons, Alvin Eugene Rabenhorst (1875-1946) and Oscar Ferdinand Rabenhorst (1870-1942) were only five and ten years old respectively when their father passed away. Fortunately, Caroline was able to keep the business going until her death fourteen years later in 1894. (See Figure 8.1 for a Rabenhorst family business tree.) Gradually, Oscar, the older son, took over ownership and management of the company. Oscar invited his brother, Alvin, to join him in the business in 1915. The funeral home had several locations in old Baton Rouge. First, the business was located at 115-117 Third Street; then it was moved to the south corner of St. Louis and America Streets; and then across the street to the north corner of the same two streets. While the present site at 825 Government Street was under construction, the business operated from a house near the old Hatcher's Drug Store at the corner of Maximillian and Government Streets. According to Karen Rabenhorst Kerr, "After the first building, the other early locations were probably just houses."

First Generation

Charles Ferdinand Rabenhorst
(1828-1880)

Second Generation

Alvin Eugene Rabenhorst **(1875-1946)**

Oscar Ferdinand Rabenhorst **(1870-1942)**

Third Generation

Alvin Phillips Rabenhorst **(1919-1992)**

Harry Aldrich Rabenhorst **(1898-1972)**

Alvin Eugene Rabenhorst II **(1905-1988)**

Fourth Generation

Alvin Phillips Rabenhorst, Jr. **(1947-)**

Karen Rabenhorst Kerr **(1949-)**

David L. Rabenhorst **(1952-)**

G.Scott Rabenhorst **(1954-)**

Figure 8.1. Rabenhorst Business Family Tree

In 1932, Alvin E. and Oscar F. Rabenhorst supervised the completion of the construction of the Government Street location. The builder, L. W. Eaton, charged the grand sum of $32,000 to construct the new funeral home, which contained 28 rooms and four halls as well as an upstairs apartment for the families of the deceased. The Rabenhorsts also offered the city's first ambulance service, which was originally horse-drawn and free of charge for the first few years. "My father told me that one of the main things the ambulance did was to take new mothers home from the hospital as a courtesy," remarked Karen Rabenhorst Kerr.

RABENHORST LIFE INSURANCE COMPANY

In 1932, the same year that construction was completed on the funeral home, Alvin E. and Oscar F. Rabenhorst founded another company that was originally named the Mortuary Benefit Association. This company offered funeral benefit policies in the form of membership certificates. In 1939, the name was changed to Rabenhorst Industrial Life Insurance Company when a new charter was awarded. Over the next few years, the company was authorized to issue cash policies and then whole life funeral policies. These two forms of insurance still serve as the nucleus of the business today. In 1964, the name of the company was changed again to Rabenhorst Life Insurance Company to reflect increased capitalization. The insurance company offices are located adjacent to the funeral home at 833 Government Street. The family continues to operate both businesses.

THE ASSASSINATION OF HUEY LONG

Perhaps, the most infamous event to occur in the city of Baton Rouge happened on September 8, 1935 when Dr. Carl Weiss shot Huey Long inside the New State Capitol Building. Described as a brilliant eye-ear-and-nose specialist, Weiss was the son of a Baton Rouge doctor, Carl Adam Weiss. The younger Weiss did his undergraduate studies at Louisiana State University and his medical training at Tulane University. The attack, which occurred late on a Sunday evening, was apparently not planned in detail, but the opportunity for confrontation presented itself to the young doctor as he drove by the Capitol building around 9 p.m. and realized that Long was probably present because the building was brightly illuminated. Many have speculated on Weiss's motivation, including the supposition that the young doctor was a political idealist who became temporarily insane or that he felt some deep, dark insult to his family from Long. Whatever the reason, Weiss approached Long inside the Capitol Building, got to within close range, and fired a shot that struck Long. Long's body guards responded with a hail of gunfire, quickly killing Weiss and riddling his body with some thirty bullets. Huey Long staggered out of the Capitol Building and was taken to Our Lady of the Lake Hospital, where surgeons tried to repair the internal damage from his bullet wounds. But it was to no avail—Huey Long died 30 hours later on September 10, 1935.

Rabenhorst Funeral Home handled the funeral arrangements for both Carl Weiss and Huey Long. Both funerals were well attended. The visitation for Weiss was held at Rabenhorst Funeral Home and the funeral services took place at St. Joseph Catholic Church. The *State-Times* described this as one of "the largest funerals ever held in Baton Rouge for a private citizen." Merle M. Welsh, the Rabenhorst funeral director, described Long's funeral in a trade publication, *Casket and Sunnyside*, as "one of the largest (funerals) ever held in the country, and surely the largest ever held in Baton Rouge." Over 100,000 mourners attended the funeral at the State Capitol. Welsh also explained, "We were called less than ten minutes after the death of Senator Long to care for the remains and prepare them for burial." Throughout the entire process, the Criminal Bureau of Investigation closely guarded Long's body, according to Welsh, and "no one was allowed to view the remains of the Senator except members of his family and those who were closest to him in life."

TRANSITION TO THE THIRD GENERATION

The second generation of Rabenhorsts continued to operate the funeral and insurance businesses for another ten years. Oscar F. Rabenhorst passed away in 1942 and his brother, Alvin Eugene Rabenhorst died four years later. The third generation of Rabenhorsts consisted of Alvin E. Rabenhorst's only child, a son, Alvin Phillips Rabenhorst (1915-1997), and Oscar F. Rabenhorst's sons, Harry A. Rabenhorst (1898-1972) and Alvin Eugene Rabenhorst II (1905-1988).

Oscar's oldest son, Harry, served as president of the funeral home for a short time, but made his mark in life in athletics. Harry attended college at Wake Forest University and played football for the Deacons. Due to a shortage in manpower because of the First World War, Harry served as both captain and coach of the team in 1919. On Thanksgiving Day, Wake Forest took on rival North Carolina State University, located only a few miles down Tobacco Road. In that game, Harry punted a football 89 yards in the air. The ball wound up touching a Wolfpack player and resulted in a touchdown for the Deacons. The kick was officially measured at 110 yards, the longest recorded punt in college football history. The play proved instrumental in a 21-0 Wake Forest victory, their first win in the series in 20 years. After a stint in the armed forces, Harry returned home to Baton Rouge. He continued his career in college athletics by coaching at Louisiana State University. Rabenhorst served as Assistant Football Coach, Head Basketball Coach, Head Baseball Coach, Assistant Athletic Director, and Athletic Director over a 43 year period. He served as the head coach of the men's basketball program for 32 years. In 1935, the same year as the Huey Long assassination, Harry Rabenhorst led the LSU men's basketball team to the national championship. This remains LSU's only national title in basketball.

THIRD GENERATION: NON-FAMILY MANAGEMENT

While Harry was concentrating on college athletics, his brother Alvin E. Rabenhorst II, known as Allie, served as president of the funeral home from 1946 until his retirement in 1972.

Although Allie held the title of president, he pursued other interests and left most of the ownership and management decisions for the two businesses to his cousin, Alvin Phillips Rabenhorst. Meanwhile, Alvin Phillips Rabenhorst, the son of Alvin Eugene Rabenhorst, invested the majority of his time in the life insurance business. "He had a masters in business and was an accountant. He was a wonderful business person, very precise. He handled both businesses from the business [financial] stand point," explains Karen Rabenhorst Kerr. However, Alvin never did obtain a funeral director's license. In his early 40s, Alvin Phillips Rabenhorst developed a tumor in his spine. Although surgeons removed the tumor and it was considered benign, scar tissue formed and eventually paralyzed Alvin around the early 1960s. He became a paraplegic and was confined to a wheelchair.

Fortunately, in the funeral home business, the Rabenhorsts enjoyed the services of an extremely talented non-family manager, C. B. Knight. Mr. Knight started with the company as an embalmer in 1938 and worked his way up to funeral director, general manager, and president over a 53 year period. Because Alvin Phillips Rabenhorst had C. B. Knight managing the funeral home business, he was able to devote most of his time to overseeing the insurance business. Larry Moore explains the working arrangement between the two men.

> He (Alvin) had a man running the show for him who was fully capable of taking care of whatever was going on and of course they consulted on major decisions. Day to day Mr. Knight took care of it and if he had a problem, he called Mr. Rabenhorst over the phone and that was the extent of it. So, we as a staff did not interact with Mr. Rabenhorst except very occasionally.
>
> Larry Moore, General Manager, Rabenhorst Funeral Homes.

Because of his paralysis and confinement to a wheelchair, Alvin Phillips Rabenhorst rarely came down to the funeral home. He did come out in 1978 for the grand opening celebration when the company opened a second location at 11000 Florida Boulevard. Due to Alvin's illness, Allie's interests elsewhere, and Harry's athletic career, there was not a Rabenhorst family member in active day to day management in the funeral home for an extended period of time. C.B. Knight became the first, non-family member to act as president of the funeral home from 1972 to 1991. In 1966, Knight was named funeral director of the year by the Louisiana Funeral Directors Association (L.F.D.A). He later served as president of the L.F.D.A. in 1969. Larry Moore, the present general manager, started working for Rabenhorst Funeral Homes in 1968 and knew Mr. Knight well.

> He was here since the dark ages. He was a fountain of history and information…He was as much like a father as a business mentor. It was a good relationship for me…He is probably as much responsible for the success of this business today as any other person because he guided the ship through the rough seas for many years. Like most undertakers, he had an undertaker's attitude toward those people he served and it showed. He just was great for the business. Half the people in Baton Rouge knew who C. B. Knight was.
>
> Larry Moore, General Manager, Rabenhorst Funeral Homes.

CONSOLIDATION OF THE OWNERSHIP OF THE BUSINESS

Two of the three principals of the third generation of Rabenhorsts in the family businesses were not interested in daily management of the funeral home. Harry Rabenhorst was primarily concerned with LSU athletics and Allie Rabenhorst pursued other business activities. However, Alvin Phillips Rabenhorst, despite his physical problems, was far less distracted by other activities and showed a great concern for the two businesses. Before his tumor and subsequent paralysis, Alvin and his wife had four children: Alvin Phillips (Phil) Rabenhorst, Jr., born 1947; Karen Rabenhorst Kerr, born 1949; David Lee Rabenhorst, born 1952; and George Scott Rabenhorst, born 1954. In the interests of his children, Alvin decided to buy-out the other family members involved in the ownership of the businesses. Upon the retirement of his cousin, Allie, Alvin Phillips Rabenhorst purchased all of the remaining stock in the two businesses from the other family members. These family members were Allie Rabenhorst and the descendents of Harry Rabenhorst, his daughters, Laura Rabenhorst Butterworth and Marguerite Rabenhorst Hatcher. This process occurred throughout the 1980s and was completed in 1993 when Alvin retired. Because of Alvin's confinement to a wheelchair, much of this work was accomplished by Alvin's son, David Lee Rabenhorst.

FOURTH GENERATION: ENTERING THE BUSINESS

Although David Rabenhorst was the third oldest of the four children, he came into the family businesses first in 1975. David earned a business degree from LSU in 1975 and continued on to obtain a masters in Finance in 1977, while working part-time. Unlike the situation in many family businesses, David reports, "I really did not work in the business during those times [summers, while in school]. We were not encouraged to work in it then." However, the situation changed as his father's condition worsened and the need for a family member's presence in the businesses grew. David was eager to apply the principles he had learned in college. "There was a such a void…There was a lot of difference of opinion about where things were going down here," David recalls. It was a struggle being the only family member involved in the daily management of the businesses and David encountered resistance to change. David was concerned for the family's interests and represented his father. According to David, "He was disabled at home and I really didn't have a lot of help. It was kind of like throwing you in there and sink or swim. A lot of people did not want me there." However, David saw great potential for the businesses and he decided to persevere.

Alvin and David formulated a plan to buy back the stock from the other relatives, reconsolidate the ownership of the businesses, and then transfer that ownership from Alvin to his four children. Alvin became more and more of an advisor, according to David, "I never physically worked with him, but I would always talk to him every day." This process took approximately ten years to accomplish, but was necessary for the continuation of the businesses. "We had relatives (who) only wanted to be involved from a financial perspective. They were not interested in working in this business," David reports. With the help of a tax attorney and a CPA and relying on the financial principles learned while obtaining his masters degree, David led the process for his family and recalls, "Looking back on it, some of the things I did, I wouldn't even attempt today…Nobody told me I couldn't do it, so I just did it."

FOURTH GENERATION: EQUAL OWNERSHIP

Alvin Phillips Rabenhorst passed his ownership interests on to his four children and then passed away in 1997. The four Rabenhorst children received an equal share of ownership in the two businesses—each one owns 25 percent. Technically, the funeral home is now a Limited Liability Company (LLC), which is a cross between a partnership and a corporation. The LLC offers its owners limited liability, does not restrict the owners from management, and avoids the double taxation imposed on C corporations. The three brothers have offices in the insurance company, while Karen Rabenhorst Kerr has her office in the funeral home. (See Figure 8.2 for an organization chart for Rabenhorst Funeral Homes).

Phil is the president of the funeral home; David is the president of the life insurance company; Scott is vice president of both companies; and Karen is secretary/treasurer of both companies. Karen Rabenhorst Kerr is the family member who has taken the responsibility of leading the daily operation of the funeral home. Karen, the second oldest of the four siblings, graduated from LSU with a degree in home economics. She taught pre-school for a while and

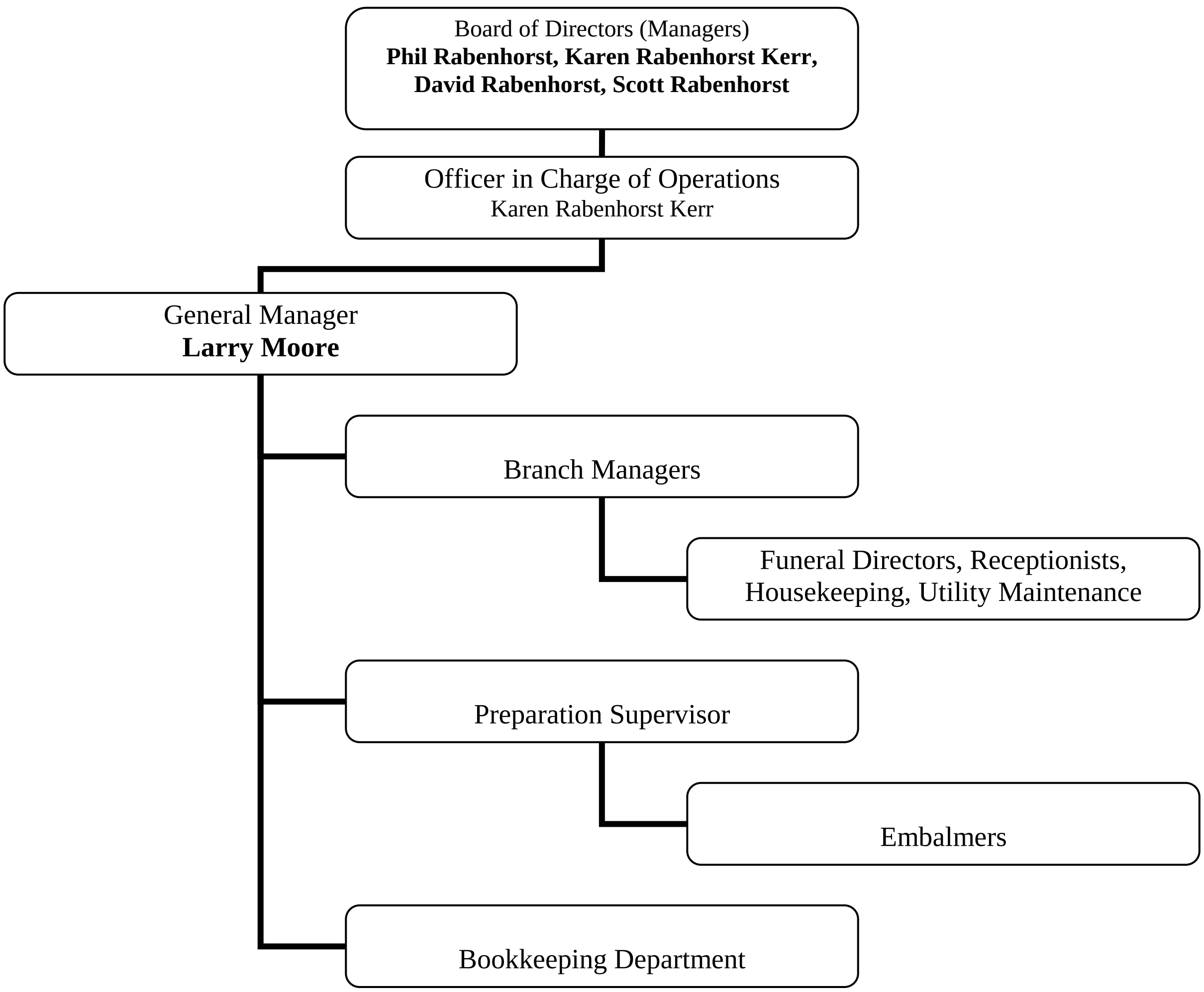

Figure 8.2: Rabenhorst Funeral Homes Organization Chart

then got married and had two sons, Jonathan and Patrick. When her sons were old enough to go to school, ages 6 and 11, Karen decided to get involved in the family business. She started with the insurance company at the “very bottom” in 1988. She worked with the insurance company for about two years, “learning the workings of the company.” At this time, she had a conversation with C. B. Knight.

> Then, C. B. Knight, was our manager of the funeral home for ever because he is the one I knew when I was growing up. He had retired, but he was still coming down here a lot, doing some consulting. He called me over here and said, ‘We need a Rabenhorst over here. Just because you are a woman, don’t think that you can’t do this.’ So, he is the one who encouraged me to come over to the funeral side. So, I did.
>
> Karen Rabenhorst Kerr, Owner, Rabenhorst Funeral Homes.

Karen stepped in and filled a void for the family in the funeral home. By her own admission, Karen entered the family businesses to look after her own interests. Because her father gave each child an equal share in the businesses, there is no one person in charge. Although only David was in the business at first, all four siblings are now actively involved. Giving equal shares of stock is perhaps an unusual way to entice next generation family members into the business. Certainly, possessing equal shares of stock calls for an uncommon amount of cooperation between the four siblings. Yet, it could be said that the motivation for each sibling in the business is the desire to look after their own interests and that they have chosen to enter the business because they do not trust the others completely. In any event, the four-way partnership creates a dynamic of trust and cooperation, mixed with a healthy amount of concern for one’s self.

MANAGEMENT BY COMMITTEE

On smaller, routine decisions the four partners each operate in their own sphere. However, when questions become broader or long-term, joint decisions are necessary. The Rabenhorsts meet at least every month and have board meetings for the insurance company and managers' meetings for the funeral home and make the larger decisions. Also, they see each other informally every day. The buildings of the two companies connect, making contact easier. The family members have homes in close proximity to each other and meet for family holiday gatherings as well.

However, with the equally divided ownership, decisions may be slower. Karen Rabenhorst Kerr comments, "The only thing is that it does tend to bog you down a bit, to make things slower. Sometimes, it is difficult to get everybody together because everybody has their own schedule." Once everyone is together, the decision process may not be simple or easy. "We have some interesting discussions at times…You have to go in the direction that the majority feels is best for us," comments David Rabenhorst. This process may take time and calls for the participants to work cohesively with each other. Personality conflicts and family dynamics may enter the picture. The management committee must "sit down and hammer it out until they either get a consensus or a majority. Somebody overrules somebody else…It is a hard way to run a business," explains Larry Moore, General Manager.

Sometimes decisions come down to a vote and in those cases, the majority carries the day. It is very important to reach an equitable decision in those situations, so that long-term relationships remain intact. David Rabenhorst admits to "some trying times" in operating the businesses this way. However, Karen Rabenhorst Kerr characterizes the process as "fairly smooth. There are some conflicts because there are differences of opinion…Generally, we resolve all of that." Although the process of decision-making may take a while and the four siblings bring different personalities and perspectives to the meetings, the structure seems to be effective. Larry Moore explains, “They have done a reasonably good job of learning to agree to disagree in some cases.”

GENERATIONAL DIFFERENCES

There is a stark contrast between the third and fourth generations of family owner-managers at Rabenhorst Funeral Homes. The third generation, consisting of Allie, Harry, and Alvin Rabenhorst, was not involved in the daily operation of the firm for many of the years that they owned the business. Allie pursued other business interests, Harry’s passion was LSU athletics, and Alvin was primarily concerned with the insurance business and limited by his paralysis. During much of the time period of third generation ownership, the Rabenhorsts relied on non-family managers to carry the business. C. B. Knight, who worked in the company for over fifty years, provided the daily leadership normally expected from family members. General Manager Larry Moore explains the situation from an employee standpoint.

> It is somewhat unusual because until the fourth generation decided to come into the business, we did not have that much family interaction. We sort of did our own thing and hoped that we did it right. Obviously, in most family organizations, somebody from the family is sitting with their finger on the pulse fairly closely. In most funeral homes, some members of the family are typically involved in the actual operation. They are funeral directors, they make funeral arrangements, and they greet families as they come in, those kinds of things.
>
> Larry Moore, General Manager, Rabenhorst Funeral Homes.

The Rabenhorsts did not have a family member doing the typical management functions for many years. The business benefited from managers and staff who acted as if they owned the business even though they did not. In a sense, the employees at Rabenhorst had more day to day autonomy than other employees and the company resembled non-family businesses in that employees could rise to the top because family members did not occupy the top management positions. One of the biggest complaints against family firms was thereby eliminated.

Even so, the non-family managers at Rabenhorst Funeral Homes realized that something was missing that would probably help the business. According to Larry Moore, "We always, most of us, felt that the business would be better off if there was a Rabenhorst on the premises to show his face and shake hands with people and introduce himself or herself, so that people would understand that the family is here and involved in what's going on." The personal touch of direct family management is usually an advantage, especially in a small city like Baton Rouge, where the residents tend to stay in the community for generations and the people know each other in the historical context of their family background. Although C. B. Knight and Larry Moore filled the gap as much as they were able, they were still not Rabenhorsts. Thus, Knight wisely encouraged Karen Rabenhorst Kerr to come into the daily management of the funeral home when he recognized that the opportunity existed.

Larry Moore characterizes the fourth generation as "very hands-on." By this, Moore means that the four Rabenhorsts are actively involved in the daily management of the company. They want to "plug in and be on top of what's going on." For the most part, the term "hands-on" is applied to describe their leadership style in a positive sense. Although a "hands-on" management approach has its advantages, it can also turn to the negative side if the family abuses their position of power by acting in a dictatorial style or over managing the small details – "micro-managing" according to Larry Moore. In this case, the active involvement of family owner-managers is generally construed as a good thing for the success of the company.

Furthermore, the Rabenhorsts' have found a way to cooperate rather than become sidetracked by contention or engage in harmful rivalry. The fourth generation of equal partners has been able to reach agreement and find consensus in their decision-making. In other family businesses, this spirit of cooperation may not prevail. All too often, problems, such as personal ego, the desire for complete autonomy, lack of trust, and jealousy, motivate leading family members to exit the family business.

GENERATIONAL SIMILARITIES

Tradition is the hallmark of Rabenhorst Funeral Homes, the foundation upon which everything is based. "I know in the funeral home, we have a lot of tradition…I relied on the heritage and tradition there," remarks David Rabenhorst. This basic concept of the importance of tradition has been passed down from generation to generation in the business. Karen Rabenhorst Kerr explains, "We are the oldest continuously owned family business in Baton Rouge. We are dignified in the way things are done. We grew up with a standard of the way you conducted yourself in public because we owned a funeral home."

Based on the foundation of tradition, the basic philosophy of service is the same as it always has been. According to Larry Moore, the service philosophy "has not varied more than a half-inch from where it started because undertakers are undertakers and they don't change." The service philosophy of helping bereaved families cope with the loss of their loved ones will not change unless society changes completely and the concept of traditional burial is done away with. Although there have been many changes regarding legal issues with death as our society has become more and more complex and the roles that relatives and neighbors play in the actual funeral process has changed considerably since Charles Rabenhorst began making coffins in 1866, the basic philosophy of service remains the same.

> We tend to never change here, much like churches. You know churches don't change. Maybe the basic philosophy of the minister may not be the same as the last minister, but the people of the church don't change because they don't want to change. No, we like it just like it is. I want the same music we have been listening to for the last 412 years. So, we are sort of the same way here. We tend not to change until forced to change.
>
> Larry Moore, General Manager, Rabenhorst Funeral Homes.

By stressing the philosophy of service, Rabenhorst Funeral Homes has provided high quality service to bereaved families throughout the years. Realizing that people are at a low point in their lives when they come to a funeral home, the Rabenhorsts have tried to make the experience as comfortable as possible. Other firms may offer low prices by sacrificing quality. David Rabenhorst explains the approach of some competitors, "A lot of funeral homes that are bought out by the corporations are more profit-oriented. It is more of a used car approach." Because of its solid reputation in the community of Baton Rouge, Rabenhorst Funeral Homes has been able to maintain its market share and has not felt the sting of competition from national conglomerate organizations that have entered the funeral industry and caused great concern for independent funeral home operators across the country. Service Corporation International (SCI), based in Houston, Texas, and Alderwoods, a Canadian company, are examples of national companies in the funeral business. These companies do operate in the Baton Rouge area with affiliates such as Welsh Funeral Home and Greenoaks Cemetery

The industry remains a peculiar one in the respect that advertising should be subtle and sales techniques somewhat restrained, if not low key. "We sell merchandise, but we are not trying to sell things to anybody by putting up signs out on the street. You know, buy one, get one free," explains Larry Moore. Also, customers do not want to be in a funeral home under any circumstances, so employees must remain cognizant of the situation. Acting in a normal, polite manner may be misconstrued in a funeral home. For instance, employees should not wish a good day to the customers.

> Down here in the South, it is not a problem. You just say 'morning.' You do not wish them a good day as they go out the door because they are not going to have a good day. You just have to be careful about what you say. Things that would be absolutely inoffensive in any other context can be offensive.
>
> Larry Moore, General Manager, Rabenhorst Funeral Homes.

Well trained employees maintain the concept of tradition and the service philosophy at Rabenhorst Funeral Homes. Low employee turnover rates and long-term employees have benefited the company. David Rabenhorst believes, "We are more sensitive to our employees' needs than a large corporation…At times, we bend over backward to help them." According to both David Rabenhorst and Karen Rabenhorst Kerr, the employees exhibit an attitude of caring about their jobs, their clients, and their company. The owners' attitude of caring has been reciprocated by the employees and the employees have remained loyal by staying with the company. Of the 30 employees in the funeral homes, 19 have been with the company for 15 years or more.

ORGANIZATIONAL LEADERSHIP ASSESSMENT (OLA) SURVEY RESULTS

The high response rate of 93.3 percent shows that the employees of Rabenhorst Funeral Homes are either interested in the leadership of the company or very dutiful to that leadership. However, the global response score of 3.039 is well below the average reported by Laub (1998) of 3.64. (See Table 8.1.) The survey results place the funeral home in the paternalistic leadership category and ranks the company's health as moderate. Noting that these are primarily long-term employees (19 of 30), one would expect more positive OLA results. The employees have been loyal to the company as evidenced by their long tenures. The employees may indeed feel that it is their company because they worked for many years without the presence of a Rabenhorst in the funeral home. When David Rabenhorst came into the companies in the late '70s, there was a lot of resentment and fear. David embarked on a modernization program to bring computer technology and improved communication systems into the companies and found stiff resistance to these changes. Even now, the long-term employees may feel that the way they have always done things is best and that the fourth generation of Rabenhorsts should leave them alone. This analysis leads to the paradoxical conclusion that the funeral home employees, while loyal and long-term with the company, do not hold a very positive view of their owner-managers.

Table 8.1: Organizational Leadership Assessment (OLA) Survey Results by Factor

Overall (Items 1-40)	3.039
Factor 1: Values People (Items 1-27)	2.807
Factor 2: Develops People (Items 28-36)	3.579
Factor 3: Provides Leadership (Items 37-40)	3.227

NEXT GENERATION

The fifth generation of Rabenhorsts is just beginning to enter the business. Karen Rabenhorst Kerr's son, Patrick Kerr, joined the funeral company after graduating from LSU in 2004. Patrick, age 24, is currently completing an internship at Rabenhorst Funeral Homes in order to receive a funeral director's license. During the internship, Patrick will sit in on arrangements with funeral directors, go on funeral services, work around the company in various places as needed, and file monthly reports to the state board. The funeral director's license does not include embalming although Patrick will assist in the preparation of bodies for burial.

Patrick does not intend to become an embalmer. At the end of the one-year internship, Patrick will take the state board exam. While Patrick is the first fifth generation member to enter the family businesses, David Rabenhorst's son, John Rabenhorst, who is approximately the same age as Patrick, recently joined the insurance company and is in the process of determining whether or not he will stay in the family business.

The fifth generation includes a total of seven children, ranging in age from 15 to 29. The oldest child, Jonathan Kerr, lives in Virginia, is interested in music, and has no plans to enter the funeral business. David's oldest son, Brian, is in medical school and plans to become a doctor. The remaining three children are still in school. David's daughter, Erin, is a junior at LSU; Scott's daughter, Blaire is a sophomore at LSU; and Scott's son, Kyle is still in high school. Whether or not any or all of the three younger fifth generation members will enter the business is not known. However, the future seems bright for the family and its businesses.

Serving as examples of Southern pride and tradition, each generation has contributed to the continuation of the funeral home and insurance company. Baton Rouge, the capital city of Louisiana and the home of Louisiana State University, has provided a colorful setting for the Rabenhorsts business activities. Although the industry has changed dramatically since Charles F. Rabenhorst used his cabinet-making skills to produce coffins, the concepts of concern for tradition, maintaining a service philosophy, providing quality products, and intrusting long-term, loyal employees have been passed down through the generations to insure the continuation of the family businesses.

CHAPTER 9:
STAR SERVICE OF BATON ROUGE

In 1952, William J. (Bill) Miller and Joe Yoder started Residential Heating and Air Conditioning, Inc. in Baton Rouge, LA. They entered the business as equal partners. Bill Miller's aptitude for mechanics had earned him a place in the Navy's V12 mechanical engineering program at Tulane University during World War II. Here, Bill studied how to maintain and control steam boilers for the Navy's ships. This training translated readily into a career in the business world based on the science of refrigeration. Bill Miller and Joe Yoder's timing was perfect. They began focusing on satisfying the air conditioning needs of homeowners in southern Louisiana at about the same that demand for the industry's products was beginning to escalate.

In 1956, Miller and Yoder changed the name of the company to Star Engineering, Inc. and ventured into commercial air conditioning installation. The company's service department became a major strength because of the owners' commitment to quality work and their willingness to stand behind their products. Additionally, the two partners worked under an agreement to keep family members out of the business. The rationale for this agreement was that having families involved in the business could lead the partners to a loss of objectivity. "They had an agreement so that there would not be a possibility for conflict that the sons would not work in the business. So, that's why I didn't work in the summers or during college," recalls Mike Miller, current President and son of Bill Miller. Then, in 1967, Joe Yoder decided to retire. Bill Miller bought his partner out and continued to manage the company.

FIRST GENERATION LEADERSHIP STYLE

The story of the family business begins with Bill Miller's acquisition of Yoder's stock in the company. Prior to that time, the company was private, but the founders operated under a mutual agreement to exclude additional family members from the business. The focus of Star Engineering continued to be the installation of air conditioning. This contracting business calls for a job to job approach and is subject to cyclical and seasonal highs and lows. As a mechanical contractor, Miller was accustomed to competitive bidding. According to Bob St. Romain, Vice President of Operations, Star Service, who knew Bill Miller for over 40 years, “Mr. Miller was a very honest, hard working guy and a very smart businessman. He was very fair, but he was shrewd.” Another long-term employee, Tobin Barker, who is now Service Manager, describes Bill Miller as “a thinker and perfectionist…very, very smart.” Tobin relates that other employees respected Bill Miller’s intelligence and knowledge, saying: “If you don’t know something, tell him that you don’t know. Don’t lie to him because he is sly and will know.”

Along with his intelligence, another characteristic of Bill Miller stands out—frugality. Bill grew up in a family of modest means. His father was a warehouse foreman for the telephone company. Bill attended college on a Navy scholarship because otherwise he would not have been able to go. “He was always much, much more frugal and much more conservative when it comes to money (than I am),” explains Mike Miller, President, Star Service. “He always *loved* to count the money.” Bill Miller had a detail and task-oriented mindset and would pore over financial statements for hours in order to understand every last item.

Along with being intelligent, frugal, and having a penchant for detail, Bill Miller is described as a “very direct person.” According to Bob St. Romain, Vice President of Operations, “He was quick to say ‘you’re fired.’ He wasn’t one of those people that were really in to this Dale Carnegie feel-good stuff.” Bill Miller was all business on the job and he wanted his employees to work hard. He expected them to produce and be valuable assets for the company. Bob St. Romain relates a story to describe Bill Miller’s intensity, “One of the guys had bought a new truck. So, Mr. Miller said to me: 'That's a good thing, because when a man buys a truck or a boat, that means he has a note and he needs a job."

Although Bill Miller was intelligent and had a good overall knowledge of the business, he was not a coaching leader who could get down in the trenches with the workers. The directness of his personality or the lack of "Dale Carnegie-like sweetness" created a gap between Bill and the workers. As the business grew larger, other individuals, such as middle managers, bridged this gap.

SECOND GENERATION: ENTERING THE BUSINESS

Bill Miller had a total of six children, three sons and three daughters. Of the children, only two have expressed an interest in joining the business. Mike Miller, Bill's oldest son, joined the firm in 1972 after earning a degree in construction technology from LSU. Like many second generation family business leaders, Mike considered it a matter of course that he would enter the family firm. "I never thought about doing anything else…I never had a job interview in my life. I still haven't ever worked anywhere else," explains Mike Miller. The same day he graduated from college, Mike's father set up a desk for him near his own and Mike began the process of learning about the business. Because of the early agreement excluding other family members, Mike, unlike many family business leaders, did not work for Star during college. Once Mike joined the business, he shadowed his father for several years as his father ran the business. Bill Miller taught Mike how to estimate the cost of jobs and how to buy the needed parts and supplies for the jobs. In 1973, the Millers changed the business name from Star Engineering to Star, Inc.

Mike learned the business rapidly and impressed his father to the point that in 1976, Bill Miller decided to appoint Mike as president. Mike Miller describes this event and recalls a rather abrupt conversation in which his father said, 'You're the president,' and then stepped back from day-to-day operations. According to Mike, "He didn't quit coming in, but he really did slow down a whole lot and he truly turned the business over to me." At that point the company's sales volume was approximately $2 million per year. While Mike managed the construction sales side of the business, Bill Miller decided to head up the service side of the business, maintaining and repairing existing air conditioning units for customers.

> Initially, the company was so small that there wasn't enough revenue to support my salary and his [Bill Miller's] together. And so, it was his idea that we would go back into the service business, which we had been in a small way on and off since the beginning, and hopefully generate enough gross profit to cover his salary. It was never meant to become a large operation or to be very profitable, but it was just a way for him to cover his salary.
>
> Mike Miller, President, Star Service, Inc.

The original goal of covering Bill Miller's salary was achieved within the first few years of the service operation. Managing both construction sales and service, the Millers grew annual revenues to $7 million by 1979. At that point, Star had 100 employees. Then the oil crisis hit Louisiana and construction activity "dried up." In a matter of four years, the company's sales declined to $4.8 million. During this time of crisis, the Millers made two important decisions. First of all, they decided not to pursue jobs that were not profitable. Due to the economic situation, many competitors bid so aggressively that there was no profit for the contractor. The Millers elected to stay out of this part of the market, dabbling only occasionally in order to remain in touch with the competition. Second, the Millers decided to focus on the air conditioning service business. Rather than sell air conditioners to their customers, Star took the opposite approach and marketed itself as a maintenance and repair operation. Star would take the side of the customer and help them keep their air conditioning units running as long as possible. Star would benefit by keeping the air conditioning units in operation and would bear the cost of replacement units. As a maintenance company, Star sought long-term, fixed-price contracts with commercial and industrial companies. Benefits to the customers included a guaranteed cap on heating and cooling expenses, quick and efficient service, and a "no-hassle" approach in which customers were no longer subjected to unanticipated or questionable costs for air conditioning.

In 1983, Star Service, Inc. was formed and spun off from Star, Inc. For the next three years, Star, Inc.'s revenues exceeded those of Star Service, but construction sales eventually began to decline. In 1987, the service sales of $1.9 million surpassed the $1.5 million of the construction division of the company. In 1983, Robert Miller, Bill's youngest son, graduated from LSU and joined the family firm. In contrast to his brother, Robert worked for Star during the summers and part-time during college because there was no longer an agreement with Yoder to restrict this activity. Robert acquired a good working knowledge of the operational side of the business before formally entering the company on a full-time basis:

> During the summer months, Robert would come in here and work. But they would give him grunt jobs and make him work hard on them…He didn't work here in the office. He was out there where the nastiest job was.
>
> Bob St. Romain, Vice President of Operations, Star Service.

The twelve-year age difference between the brothers meant that they had very different experiences prior to joining the company full-time. Robert's on-the-job training during the summers proved very valuable later on when he began working full-time after graduating from

LSU. Robert developed a "hands-on" understanding of air conditioning maintenance work. This "hands-on" knowledge provided insight into day-to-day operations. The timing was good for Robert when he came out of college and the company soon had a need for his talents and abilities. Robert Miller explains, "The business was at a point that it could afford me, which was huge. There was a place for me because it was starting to grow…It was a needed job, not a made-up job."

THE LINC CORPORATION: FRANCHISE OPPORTUNITY

The Millers were ready to move forward with their business when they encountered an opportunity to acquire a franchise from the Linc Corporation of Pittsburgh, PA. Linc was looking for prospective air conditioning companies as franchisees and their representative called the Millers. Mike Miller recalls taking the initial phone call and thinking very little of it. He told the Linc representative that Bill Miller handled the service side of the business, and passed the information on to his father, to whom he gives the credit for recognizing the opportunity. Linc offered a new business model in the air conditioning service industry. They provided extensive training, process engineering, and pricing information for their franchisees. The Linc approach was more thorough and systematic than the Millers' previous service efforts. Before the Linc franchise, the Miller's business was fairly evenly divided between construction sales and service sales. The Linc approach provided the opportunity for the Millers to turn their company into an operation with differentiated products that could escape the bidding wars of the installation business and become a service business. In 1984, the Millers acquired the Linc franchise for Baton Rouge for an initial fee of $15,000 and annual royalties on a sliding scale from 4.5 percent to 1.5 percent of sales revenue.

After Bill and Mike Miller decided to buy the Linc franchise, their service manager, Butch Hornsby, the person in charge of supervising all the men and equipment in the field, thought the idea was so terrible that he quit. Fortunately, Robert Miller had just come into the business full-time the year before and had been training under Butch. "I was coming in and then the manager decided to quit, maybe he understood that I was coming in and was a threat, so he left and went into business for himself," recalls Robert Miller. In April 1985, Robert Miller took over the management of the service operations. Robert's earlier work during the summers before graduating from college now proved valuable. In 1991, Star moved out of the construction side of the business and became 100 percent service. Robert continued to manage operations and Mike led the sales and acquisitions for the company (See Figure 1 for a current Organization Chart for Star Service of Baton Rouge).

GROWTH OF THE COMPANY

Beginning in 1987, the Millers launched an aggressive expansion program in which they opened Linc franchises across the Interstate 10 corridor from Florida to Texas. Mike Miller led this expansion through a combination of vision and daring. In 1987, Star purchased the Linc franchise for Jackson, MS. After buying a small air conditioning company in Jackson, the Millers set up a new corporation and retained the previous owner as a partner. In the Jackson Corporation, Mike owns one-third of the stock, Robert owns one-third, and the local partner, Donnie Raspberry, owns one-third. This arrangement allows the Millers to maintain control of the Jackson Corporation, but also share the benefits of ownership with their local manager.

In 1992, Mike and Robert purchased the Linc franchise for New Orleans and set-up an operation similar to the Jackson Corporation. In New Orleans, the Millers have teamed up with

Bob Walk, who previously owned and operated his own air conditioning installation business, is the local owner/manager. In 1993, the Millers acquired the Linc franchise for Mobile, AL and

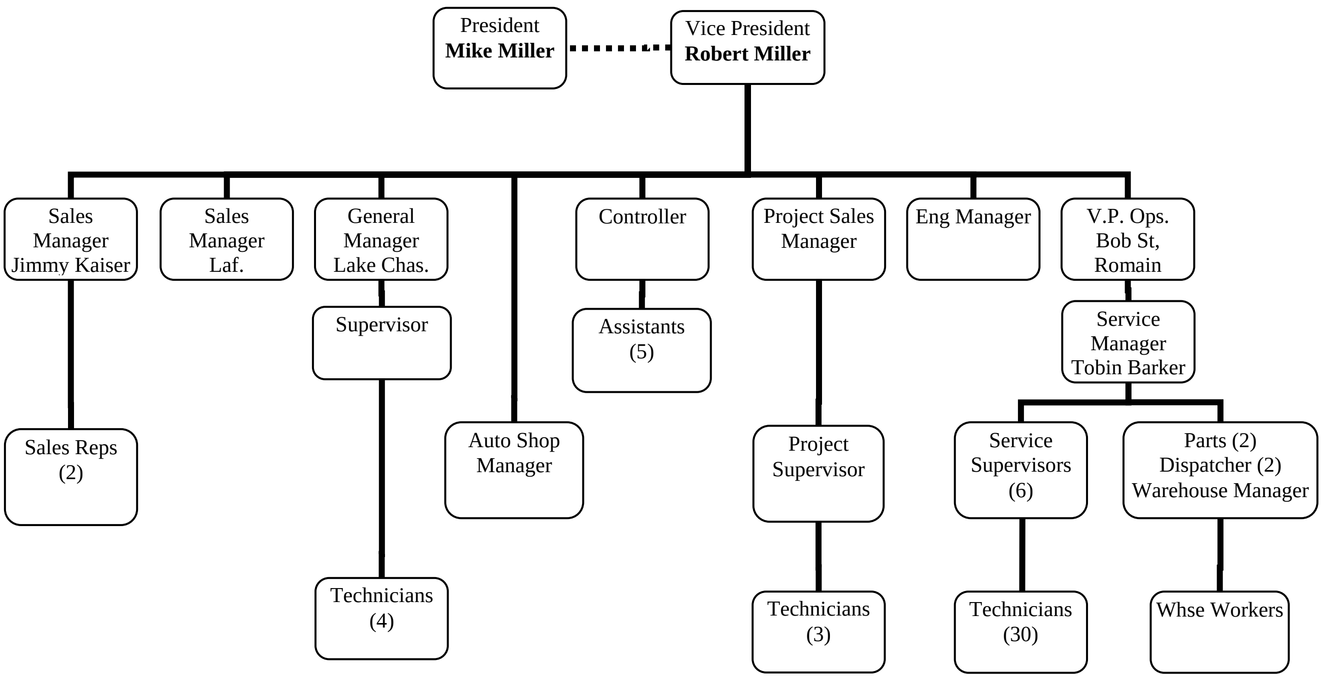

Figure 9.1: Star Service of Baton Rouge Organization Chart

set-up a one-third deal with Ed Bridges, a Mobile native who was working for the Linc Corporation and wanted to return to the south. Unfortunately, the Millers found it necessary to fire Ed in 1998 and to re-purchase his interest in the Mobile Corporation. In 2000, the Millers formed an agreement with Louisianans Steve Guerin and Shawn Mayeaux for the Mobile operation. Here, they set up a structure in which Mike owns 26 percent, Robert owns 26 percent, and Steve and Shawn each own 24 percent, which again retains control for the Millers.

In 2002, Star expanded into Houston, TX, running the operation as an extension of the New Orleans branch. Over the last four years the franchises in Baton Rouge, Jackson, New Orleans, and Mobile have been highly successful and profitable. In 2005, the Millers purchased the Linc franchise for Jacksonville, FL, setting up a corporation in which Mike owns 25 percent, Robert owns 25 percent, Shawn Mayeaux owns 25 percent, and local partner Derrick Krzynski owns 25 percent.

In 2004, total revenues for Star Service, including the operations in Baton Rouge, Jackson, New Orleans, and Mobile, were $28 million; while profits were $3.4 million. Approximately seventy-five percent of the revenues come from fixed service contracts. The Millers have grown maintenance contract revenue from approximately $200,000 in 1985 to $21 million in 2004. Jimmy Kaiser, Sales Manager, Star Service, explains, "It's a service organization, so it's recurring income…This is planned, scheduled service, so it has a big impact on the whole organization. You can plan your sales and hire and plan your technicians' manpower requirements." The fixed contracts enable Star to operate a regularly planned schedule of maintenance, which greatly reduces emergency calls for break-downs from agitated customers. The fixed contracts also enable Star to reduce the seasonality factor in air conditioning work. Technicians prefer to work for Star because their employment is regular throughout the year, rather than heavy during the summer and light during the winter. Additionally, technicians can concentrate on the work for which they have been trained—the proper care and maintenance of air conditioning systems—rather than attempting to sell new air conditioners to customers as technicians are forced to do elsewhere.

Star Service takes control of their business by doing preventive maintenance and proactive repairs. The Millers believe in investing in equipment parts and repairs even to the point of sacrificing profit for the first year of a contract in order insure that a client's air conditioning units are in good operating condition. By doing so, Star runs the risk of a client canceling the contract after the first year because their air conditioning units are in such good condition. Mike Miller believes that "business is built on trust and you have to take some risks with your customers." For fiscal 2005, Star projects revenues of approximately $32 million and profits of $4.3 million. Star of Baton Rouge has served as a cash cow, feeding the other businesses with money for initial capitalization.

PASSING THE BUSINESS

In 1991, the Millers merged Star, Inc back together with Star Service, Inc. This formality set the stage for Mike and Robert to buy out their father's interest in the business. That same year, the brothers entered into an agreement to buy out Bill Miller's share of Star Service. Although Bill Miller had a total of six children, the other siblings are not involved in the ownership of the company. The agreement was formalized in 1992, so that Bill Miller completely retired and stopped receiving salary. Mike Miller describes the situation, "He (Bill Miller) always came in, right until the very end. He'd go into his office and he'd sit there, look at his investments and read the paper…He always loved to come in." The buy-out was completed ten years later in 2001. Bill Miller passed away in April 2004.

SECOND GENERATION: AGE DIFFERENCE

Mike and Robert Miller have come together to form a complementary partnership. Mike is twelve years older than his brother, Robert. It is not unusual for siblings to compete with each other for parental affection and attention, but when siblings are twelve years apart, intense rivalry is less likely. The brothers grew up separately and in some ways, Mike, the oldest of six children, helped to raise Robert, the youngest. Mike explains that their parents were just worn out after having six children, so Mike helped out with his youngest brother.

> When I was young, my Dad took me fishing and hunting. By the time Robert came around, phew, he just wanted a drink. I was always a big outdoorsman, hunted and fished and what have you, all the time. And I took Robert everywhere I went, as a little

> bitty boy…In high school, I remember we used to go to the drive-in movie or something, a carload, and we'd take Robert along. Robert would be five years old, and he's with a bunch of 17, 18 year olds at the drive-in. I wasn't truly acting as his father. I didn't discipline him or anything like that.
>
> Mike Miller, President, Star Service.

Because Mike is older than Robert and has been in the company longer, Mike has taken the leadership role in the business. Mike is the president of the company and Robert is the vice president, but the ownership of the stock is divided evenly. Robert will defer to Mike in some cases, but he does not "mince words" if he disagrees with a decision. The success of the brother's partnership begins with a cooperative spirit as opposed to a sibling rivalry. The cooperative spirit has its roots in their twelve-year age difference, but there is much more to the story than that.

SECOND GENERATION LEADERSHIP STYLE

Mike and Robert bring entirely different qualities to the organization and these qualities work in a complementary fashion. Mike brings visionary leadership and an aggressive sales approach, whereas Robert contributes by mentoring and imposing organizational discipline contributes a coaching attitude. According to Robert Miller, "Mike brings the 'go-get-the-work' attitude. I bring the cohesive leadership qualities of somebody following me into battle…I relate better with the people in the company. I feel like they have worked with me, not necessarily for me." The different approaches stem from the manner in which the two brothers entered the business. Mike, who was not allowed to work in the business during the summers while he was in school, did not acquire the "hands-on" working knowledge of the business that his brother, Robert, was able to do twelve years later. Robert has been in the field, has ordered the parts, has been a dispatcher, and is now the general manager. The workers respect him and many recall that he worked on the trucks in the field. Robert possesses good people skills and a willingness to work at any job. "I don't alienate the guys that work for me because I have done and will do anything they do. You know, Friday night I will go on a job with them until 2 A.M.," explains Robert.

The brothers are well aware of their differences and agree that they need each other for the business to flourish. Mike Miller comments in a semi-jovial manner, "We joke that if Robert had never been here, I would have grown this company up and bankrupted it in short order. And, if Robert was the only one here, we would have the smoothest-running, finest little teeny-weeny company we could have." Mike is the risk-taker and Robert is the more conservative businessman. "Robert is very much like his dad. I don't want to use the word "tight," but he is very conservative. He doesn't like to spend his money," explains Bob St. Romain, Vice President of Operations. The consensus among the top managers at Star Service is that Robert is much more like his father than Mike. "Robert is a lot like his dad. He's a thinker and a perfectionist-type guy that analyzes and studies," states Tobin Barker, Service Manager. Robert's conservatism has balanced Mike's free-wheeling attitude. "You have one guy that is real close to the vest with Robert and Mike is thinking about what is around the bend and has unique, outside-of-the-box ideas. It's a good combination," Tobin Barker further remarks. Mike has the desire to expand the company and the willingness to take the risk to do so. Bob St. Romain states, "Mike has got these ideas and he has no fear, so he just goes for it and it's paid off." Mike does not fear failure. If a project does not work out, he moves on to something else. Described as an optimist, Mike looks for the "silver lining" and carries on with enthusiasm.

In the Millers case, their differences work to help their relationship. They have a great partnership for two reasons. First, the differences fit together according to Mike, "We dove-tail, every area that I am weak, he is strong, and vice versa." The second important factor is that the brothers are not greedy, nor selfish. "Greed and ego are two of the worst traits you can have, especially if you are in a partnership," Mike believes. Robert agrees that the partnership is working well and feels that both he and his brother are "smart enough to work together and not have conflict, because, if we do, we will suffer financially." The Millers have been prosperous and successful with Star Service because they have been able to cooperate and balance each other out. Jimmy Kaiser, Sales Manager, Star Service summarizes the brothers' relationship, "They are opposites. They are the yin and the yang. They complement each other real well in that Robert is suitable in terms of delivering detail and running the business. Mike is very suitable for growing a business."

GENERATIONAL DIFFERENCES

The second generation of Millers at Star Service has benefited from the complementary skills of Mike and Robert. "I think Mr. Miller was a very smart man, but he was in it by himself. He would hire outside consultants to help him with his thought process," observes Bob St. Romain. Bill Miller's conservative approach sustained the business through difficult times, especially during Louisiana's recession in the 1980s. Bill also recognized the necessity of leaving the contract business and entering the service business. Although he was a sharp businessman, the company really came into its own under the leadership of the second generation and the combined talents of Mike and Robert. Sales and profits have boomed for the company in recent years, although it took many years to build Star Service to its current heights.

In looking at some generational differences, Mike Miller describes himself as the opposite of his father in detail-orientation and frugality.

> My dad was very conservative and careful about the way he spent money and I'm exactly the opposite. I'll take a financial statement look at the statement in about one minute, and understand what the working capital situation is, or the current ratio, which is really important, or look at the income statement and understand why or why not we're doing good or bad. But I don't like to dwell on those things. I typically look at it, I'm just interested in: 'Hey, did we have a good month? How much did we make?'

Mike Miller, President, Star Service.

While both generations of Millers have exhibited leadership skill and the ability to foresee problems and opportunities, Mike has focused more on the challenge of expansion and growth, while his father enjoyed the results of past achievement. Although Bill Miller often said that he wanted to make sure that Star would continue operate without him, he wasn't able to realize this objective. Bob St. Romain observed, "I don't think he had the real big vision…I don't think he had the ability himself to ever make that happen [Star Service go on forever]." In contrast to his father, Mike Miller did have the vision and the ability to lead Star to greater heights. According to Bob St. Romain, "I think Mike just happened to be the right person with the vision and the guts and sometimes the craziness to step out." Mike exhibited great selling skills and took risks with customers that his father, and most businessmen, would never dream of taking, such as giving 90-day free trials of the company's services to large accounts. "It's crazy, but it works every time," remarks Bob St. Romain.

Together Mike and Robert have built a powerful culture at Star Service. Mike's vision, selling skills, and willingness to take risks have combined with Robert's efficiency, detail-orientation, and leading-by-example style to create a culture characterized by an "almost self-directed workforce." Employees know what to do and how to do it. The Millers have built this culture through their daily leadership and by hiring employees who are qualified and proficient in their jobs as well as agreeable and get along with customers. This culture has translated from the Baton Rouge office throughout the company to the other locations in Jackson, Mobile, New Orleans, Houston, and Jacksonville.

GENERATIONAL SIMILARITIES

The Star Service culture has been built upon a solid foundation laid by the first generation. Whereas there are many generational similarities, I will highlight the most salient ones. The qualities that are most important include a sense of honesty and fairness, the wisdom to not "micro-manage," the proper treatment of employees, and the ability to maintain quality control processes.

The Millers have a reputation for honesty and fairness. Bob St. Romain explains, "I think one similarity is that they all, just like their dad, believe in doing the right thing, whatever it is. To clear their name, they would spend whatever it took." Jimmy Kaiser concurs, "They have a great reputation…They have guarded their reputation." Bill Miller passed this most important, basic concept down to his sons. Mike Miller believes that he is similar to his father in many ways and it all begins with honesty, which is built on good moral character. Mike is concerned about the perception of his business in the community, "I am similar (to my dad) in that I am strongly driven by the perception of others. In other words, I want to go out and do a good job. I want people to say, 'You all have a great company.'"

The second concept is the idea that the company does not need to be over-managed or micro-managed. Bill Miller modeled this idea when he turned over the reigns of the company to Mike back in 1976. Bill recognized that Mike had great leadership ability and he made room for Mike to exercise and develop that ability. Likewise, Mike later realized that Robert had great administrative ability, so he stepped back and let Robert handle the details of the operation. This recognition that over-management is harmful to the company has its roots in an unselfish attitude of cooperation and desire to see the company succeed beyond personal ego. Jimmy Kaiser pinpoints this idea, “They do not micro-manage the business. It runs very well without them. Some owners would probably be uncomfortable with that.”

The ability to step back and not over-manage the company demonstrates that the Millers trust their employees. Trusting employees is part of treating them fairly, which is the third common element. Mike Miller believes that treating your employees well leads to satisfied employees and satisfied employees provide great customer service, which is essential for Star Service. Jimmy Kaiser explains that the Millers are “extremely fair and really generous people.” An illustration of this fairness and generosity is the annual Christmas party. The Millers have the party in their warehouse and everyone dresses casually in order to feel comfortable. The party is for the benefit of the technicians and office workers. The company purchases a Christmas present for each employee’s child. The presents are not generic toys, but are “expensive and chosen just for that child,” according to Mike Miller. Then, each employee has an opportunity to choose a prize from either the money tree (which is loaded with envelopes containing between $300 and $2000 in cash) or a desirable item, such as a shot gun, a fishing rod and reel, or a set of golf clubs. At the end of the evening, each employee’s name is placed in a drawing for a grand prize, so that the employee has about a one in fifty chance of winning. Last year, the grand prize was a car, a sports utility vehicle. The Christmas party is a fun event and a means of giving a bonus that motivates the employee and is not taken for granted.

Employees respond to these motivational techniques by providing excellent customer service. Jimmy Kaiser calls it “an aim to please culture, a long-term culture.” Although the employees are highly motivated and hired with the “aim-to-please” idea in mind, the Millers have also set systems in place to direct their employees. The owners remain close to their employees and customers. The company is flat with very few levels of management and no bureaucracy. The Millers have taken the processes from the Linc Corporation and fine-tuned them for a smooth-running operation. “The quality control process is extremely common sense, but their quality control is second to none,” explains Jimmy Kaiser.

ORGANIZATIONAL LEADERSHIP ASSESSMENT (OLA) SURVEY RESULTS

The Organizational leadership Assessment (OLA) survey results for Star Service reflect the concepts just described: the Millers have a reputation for honesty and fairness; they do not micro-manage; they treat their employees well: and they have installed excellent processes to control the operation. Over 89 percent of the employees responded to the survey, showing a good sense of cooperation. The global response number of 4.140 places the organization well into the servant leadership category—the level of optimal health. A breakdown of the three factors of the survey shows responses consistently in this highest level. (See Table 9.1.) The servant leader is characterized as a steward, who places the needs of the followers first and treats others within the organization as partners. The Millers have created and built an organization that fits this description.

Table 9.1: Organizational Leadership Assessment (OLA) Survey Results by Factor

Overall (Items 1-40)	4.140
Factor 1: Values People (Items 1-27)	4.106
Factor 2: Develops People (Items 28-36)	4.138
Factor 3: Provides Leadership (Items 37-40)	4.322

NEXT GENERATION

The next generation at Star Service has entered the business in the form of Mike Miller's son, Brit, who is 29 years-old. Mike also has a daughter, Amanda, who is not involved in the company. Robert Miller's children are much younger; Conner, his son, is 12 years-old and Kirby, his daughter, is 6 years-old. In the event of Mike or Robert's death, the brothers have buy-sell agreements, funded with life insurance.

The passing of the business to the third generation has many road-blocks and questions. For instance, Mike Miller would like to see his son, Brit, take over the business and run it successfully, but there are valuation issues. Because Star Service is a company with recurring income, it is worth far more on the market than the total of its assets. If one were to sell the company, it would most likely be based on a multiple of annual earnings. Mike wonders, "How in the world would Brit, my son, get the equity? How would he be able to buy that?" The buy-out would be much more complicated and expensive than the passing of the business from the first to the second generation.

Robert Miller notes that there are age differences among and between the generations, "Do I want to be in business with Mike's kids? That is a legitimate question." At age 29, Brit is spaced half a generation behind Robert. Would their personalities mesh as well as Mike and Robert's? Also, if one partner wants to retire, there is the reciprocal cross-purchase agreement, but Robert views that as difficult to accomplish without selling the company on the market, again because of valuation issues.

Looking to the future, Mike Miller is confident that the business will continue to exist, "The organization will survive. No question about it. Whether it will be called Star Service or not, I don’t know.” Bill Miller wanted Star Service to survive forever within the ownership and management of the family. Indeed, the company has bloomed after years of hard work into a very profitable organization, but the complexities of passing on the business may be beyond what Bill Miller envisioned. For now, the Millers are enjoying the business, treating their employees well, and providing excellent service to their customers.

CHAPTER 10:
FINDINGS OF CROSS CASE ANALYSIS

Leadership matters for business success (Fieldler, 1996) and is particularly vital for family businesses for three reasons. First, family firms may have different goals than publicly owned companies in that non-performance oriented goals, such as employment for family members, may take precedence over the goals of growth and profitability (Chua, Chrisman, & Steier, 2003). Second, compared to non-family firms, family businesses have a greater potential for long-term conflict among involved actors (Morris et al., 1997). Finally, the process of leadership succession is far more important for family firms than non-family businesses because of a stronger link to firm survival (Robinson & Gupta, 1996). These differences imply that family firms may benefit from insights from the field of leadership. Applications from all four of Bryman's (1996) leadership categories are relevant: the trait approach, the behavioral approach, the situational approach, and the new leadership approach. Further, a gap exists in the family business literature because of the focus on the founder as a starting point for research (Handler, 1990). Family business studies may benefit from greater attention to research on the successor. The motivation of the successor in family business is different from the founder upon entering the family business (Birley, 1986). The growth and development of the successor follow a different pattern than that of the founder (Stafford, et al., 1999). I suggest that the successor is an entirely different individual than the founder because of the necessity of first being a follower under the leadership of the founder.

DISCUSSION

In this chapter, I highlight applications from the leadership literature in regard to the findings from the six case studies. Then, I focus on the four research questions from Chapter 3 in light of the case study results. I begin with the question: Why do successors join the family business? I then examine the question: Once the successor enters the family business, how does he grow and progress from being a follower to a leader? Next, I discuss the question: Does the leadership style of the successor differ systematically from the founder? Finally, I present the case findings concerning the question: What are the leadership qualities of successors in family businesses?

Insights from the Leadership Literature

In reviewing the leadership and family business literatures, I found that researchers in the two streams of study rarely reference each other. The leadership literature predates family business studies by approximately fifty years (Bryman, 1996; Astrachan, 2003). Although family business researchers employ different terminology, many of the concepts described in family businesses studies have been previously recognized in leadership studies. In regard to the four research questions of this study, there are abundant applications from leadership research.

The first research question concerns successors joining the family business. In order to make a family business attractive for the successor, the founder should provide basic leadership in the firm. This begins with the foundations of consideration, a concern for people, and initiating structure, a concern for processes and procedures in a business (Stogdill & Coons, 1957). The leadership of Adrian Kaiser, Jr. of Acme Refrigeration serves as an example of concern for employees. The southern Louisiana area suffered an economic recession during the 1980s, but Adrian resisted the temptation to lay employees off. According to Lisa Kaiser Kenaley, “Daddy could have come in and chopped it to the bare bones, but he wouldn’t do it. Instead, the man went to church every day and the man got grayer hair every day. We literally watched Daddy age because of worry over his employees. He would not let anyone go.” The leadership of Bill

Miller of Star Service illustrates initiating structure, the concern for processes and procedures in a business. Mike Miller explains his father's ability to organize the company by branching into the air conditioning service business, "It was my Dad's idea. Initially, the company was so small that there wasn't enough revenue to support my salary and his together. So, it was his idea to go back into the service business."

The second research question focuses on the growth and development of successors once they have entered the family business. In describing their life cycle theory of leadership, Hersey and Blanchard (1969) draw an analogy to a parent-child relationship in which the parent gradually relinquishes control of the child as he grows and matures. Likewise, the leader gradually provides less structure and then less consideration behavior as the maturity level of the follower increases. Doug McPherson of Dugas Pest Control modeled this leadership approach for his daughter, Laura McPherson Simpson. Laura recalls, "It was a gradual process over several years of him giving me more and more responsibility…I had lots of years of observing and learning. I mean now, if a do ask Daddy for advice, he won't give it to me."

Leader-Member Exchange (LMX) research (Dienesch & Liden, 1986; House & Aditya, 1997; Maslyn & Uhl-Bien, 2001) examines high quality relationships between leaders and followers in organizations. Both parties probe the other to determine if a high quality relationship may be formed (Liden, Sparrow, & Wayne, 1997). Keys to this determination are manifestations of effort and reciprocation. This is termed "role-making" and involves trust, respect, and working beyond job requirements (Uhl-bien, Graen, & Scandura, 2000). Ron Duplessis of Duplessis Cadillac-Volvo enjoyed a close relationship with his father Sidney Duplessis. Together they expanded their business, growing the Cadillac dealership in Baton Rouge and adding the Pontiac location in Gonzalez. Because of his father's ill health, Ron realized that their time together would be limited. The younger Duplessis was wise to savor the time that they did have together. Ron remarks, "In 1995, he (Sidney) got deathly ill. He died two or three times on the table and they were fortunate enough to save him. We had him up until last year and every day was a borrowed day." Ron trusted and respected his father and the elder Duplessis provided the opportunity for Ron to advance in the leadership and ownership of the business.

The third research question addresses leadership style differences between founders and successors in the family business. In this study, I found two categories of such differences, characteristics external to the individual and characteristics internal to the individual. I discuss both of theses categories at length later in this chapter. The external differences between founders and successors include business environment concerns (technological change, competition), company changes (size, formality), and ownership complexity (number of family members involved). For example, Chuck Kaiser of Acme Refrigeration remarks, "I think the business world is much more competitive today than it was thirty years ago. The competition didn't do the things they do today. They didn't come in and take a market for cost as they would today just to get established." The six family businesses of the study all face increasingly complex business environments, are experiencing company changes, and have become more complex in ownership form. An example of company change is Star Service, which now employs 65 workers in Baton Rouge compared to the early 1970s when Bill and Mike Miller were concerned about covering both of their salaries. Examples of ownership complexity include both Rabenhorst Funeral Home and Duplessis Cadillac-Volvo, which have adopted the limited liability company (LLC) business form in a departure from the more conventional "C" or "S" corporation form. These external elements are congruent with the contingency approach to leadership (Fiedler, 1972). Fiedler (1972) stated that situational variables interact with leader personality and behavior. A more favorable situation leads to leadership that is more effective. Different situations lead to different approaches in leadership style.

The fourth research question focuses on the leadership qualities of successors in the family business. From the trait approach to leadership, the successors in this study have uniformly exhibited a high drive for success, which McClelland (1975) described as the need for achievement. For example, Mike Miller of Star Service is well known for his aggressive approach to obtaining new customers and growing the business. Tobin Barker of Star Service comments, "I don't think that Mike is scared of anything. If it fails, it doesn't matter. We will try something else."

The employees at Star Service have faith in Mike Miller because he has exhibited the vision and ability to lead the company. From the contingency approach to leadership, Justis (1975) found that leadership effectiveness is influenced by the perception that the leader is competent in the task and able to reward the followers. Because Star Service has achieved a high level of profitability under the leadership of Mike and Robert Miller, the employees do receive ample rewards through extraordinary events, such as the Christmas party/ reward banquet that the Millers hold each year. In the path-goal theory, House (1971) describes such a process as the leader making rewards available to organization members and specifying the path for subordinates to follow to attain the rewards.

The above discussion highlights applications from the leadership literature to the six family business cases. Perhaps, the time difference of up to fifty years between the publication of the leadership studies and family business research has resulted in a lack of correspondence between the two streams of literature. This discussion shows that the leadership literature is relevant to family business studies and serves as a beginning point for further research into the intersection of the two disciplines of study. I now examine the four research questions in depth in relation to the findings from the cases.

Successors: Joining the Family Business

My first research question asks, "Why do successors join the family business?" The decision to enter the family business is an important milestone in the development of the successors of the business (Birley, 2002). Before making this decision, the children of family business owners have two major opportunities to learn about their parents' business (Handler, 1994; Barach et al., 1988). First, they may be exposed to "shop talk" at family meals and social gatherings. This is an excellent way for children to gain an introductory knowledge of the concepts and descriptive language used in the company and industry if multiple family members are involved in the business. Second, many children of family business owners have the opportunity to "try out" the family business while they are still in high school or college by working part-time after school, on weekends, or during the summer.

At Acme Refrigeration, the older children of the Kaiser family modeled this behavior for the younger members of the third generation. According to Chuck Kaiser, "Susan worked a summer or two when she was out of high school for dad. Then, Manny, who is older than I, worked in the warehouse. I witnessed that and thought it was pretty neat." All five members of the third generation at Acme had the opportunity to work part-time or during the summer. Generally, the boys worked in the warehouse and the girls worked in the office. Chuck "started sweeping the floors" and his sister, Lisa Kaiser Kenaly started "doing secretarial stuff, filing that sort of thing." Chuck recalls this summer work with a positive attitude as fun and adventurous. Lisa views the summer work as a way to earn spending money and an opportunity "to ride in and back with daddy" and spend time with him. This positive perception of the family business is key for the eventual decision to enter the company and then, the hope of being happy and satisfied with that decision.

Alternatively, early exposure to the family business can provide grounds for family members to decide against entering the company (Birley, 1986). All of John Kaiser's children except for one decided not to join the family business. Jay Kaiser, Vice President of Sales at Acme, reports that his sister and three brothers worked for their parents during the summer throughout high school and college, but "they all decided to do something different, whether it was because they didn't want to be a part of a family business, or they just had different aptitudes."

Further findings of similar experience include that of Laura McPherson Simpson, who worked in the office at Dugas Pest Control during the summers when she was in college. Laura's two sisters also worked in the office at Dugas, but, according to Dierdra Scott, Office Manager, Dugas Pest Control, "It wasn't what they wanted to do." Shortly after her father, Doug McPherson, acquired the business, Laura began working there in the summers. This proved to be valuable experience for Laura when she came back to the company on a full-time basis. As the McPherson's oldest child, Laura graduated from college and started working before her sisters finished their schooling. Laura recalls, "Once I started working full-time, like a real job, they didn't want to participate. They didn't want to work with me." One sister works in retail in the stationary department of Barring's Department Store in Houston and the other works for the United Methodist Foundation in public relations.

There is a pattern across the cases of young family members working in the family business during high school and college, thereby gaining exposure to the company, then, entering the business on a full-time basis after completing their college education. In the case of Franklin

Press, only two members of the second generation in the business, Jensen and Tommy Holliday, entered the business, while their four sisters did not enter the business. Jensen and Tommy each had six children, which resulted in a total of twelve for the third generation. Julie Holliday Crifasi comments on this third generation, "We all worked here in high school and summers, but no real career paths developed." Of these twelve individuals, only two work in the business now and only Julie is pursuing a top management career. The other ten found careers elsewhere, including professions such as nursing, law, and computer analysis.

I found only one significant exception to the finding that most family members chose not to enter the business: the fourth generation at Rabenhorst Funeral Homes. Alvin Phillips Rabenhorst, with the help of his son, David Rabenhorst, consolidated the ownership of the funeral home and life insurance company by successfully buying all remaining shares of the companies' stock from extended family members. Alvin then passed the ownership of the two businesses on to his four children in equal, twenty-five percent shares. The result of this plan was that it drew all four members of the fourth generation into the businesses. Karen Rabenhorst Kerr entered the business after a period of time in which she taught school and raised her children to school age. She comments on why she joined the businesses: "I guess the biggest reason was that our father had given us stock in the business in equal shares. I wanted to know something about what I owned. I wanted to protect my interests." Currently, the four members of the fourth generation at Rabenhorst work closely together in a partnership that is dependent on harmonious cooperation. However, the basis for each individuals' involvement in the businesses may well be the desire to look after his or her own interests and a lack of complete trust in their siblings.

In the businesses in this study, family members gave a variety of reasons for entering the business. The most common reasons centered on the following four concepts. Entering the business (1) is the expected course of action; (2) is convenient; (3) is a good career opportunity; and (4) fosters closeness among family members. The findings of this study fit within the dimensions described by Stavrou and Swiercz (1999). These authors found four categories of reasons for children of family business owners to enter the business: family, business, personal, and market dimensions. The family dimension refers to issues of family relationships. The personal dimension refers to individual desires and needs. The business dimension refers to the business practices of the firm. Finally, the market dimension refers to employment opportunities available to the children of business owners. Birley (2002) also found the four dimensions outlined by Stavrou and Swiercz (1999).

The first reason found for entering the family business was that it was expected. Other researchers have identified this motivation in their research (Stavrou & Swiercz, 1999). Other family members expected the successor to enter the family business and the successor shared this idea. For Manny Kaiser of Acme Refrigeration, entering the family business was the natural, expected course of action. Manny comments, “In my opinion, it was always assumed. I don’t remember a time in my life where I didn’t think I was coming into the business.” Chuck Kaiser expresses the same idea: “I never really thought of doing anything else.” This thought process is shared by several others, including Mike Miller of Star Service and Tommy Holliday of Franklin Press. Mike Miller explains, “I never thought of doing anything else. I have never had a job interview in my life…and I never considered the fact that I might work anywhere else – ever.” Tommy Holliday’s expresses similar thoughts, “While I was at LSU, I started working for the company. After I graduated from LSU, I just continued. I have always worked for the company. I have had no other jobs, other than a bag-boy at Winn Dixie and a service station one summer." For these family members and perhaps many others, the thought process is that they would work in the family business. This is their expected course.

Stavrou and Swiercz (1999) identify convenience as a second motivation for entering the family business. I found evidence to support this assertion. Doug McPherson turned to his daughter, Laura McPherson Simpson, when he needed help in the accounting at Dugas Pest Control. Doug knew that he could trust Laura and that she was available. The arrangement has worked on both ends. Laura explains, "It was convenient…After my first child, I came back and worked full-time. After my second child, I started back working part-time and that was great…It was very convenient for me and it was a pleasant atmosphere."

Another reason for entering the family business is that there is a career opportunity for the individual and that the timing may be right. Stavrou and Swiercz (1999) classify this reason for entering the business as market driven. When Robert Miller came out of college and joined the family business, Star Service, his father and brother had just decided to pursue the service side of the business with a Linc franchise. Initially, the Millers placed Robert in a position underneath the service manager, so that he could continue to develop in the business. As a result of the decision to go with the Linc franchise, the service manager decided to quit, and this created a void for Robert to fill in the company. Robert recalls, "The timing was perfect…They put me into a job. It was a needed job, not a made-up job…Then, the manager decided to quit. Maybe, he understood that I was coming in and that I was a threat."

The final reason exhibited in the cases for entering the family business is the opportunity to foster family unity, i.e. to work in close proximity to family members and to share experiences with them (Stavrou & Swiercz, 1999). Susan Kaiser Treigle of Acme Refrigeration believes “the biggest advantage [for working in a family business] is number one being able to spend so much time with my family, particularly my dad.” As the oldest child in her family, Susan left home to pursue a career in banking. After a few years, she came to realize that she did not know her siblings very well. Because Susan is ten years older than her sister, Lisa, she did not see Lisa grow up. Now, the sisters have the opportunity to go to lunch together and to share a friendship that otherwise might be difficult because of schedule and time constraints.

Successor Growth and Progress

My second research question asks, “How does the successor grow and progress from follower to leader?” The growth and development of the successor in family business follows a series of steps or milestones (Longenecker & Schoen, 1978). Upon entering the family business, the successor becomes a student of the organization and learns about the processes and people involved (Churchill & Hatten, 1987). Generally, he or she then moves into a lower management position. At this point, the successor may benefit from the assistance of a mentor, or coach, or advisor (Handler, 1990). Over time, the successor rises in the company to a top management position, having won the approval of the incumbent generation. Finally, the successor obtains the ownership of the company. Then, after the death or retirement of the previous generation, the successor becomes the incumbent and is ready to repeat the cycle again (Dyck, Mauws, Starke, & Mischke, 2002).

In examining the first phase of the successor in this study, I found that the aforementioned mentor is often a parent of the successor as discovered in previous studies (Aronoff & Ward, 1987; Dyer, 1986). For example, Mike Miller of Star, Inc. graduated from LSU, and that day his father set up a desk for Mike next to his own. Bill Miller proceeded to coach Mike for three years, having his son accompany him to all meetings with clients and discussions with co-workers. This process is similar to that described in Leader-Member Exchange (Maslyn & Uhl-Bien, 2001).

After Mike Miller had worked at Star for only three years, Bill Miller approached his son, and bestowed the presidency of the company upon Mike. This is the only example of any sort of rapid successor development in this study. Even in this case, the actual process of succession took place gradually over many years. Bill appointed Mike as president in 1976, but Bill remained in the business and took over the service aspect of the company at Star. In 1984, the Millers acquired the Linc franchise, a decision based largely on Bill Miller's desires. In 1992, the Millers worked out an agreement for Mike and his brother, Robert, to purchase their father's stock over a ten-year period. Only once that period ended in 1992, did Bill Miller fully step back and retire. In general, the development of the successor in the family business calls for a slow process over a period of many years, which can be tedious.

In this study, a parent played an outstanding role as the chief mentor not only at Star Service, but also at Dugas Pest Control. Doug McPherson originally asked his daughter, Laura McPherson Simpson, to come into Dugas to handle the accounting for the company. From this beginning, Laura moved up into the management of the firm. Laura began to take technical courses about entomology and attended industry seminars and meetings. According to Doug McPherson, "It was a very gradual process. I would coach her: 'This is the problem. This is the way to handle it.'" For about twelve years, Laura learned the details of the business. Then, during the last four years before turning the company over to Laura, Doug "began to hone in on the management things." After attending a series of classes at LSU, which taught her the biology of insects and the chemicals used to exterminate them, and after serving in the business for over four years, Laura obtained a pest control license from the state of Louisiana. Doug

McPherson describes Laura's progress as "natural; she wanted to take on more and more and was capable and willing." Laura also describes "a gradual process. Over several years, he gave me more and more responsibility." In an approach similar to that of life cycle theory (Heresy & Blanchard, 1969), McPherson gradually developed his daughter's leadership skills. Coincidentally, Doug's insurance business began to grow and develop, so that he no longer needed to depend on Dugas Pest Control for a salary. In 1995, Doug stepped away from Dugas Pest Control, gave the reigns to his daughter, and turned his attention to the insurance business. Now Laura complains, "If I ask Daddy for advice, he won't give it to me. He has really removed himself." Aided by the development of the insurance business, the succession from the first generation to the second is complete at Dugas and has been healthy and beneficial on all sides.

Whether they had mentors or not, the common thread among the successors of these businesses is that they are self-motivated and driven to achieve results and rise to the top of their family businesses, exhibiting the need for achievement (McClelland, 1975). The successor must be committed to the business and the succession process and develop the necessary skills to lead the company (Barach & Gantisky, 1995). In many situations, such as that at Duplessis Cadillac-Volvo, bad health in the incumbent generation hastens the process of leadership succession. Sidney Duplessis suffered a series of heart attacks, which pulled his son, Ron Duplessis, into the business. Ron was attending Northwood University in Michigan when his father first became ill with a heart attack. Fortunately, Sidney recovered and was able to return to work, which allowed Ron to finish his education. Ron Duplessis had worked in the dealership during the summers while still in high school and quickly acquired a working knowledge of automobiles and management in the industry. According to E. J. Badeaux, Retired Parts Manager, Duplessis

Cadillac-Volvo, “Ron has been groomed since way back. Ron knows a lot about the business, all the angles, not just sales, but the parts, the service, and the mechanical things.” Apparently, Ron learned about the business first-hand on his own. According to Marie Vutera, Personal Secretary to the President, Duplessis Cadillac-Volvo, “His father did teach him some things, but I think Ron acquired the knowledge himself. He is very independent.” For a period of eight years, Ron worked as the general manager of the Cadillac dealership with his father as president. In 1987, the Duplessis’s acquired the Pontiac dealership in Gonzalez, LA. Ron concentrated on this dealership from 1990 to 1995, but returned full-time to the Baton Rouge operation in 1995 when Sidney became very ill and was no longer able to work. In contrast to the situation at Acme Refrigeration where Adrian Kaiser, Jr. remains active in the company at the age of 77, Ron Duplessis’s development as a successor was accelerated because of the ill-health of the previous generation.

Leadership Differences between Founders and Successors

My third research question asks, “Does the leadership style of the successor differ systematically from the founder?” In addressing the second research question, I begin with an observation concerning the culture of a company. One goal of the leadership in any business is to create a sustainable corporate culture that makes the company different from its rivals (Goodwin, Wofford, & Whittington, 2001). The process of creating this unique culture begins with the founder of the company. Researchers have hypothesized that the leadership of the founder has an overshadowing affect on later generations in the family business and that this influence continues beyond the tenure of the founder (Kelly, Athanassiou, & Crittenden, 2000). In family business studies, this concept has been called “the shadow of the founder.” While many basic principles or business philosophies are passed down from generation to generation, the evidence in this study reveals that there are clear differences in the leadership styles of successors and founders.

In a family business in which only one succession has taken place (a second-generation family business), it is a fairly straight-forward exercise to compare the leadership styles of the first and second generations. This study is divided between second-generation family firms and family businesses that have progressed beyond one succession (third-generation and fourth-generation family businesses). Dugas Pest Control, Duplessis Cadillac-Volvo, and Star Service are second-generation family firms in which the family has successfully passed the management and ownership of the firm to the second generation, and that generation is still in the middle of its term of ownership and management. Acme Refrigeration stands at the end of the second generation and beginning of the third, with day-to-day management and forty-five percent of the ownership passed to the third generation, but the controlling portion of stock ownership retained by the second. Franklin Press is in a very similar position, in that daily management of the firm is in the hands of the third generation as well as some stock ownership, but control of the stock ownership still remains with members of the second generation. Rabenhorst Funeral Homes, recognized as the oldest family business in Baton Rouge, has completed three successions and is now in its fourth generation of family management and ownership.

Successors are understood to be any generation beyond the founding generation. This delineation is quite clear in most situations, but this study does contain one case in which the generational line is blurred. At Acme Refrigeration, Adrian Kaiser, Jr. joined his father, Adrian Kaiser, Sr., in the business only four years after Adrian, Sr. started the company. In some respects, according to Susan Kaiser Treigle, Corporate Secretary, Acme Refrigeration, "Acme was first and second generation right from the beginning." However, Adrian Sr. maintained control of the business until his death. This led to serious inheritance tax problems for Adrian, Jr. and John Kaiser, who managed to negotiate a long-term pay-out period with the IRS in order to keep the company solvent and in family hands. This process is clear evidence of a generational succession, meaning that Acme was not a multi-generational partnership.

Given the above concerns, the findings of this study identify differences between successors and founders in respect to leadership style. The family business literature contains many studies that focus on the leadership of founders (Aronoff & Ward, 1991; Dyer, 1986; Handler, 1990; Barach & Ganitsky, 1995; Davis, 1982). There is also a growing number of articles focusing on successors in the family business (Barach et al., 1988; Birley, 1986, 2002; Chrisman, Chua, & Sharma, 1998). However, there is a lack of studies concerning the differences in leadership style between the founder and the successor. The findings of this study highlight five areas in which successor leadership varies from founder leadership. Three of the categories are external to the individual and two are internal or personal differences. The external differences include business environmental concerns, such as competition, technology, and demographics; company changes, such as size, formality, and professionalism, and ownership complexity, such as the number of family members involved in the ownership and management of the business. These external differences are similar to finding from the contingency approach to leadership (Fiedler, 1972). The first internal distinction involves the entrepreneurial leadership style of the founder contrasted with the manager/builder approach of the successor. Originally, the founder is willing to take tremendous risks involving the entire business. However, the founder's attitude toward risk changes as he or she ages and the business moves toward subsequent generations. The second area of internal distinctions includes differences in the approach to risk, in particular, the risk-adverse or conservative style of leadership adopted by the founder in later years versus the more risk-taking approaches of the successor generation.

Business Environment Concerns. In all of the six cases in this study, respondents commented on the increased complexities of the business environment faced by successors. Mickey Ashmore, Purchasing Manager, Acme Refrigeration, explains some of the environmental concerns: “I think the third generation has a lot more challenges now because of the evolution of business in general, with shrinking profit margins because of competition and internet purchasing, and a thousand other things beyond their control.” All levels of the environment from remote to industry to operating are more complex now than when these businesses were founded. In the remote environment, information technology has exploded with tremendous advances in computerization, creating the need to make decisions quickly and efficiently. The industry environment has become increasingly more competitive. Acme Refrigeration faces over two dozen competitors in the air conditioning supply industry in Baton Rouge alone, while Adrian Kaiser, Sr. faced none at the time he started the company. For Acme, the operating environment has changed in that customers behave very differently than they did in 1945. Lisa Kaiser Kenaly, Manager of Information Systems, Acme Refrigeration, elaborates on this theme: “We can’t run the business like Daddy and John were able to. That was the ‘good old boy days’ when you could let them walk out the door with whatever because you knew that they would come back and pay you.” The population of the greater Baton Rouge area has grown to approximately 600,000 residents in 2005. The demographic composition of Baton Rouge is much more diverse than it was fifty years ago and its once small town atmosphere has been replaced by a more urban life style. Local businesses cannot operate on informal, hand-shake agreements as they once did.

Company Changes. In response to an increasingly complex environment, the companies in this study have increased in size, become more professional, and adopted standardized and more formal processes. For instance, Acme Refrigeration now has twelve branch locations across the state of Louisiana, with company revenues in excess of $30 million annually. Susan Kaiser Treigle looks back to her grandfather's modest beginnings in 1945 and notes that the company has grown tremendously: "So, things were not nearly at the scope that they are today. We are talking about business out of the back of a truck." Manny Kaiser, who entered the business in 1974 and shepherded the firm into computerization, remarks, "I was in charge of computerizing the company. So, I had to put things out and say this is the way we are going to process sales. I had to set things up." This movement toward standardized systems has enabled efficient company growth at Acme.

Similarly, Star Service has grown tremendously and now has franchises in Baton Rouge, Jackson, MS, New Orleans, Mobile, AL, and Jacksonville, FL, with company revenues approaching $30 million annually. This can be compared to revenues of approximately $7 million when Bill Miller retired in 1992. The Millers found a business process that worked in the Linc franchise and have added the people necessary to make it successful. The Baton Rouge franchise, for instance, has served as a source of capital to expand into the other markets. The Millers have employed different methods to find managing partners of the branch locations, from using current employees to purchasing existing air conditioning companies. In each situation, the system has worked for Star Service.

Ron Duplessis owns and operates five car dealerships – Cadillac and Volvo in Baton Rouge; and Pontiac, Buick, and GMC in Gonzalez. His father only owned one. Ron explains, "My father did not have the opportunity to carry on a business. He didn't have the experience of carrying on a family business and I do." Given a running start, Ron has been able to expand the business. Ron explains that he has also developed professional business processes in order to efficiently manage the growing company, "Let me give you an example of the difference between my father and myself. He never wanted to have an employee handbook and we have an extensive employee handbook at this time."

Franklin Press has grown at a rate of 25 percent annually in the last few years after shifting to the printing of direct mail. Until about five years ago, the company was a general commercial printer. Franklin Press printed books, magazines, brochures, and other used by the business community. Then five years ago, the Hollidays decided to concentrate on the direct mail business, a lot of which is handled by banks and casinos. The company prints brochures, direct mailers, and personalized stationery. Franklin Press also inserts and mails advertising materials for its customers. Using these new processes, the company has found a niche in the market and has been very successful.

Ownership Complexity. The increasing complexity of family involvement in the business is a recurring theme in these cases.. This is seen in the number of individual family members directly involved in the ownership and management of the businesses. At Acme Refrigeration the first generation consisted of one family member; the second generation included two family members; and the third generation involves five family members. At Star Service, the second generation of family members doubles the first generation, with two individuals instead of one. At Rabenhorst Funeral Homes, the fourth generation consists of four family members, more than any of the three preceding generations. In all the cases, the number of family members in a successive generation equals or exceeds that of the preceding generation. One explanation for this finding is that the family businesses in this study, which are all successful, have adapted to the increasing complexity of the environment by bringing in additional leadership skills from multiple family members.

Entrepreneurship. In this study, second and third generation family owner/managers routinely described themselves as managers as opposed to entrepreneurs. According to Tommy Holliday, Vice President, Franklin Press, "I see an entrepreneur, not only as a person dedicated in their work, but as a frontline leader. I don't see myself in that leadership role." In this thought process, the founder is viewed as an entrepreneur or pioneer who brings a new business idea into existence, and the successor is seen as the person who builds on that concept and creates an organization to capitalize on the founder's idea. Susan Kaiser Treigle, Corporate Secretary, Acme Refrigeration, explains, "To me an entrepreneur is somebody who strikes out into uncharted waters, which my grandfather did. Daddy just picked up where he started and grew it. That is how I see the two of them, the founder and the manager/builder."

In the case of Dugas Pest Control, the concept of the founder and the manager/builder is also central to the description of the differences between the two generations involved in the business. Doug McPherson is the founder or entrepreneur and his daughter, Laura McPherson Simpson, is the manager/builder. Dierdra Scott, Office Manager, Dugas Pest Control, observes a difference in outlook between the individual who starts a company and one who inherits that business, "I think it is a natural process. I think if you founded the company, then that is like your baby and you hold it with kid gloves. I think when you inherit it; you assume that it is a well-oiled machine. The dedication is different." Dierdra uses the metaphor of a parent for the founder. The implication seems to be that there is still dedication in the successor's handling of the company, but that it comes from a different vantage point.

At Star Service, Mike Miller is quick to point out that his father, Bill Miller, came up with the two most important ideas that led to the later success of the company. The first idea was to leave the construction business and pursue the air conditioning maintenance business, and the second was to purchase a Linc franchise. Mike admits that without Bill Miller's guidance, he would have brushed aside the offer of a Linc franchise: "I can remember giving my father the phone message (from Linc), saying to call this guy, and telling him that I didn't think there was much to it, that it was not too good." Mike Miller never considered starting his own company – he was not a pioneer with a new idea for a business; however, he has become an excellent manager/builder at Star Service, developing the company into a large and profitable business.

Business Risk Approach. In all six companies in this study, the founder risked everything he had to start a new business. In 1866, Charles Rabenhorst moved to Baton Rouge from New Orleans after the Civil War to start a cabinet-making and funeral services business. Rabenhorst moved his family to a new town, away from all that they had known in New Orleans. In 1945, Adrian Kaiser, Sr. came to Baton Rouge, bringing his family from Natchez, MS. Kaiser came to Baton Rouge in search of refrigeration maintenance and repair work and ended up starting Acme Refrigeration to supply air conditioning and refrigeration parts for the mechanics of the area. In 1949, Francis Holliday purchased all the stock of the Franklin Printing Company from E. J. and Inez Land, and changed the name of the company to Franklin Press. In this manner, Holliday assumed the complete risk of operating the company. In 1952, Bill Miller, along with a partner, Joe Yoder, started Residential Heating and Air Conditioning in Baton Rouge. Then, in 1956, Miller and Yoder changed the name of the company to Star Engineering, the forerunner of the highly successful Star Service. In 1967, Bill Miller took a risk, bought out his partner, and assumed total control and responsibility for Star. In 1973, Doug McPherson bought Dugas Pest

Control from the widow of Professor Dugas and established his own pest control business in Baton Rouge, assuming sole responsibility for the business. In 1974, Sidney Duplessis completed the buy-out of the Austin family and acquired sole ownership of the Cadillac dealership in Baton Rouge and the incumbent financial risks.

The evidence in this study describes a change in outlook for the above founders as they grew older, in which the original entrepreneurial approach of the founder changed to a more conservative business approach. One explanation for this change is that when they started their businesses, the founders had less to lose. The founders risked their entire capital at the beginning, but as the companies aged, the net worth of each one increased, so that the founders had more substantial amounts of money to lose. Also, each of the founders had the goal of transgenerational wealth transfer, meaning they wanted to preserve the company in order to pass the business on to the next generation.

To accomplish this long-term goal, the founders of each business exercised patience and restraint in their decision-making in order to avoid careless mistakes. Chuck Kaiser, Vice President, Acme Refrigeration, recognizes this concept: "The younger generation is quicker to respond and react to things. The older generation wants to be patient and analyze things more. So, they were slower to react to things and a little bit more cautious to make changes." Manny Kaiser concurs with his brother's opinion, saying, "I am quicker to make a decision. The people who came before me were amazing in their ability to take things in and not react. They were patient." The positive side of this kind of patience is that bad, hasty decisions are avoided. The negative side is that the company can become mired in inertia. Too much analysis may result in lack of action or paralysis, as the saying goes.

One result of the exercise of patience in decision-making is that a founder may become conservative in his decisions and avoid taking risks. For example, Mike Miller of Star Service believes that his father, Bill Miller, was “much more frugal and much more conservative when it comes to money.” Whereas, Bill Miller held conservative business views, Mike Miller is much more willing to take risks in order to build the company. Bob St. Romain, Vice President of Operations, Star Service, describes the difference between the two: “Bill Miller was very conservative with his money. Mike is a very creative person and he thinks way out there…He is so optimistic and it’s that optimism that has been the force that has pushed this company.” Mike Miller’s optimism, his vision, and his willingness to take risks have led the way for Star Service to grow into a $30 million company.

Leadership Qualities of Successors in Family Business

My fourth research question asks, ‘What are the leadership qualities of successors in family businesses? The family business literature addresses many concerns among successors in family firms, such as the hesitation of qualified family members to enter the firm (Covin, 1994), the improper use of human resources within the family business (King, Solomon, & Fernald, 2001), successors’ failure to understand the sacrifices made by founders (Hoy & Verser, 1994), and successors’ lack of forgiveness for mistakes made by founders (Hubler & Kaye, 1999). Although there is a growing body of research concerning successors in the family business, one area that has not been adequately addressed is the leadership qualities of successors. Among the many leadership qualities of successors in the family businesses illustrated in the six case studies, I found four items that need to be present for successor leadership. These items include the need for “hands-on” technical knowledge, the importance of long-term orientation, the need for a spirit of cooperation among family members, and the relevance of servant leadership.

Hands-on Technical Knowledge. Barach and Gantisky (1995) recognize the need for competence among successors in the family business. Justis (1975) also recognized the need for competence for leaders to effectively lead followers. Dyck, Mauws, Starke, and Mischke (2002) acknowledge that the successor must acquire needed leadership skills and business experience to manage the company. In this study, the term "hands-on" is used repeatedly by respondents to refer to a family owner/manager who understands the technical side of the business. This concept is extremely important for a family business owner who wants to lead the employees of the company effectively. Taking the time to learn the basic jobs performed in a company serves to advance a young family member's reception by the other employees of the family business. Some examples of "hands-on" leaders in this study include Doug McPherson of Dugas Pest Control, who is noted for his detailed and exhaustive knowledge of pest control; Karen Rabenhorst Kerr of Rabenhorst Funeral Homes, who has acquired a funeral director's license and extensive industry knowledge; and John and Adrian Kaiser, Jr. of Acme refrigeration, who thoroughly understood the air conditioning industry.

Perhaps the greatest example of "hands-on" knowledge in this study is Ron Duplessis of Duplessis Cadillac-Volvo, who has earned the respect of his employees because he knows the automobile business "front and back." The "front" of the business refers to car sales, whereas the "back" refers to car service and parts. Ron learned about the business at an early age, working during the summer at the dealership in the repair and maintenance of automobiles. Mark Kugel, Parts Manager, Duplessis Cadillac-Volvo, believes that Ron is very involved in the management of the dealership and calls him a "hands-on" owner/manager unlike other car dealership owners. Kugel asserts, "Other owners probably don't know what is in their parts department, but Ron knows what is back there. He knows how many people are in each department. He knows everything that is going on back there." Ron has earned a widespread reputation at Duplessis Cadillac-Volvo, which borders on exaggeration if not "Paul Bunyonesque" tall-tale stature. Marie Vutera, Personal Secretary, Duplessis Cadillac-Volvo, describes Ron: "He is very knowledgeable. No matter what the subject is, Ron can tell you about it. He is so intelligent." The employees ascribe positive characteristics to Ron, whether they are true or not. E. J. Badeaux, Parts Manager, Duplessis Cadillac-Volvo, believes that Ron has an excellent knowledge of the car business, which is true. He also states, however, that "Ron didn't just jump into the general manger's position…He has worked his way through all the different sections of the business." As a matter of fact, Ron did jump into the general manager's position shortly after finishing college, and he did not work his way through the entire company. However, because of his great "hands-on" knowledge and impressive appearance, Ron's employees believe that he has done more.

Long-term Orientation. Because family firms do not have to answer to outside stockholders in the manner of publicly-held companies, family owner-managers may adopt goals other than short-term profit maximization (Chua, Chrisman, & Steier, 2003). The freedom to pursue a long-term approach affects leadership in family business in many ways. Because of the long-term orientation, family business owner-managers may emphasize pleasing their customers and retaining those customers for repeat purchases. This focus may lead to the detriment of short-term profit because of the costs involved in satisfying customer demands. From this point of view, the business must provide quality products at a reasonable price with efficient service. To provide excellent service, the family business needs loyal, hard working employees. According to Tommy Holliday of Franklin Press, "I guess the major thing that was passed down [from his father] is the value of employees, over and above equipment. My dad always said you can buy all the equipment you want, but you can't buy people. You have to take care of your people and the company will survive." All of the companies in this study exhibit the elements involved in this cycle of long-term orientation.

At Rabenhorst Funeral Homes, long-term thinking fits neatly into the company's over-arching theme of tradition. This concept of carrying on the tradition is essential to understanding the company and the family behind it. Karen Rabenhorst Kerr explains, "We are the oldest continuously family owned business in Baton Rouge. We are dignified in the way things are done. This is the funeral business." Loyal, long-term employees have contributed to the tradition at Rabenhorst over the years. The family understands that the business could not have survived without extraordinary employees, such as C. B. Knight, the general manager who led the funeral home when Alvin Phillips Rabenhorst became confined to a wheelchair. Karen Rabenhorst Kerr recalls, "C. B. Knight was a very important part of this. I remember him coming to the home to consult with my dad on things and of course they would talk on the phone a lot." The Rabenhorsts have had many long-term employees, especially among their top managers. For example, Larry Moore, the General Manager, has been with the company for over 36 years, and Pete Coles, the Manager of the Government Street location, has served for over 25 years.

Family business executives who practice long-term orientation believe that treating employees very well will benefit the company over time, even if there are short-term costs or losses. During the economic recession in Louisiana occasioned by the crisis in the petroleum industry, Adrian Kaiser, Jr. of Acme Refrigeration refused to lay off his employees. Lisa Kaiser Kenaly recalls, "We literally watched Daddy age because of worry over his employees. He would not let anyone go. We are still like that. We have employees who have been with us 35 or 40 years or more."

A Spirit of Cooperation. Davis and Harveston (2001) found an increasing level of conflict in family firms as they moved into the second and third generation of ownership. Also, second and third generation family members may feel trapped in the family business (Schultze, Lubatkin, & Dino, 2003). In contrast to these findings in the family business literature, one of the most striking elements to emerge from the data in this study is the spirit of cooperation evident in the family members involved in each of the six companies. This cooperation exists at the top of the firms in the sense that power and responsibility are shared among family members. While there may be instances in which healthy competition takes place between family members, the prevailing atmosphere is one of family members working together to achieve a common goal, and the realization that their businesses are stronger because of the contributions of multiple family members.

At Star Service, the teamwork of the Miller brothers, Mike and Robert, is essential to the success of the company. Mike provides the enthusiasm and positive outlook to expand the company, while Robert complements his brother's skills by bringing an organized and systematic approach to the business. Robert Miller explains his view of the partnership with his brother: "I feel like we work well together. I feel like our personalities are 180 degrees opposite, which happens to work. I feel that if I was like him, there would be conflict." A good partnership involves complementary contributions from both parties. In the best of circumstances, there is synergy. "We each bring different things to the table. Mike brings the go-get-the-work attitude. I bring the cohesiveness and leadership quality of somebody following me into battle," Robert states. The Millers both realize that they need each other for the business to prosper. Robert thinks that without Mike, he would not be as successful, and Mike thinks that without Robert, he would not be very successful either. Mike explains this line of thinking, "We joke sometimes that if Robert had never been here, I would have grown this company up and bankrupted it. If Robert was the only one here, we would have the smoothest-running, finest, little teeny-weeny company we could have." Part of the realization that they need each other in the business for maximum success is the absence of selfishness. Mike Miller believes, "There is something else that is real important that makes our partnership work. Neither one of us is greedy…greed and ego are two of the worst traits you can have."

While the Millers form a great partnership at Star Service and the company's final decision-making authority rests with them, in this study, three of the six businesses studied had formal top management committees, which held the ultimate decision-making authority in the firms. At Rabenhorst Funeral Homes, the top management committee consists of four family members with equal ownership. Managing a company is not easy when you have four individuals involved in decision-making, who may have four different opinions on an issue. David Rabenhorst admits that there have been "trying times" in the family businesses. While each of the four equal partners must look after their own interests, the Rabenhorsts operate the businesses by trusting in each other. "They have to sit down and hammer it out until they get either a consensus or a majority…It is a hard way to run a business," explains General Manager Larry Moore. Sometimes, decisions take longer to make, but this system allows the two businesses to prosper under the fourth generation. This process of decision-making is similar to that of group process (G1) in decision process theory as described by Vroom and Yetton (1973) and extended by Vroom and Jago (1988).

In the case of Acme Refrigeration, the top management committee consists of five family members also holding equal shares of ownership. On important decisions, the "majority rules," according to Lisa Kaiser Kenaly, Manager of Information Systems, but the Kaisers are fortunate because they get along well with each other and have a fairly high level of agreement. They inject a bit of humor into the situation, calling their top management committee meetings "Special K" meetings after the breakfast cereal. The humor underlines the abiding sense of cooperation among the family members. There are discussions and differences of opinion in the "Special K" meetings that can last for several hours at a time. However, at the end of the day, "everybody is going to be on the same page" reveals Cleve Banquer, Controller and CFO. The Kaisers have come to understand that the collective wisdom of the management committee exceeds the sum of its parts. They have made far better decisions than they could have done individually.

Servant Leadership. The prevailing sense of cooperation in the firms in this study is congruent with the approach known as servant leadership. Greenleaf (1970) identified servant leadership as the idea of putting the interests of the follower ahead of those of the leader. The leader seeks to serve the follower and in a spirit of cooperative behavior the follower reciprocates this behavior. The results of servant leadership should be judged in the growth of the followers. According to Greenleaf (1970), servant leaders do not seek power, fame, or self-interests. Servant leadership seeks to positively impact the employees and the community above the pursuit of short-term profit, which also fits into the long-term orientation of the family firms identified here.

In this study, the Organizational Leadership Assessment (OLA), developed by Laub (1998), was used to measure the perceptions of the employees of each company concerning the presence of servant leadership within their company. The OLA measures the relative health of an organization. The healthiest organizations contain individuals who display authenticity, value people, develop people, build community, provide leadership, and share leadership. Further, the OLA categorizes the health of an organization into six levels, ranging from lowest to highest: toxic health, poor health, limited health, moderate health, excellent health, and optimal health. The leadership of an organization is classified as autocratic at the two lowest levels of organizational health, paternalistic in the middle levels of health, and as servant in the two highest levels of organizational health. The OLA employs a 1 to 5 scale for responses to 66 items. Laub (1998) recognizes the overall global response score of the 66 items of the OLA as a comparative measure. Over dozens of studies, Laub (1998) found an average global response score of 3.64 per organization. The survey response rate from the six companies in this study was very high, averaging 78.1 percent. (See Table 10.1 for the OLA response rate by company.)

The survey results were entered in SPSS and a factor analysis was performed. I utilized the principal axis factoring extraction method to find the variables that explained the largest amount of variance. The VARIMAX rotation method was used to simplify the columns of the factor matrix. A confirmatory factor analysis using the six factors described by Laub (1998) revealed inconclusive results in that the six dimensions were not found. In an exploratory factor analysis, the latent root criterion or eigenvalue of 1 was used. Items with loadings below .40 were dropped. Also, items with loadings on multiple factors within the criterion of .10 were dropped. After multiple trials, a solution involving three factors and 40 variables emerged from the data. The factors include three of the original six dimensions from Laub (1998). The three factors are Factor 1 (Values People) with 27 variables, Factor 2 (Develops People) with 9 variables, and Factor 3 (Provides Leadership) with 4 variables. (See Table 10.5.)

Table 10.1: Organizational Leadership Assessment (OLA) Survey Results by Company: Response Rate

Company	Respondents	Employees	Response Rate
Acme Refrigeration	**81**	**95**	**85.3%**
Dugas Pest Control	**12**	**16**	**75.0%**
Duplessis Cadillac-Volvo	**46**	**60**	**76.7%**
Franklin Press	**36**	**68**	**52.9%**
Rabenhorst Funeral Homes	**28**	**30**	**93.3%**
Star Service of Baton Rouge	**58**	**65**	**89.2%**
Total	**261**	**334**	**78.1%**

Table 10.2: Rotated Factor Matrix

Variable	Factor 1	Factor 2	Factor 3
V1	.288	**.648**	.093
V4	.276	**.666**	.211
V9	.245	**.785**	.103
V52	**.718**	.290	.185
V54	**.762**	.304	.243
V31	**.669**	.195	.358
V37	**.685**	.365	.308
V40	**.653**	.385	.325
V42	**.684**	.250	.357
V44	**.715**	.344	.219
V46	**.712**	.297	.190
V50	**.693**	.285	.303
V7	.288	**.644**	.197
V8	.305	**.508**	.128
V12	.297	**.707**	.201

(Table Continued)

V25	**.721**	.303	.169
V38	**.665**	.330	.323
V47	**.536**	.374	.266
V6	.190	**.619**	.375
V10	.252	**.794**	.142
V11	.212	**.855**	.110
V23	**.704**	.227	.165
V28	**.630**	.262	.378
V32	**.721**	.202	.257
V33	**.576**	.241	.327
V35	**.705**	.290	.164
V43	**.694**	.308	.279
V51	**.675**	.241	.258
V2	.344	.366	**.597**
V5	.320	.228	**.715**
V14	.347	.281	**.566**
V22	.490	.152	**.635**
V27	**.614**	.240	.389
V36	**.593**	.163	.182
V26	**.707**	.199	.101
V34	**.711**	.321	.150
V39	**.682**	.235	.231
V41	**.776**	.313	.123
V48	**.714**	.303	.179
V53	**.738**	.219	.254

Five of the six companies in this study scored above the Laub (1998) average and two scored into the highest level of organizational health. (See Table 10.3 for the OLA global scores by company.) Four of the companies were scored in the paternalistic leadership category, including Acme Refrigeration, Franklin Press, Dugas Pest Control, and Rabenhorst Funeral Homes. In this study, Duplessis Cadillac-Volvo and Star Service received the highest OLA ratings from their employees.

Table 10.3:Organizational Leadership Assessment (OLA) Survey Results by Company: Global Response Score

Company	Global Response Score
Acme Refrigeration	**3.833**
Dugas Pest Control	**3.749**
Duplessis Cadillac-Volvo	**4.019**
Franklin Press	**3.656**
Rabenhorst Funeral Homes	**3.039**
Star Service of Baton Rouge	**4.139**

In the case of Duplessis Cadillac-Volvo, the responding employees rated the company's leadership into the servant category, specifying optimal organizational health as well. Although the OLA measures the leadership of an entire organization and not any single individual, this finding may reflect the employees respect and admiration of Ron Duplessis' top management skills. Frequently, in the qualitative interviews, employees attributed positive qualities to Ron and praised his leadership ability. Marie Vutera, Personal Secretary, is effusive in her praise of Ron, "He is so intelligent…We all admire him very much. He is very enlightening in the way he speaks…He is very conscientious…His employees think highly of him." This praise is also mixed with a large amount of respect. Mark Kogel, Parts Manager, states, "Ron is a strict leader and "hands-on" compared to other car dealership owners." The term "hands-on" is used repeatedly by Duplessis employees in reference to Ron in a very positive manner. Yvonne

Houpy, Human Resource Director, says that "Ron is very "hands-on." He could tell you every department, every profit from last year." As the company's leader, Ron has helped to build the organizational culture that is reflected in the high OLA scores. He has also hired managers who have maintained the confidence of the employees.

The leadership of Star Service has also won the admiration of their employees, which is no small feat in the hard working environment of the air conditioning industry. This business often requires technicians to work in very warm temperatures or in cramped spaces or even in dangerous conditions. Star's employees rated their company's leadership higher than the other five organizations in this study and well into the servant category. This high evaluation correlates with many positive remarks in the qualitative interviews of Star's employees concerning the company's top management. Tobin Barker, Service Manager, states, "Mike and Robert are both very smart and get to the same results in different ways…If you hear anybody talking about the Millers, you will hear about their integrity…They work just as hard as the lowest paid guy here." Jimmy Kaiser, Sales Manager, explains, "The Millers are extremely fair people and also, they are really generous."

SUMMARY

I highlighted applications from leadership theory to the six family business cases. I began with the founder's use of the leadership concepts of consideration and initiating structure (Stogdill & Coons, 1957) to attract successors into the family business. I reviewed the application of life cycle theory (Hersey & Blanchard, 1969) and LMX (Dienesch & Liden, 1986; House & Aditya, 1997; Maslyn & Uhl-Bien) to the growth and development of successors once they have entered the family business. I commented on the application of the contingency approach (Fiedler, 1972) to the leadership differences between founders and successors in the family business. Concerning the leadership qualities of successors in family business, I noted the need for achievement (McClelland, 1975) among successors and the advantage of competence on leadership effectiveness (Justis, 1975) and the implementation of path goal theory (House, 1971).

On the first research question regarding the entrance of the successor into the family business, this study confirms the extant family business literature (Birley, 2002; Stavrou & Swiercz, 1999). The results fit within previously defined areas adding some nuances in descriptive language. I reviewed the preparation of the successor before they enter the family business, highlighting the elements of "shop talk" and part-time work during high school and college (Handler, 1994; Barach et al., 1988). I found four major reasons for the successor to enter the family firm: (1) the expected course of action, (2) convenience, (3) good career opportunity, and (4) closeness to family members.

Concerning the second research question on the development of the successor, this study also confirms the family business literature. Once again, the results of this study are couched in slightly different terms as used by the respondents, but basically affirm previous work. I found that a parent most often plays the role of chief mentor to aid the development of the successor. The development process involves great effort from both parent and successor. The successor must be self-motivated and driven to achieve results and rise to the top of their family business (Barach & Gantisky, 1995).

The findings on the third research question regarding the differences in leadership style between the founder and the successor in the family business are novel and break new ground in the literature. I suggest five categories of leadership differences between founders and successors: business environment concerns, company changes, ownership complexity, entrepreneurship, and business risk approach. Business environment concerns include forces outside the control of a single firm, such as technological changes and increased competition. Company changes found were increases in size, movement toward greater professionalism, and the development of standardized and formalized processes. Ownership complexity increased as each of the six family businesses showed an equal or greater number of family members involved in subsequent generations. Successors viewed themselves as managers or builders of the family business and distinguished their role from that of the founder, whom they perceived as a pioneer. Finally, respondents in this study reported a difference in business risk approach. Although founders sometimes risked everything to start a family business, they became more conservative in their later years. Successors viewed themselves as more willing to accept change and embrace some business risk.

The findings concerning the fourth research question about the leadership qualities of successors in the family business address some new applications of research as well. I found four items that need to be present for successor leadership: the need for "hands-on" technical knowledge, the importance of long-term orientation, the need for a spirit of cooperation among family members, and the relevance of servant leadership. The need for competence among successors is addressed in the family business literature (Barach & Gantisky, 1995; Dyck, Mauws, Starke, & Mischke, 2002). The term "hands-on" as used by respondents in this study includes competence as well as mastery of the operational knowledge of the business. The importance of a long-term orientation affirms previous findings (Chua, Chrisman, & Steier, 2003). The six family businesses in this study evidenced a spirit of cooperation, which transcended the increasing level of conflict noted by Davis and Harveston (2001) in second and third generation family firms. Finally, the results of the Organizational Leadership Assessment (OLA) in which five of the six family firms scored above the Laub (1998) average and two of the six firms obtained responses placing them in the servant leadership category suggest that the servant leadership approach may be applied to successor leadership in the family business.

CHAPTER 11:
PROPOSITIONS AND CONCLUSION

In this final chapter, I provide propositions for future research arising from the six family business cases. This research is exploratory in nature and seeks to stimulate further work focusing on successor leadership in the family business. Because this study is exploratory, I offer prescriptive comments with some caution. I also recognize limitations concerning the size and scope of the study. Nevertheless, I propose a series of recommendations, which rest on the following assumptions. First, the family business is an institution worth preserving and protecting for its owners, managers, employees, customers, suppliers, and stakeholders. Second, the incumbent generation of the family business believes in passing the business to the next generation. Third, a possible successor generation exists.

The analysis in Chapter 10 of themes across the six cases of this study points to certain propositions, which I now present in four parts. This is in response to the four research questions of this study. The first group of propositions centers on the concept of encouraging the next generation to join the family business. The second set of propositions addresses encouraging the development of successors in the business once they have joined the family firm. The third set of propositions focuses on understanding the differences between successors and founders. The final set of propositions concerns understanding the leadership qualities of successors in the family business.

ENCOURAGING THE NEXT GENERATION TO JOIN THE FAMILY BUSINESS

Handler (1990) views the process of succession in the family business as a series of adjustments on the part of founders and successors, resulting in a four-stage cycle. In the first stage, the founder is alone in the business as the owner-manager of the firm. The second stage finds the founder as the ruler of the organization and the successor as the helper who is just entering the business. In this study, I find that an incumbent family business owner/manager can take several steps to improve the likelihood that the next generation will join the family business. These steps may occur in Handler's (1990) first stage of the succession cycle.

Proposition 1: If the founder seeks to develop a positive parent-child relationship, this will increase the likelihood that successors will join the family business.

I propose that if the founder has the objective of passing the business on to the next generation, he or she will begin to prepare their children when they are very young for that possibility. The best way to start this preparation is to form a bond of trust and respect between parent and child. In this study, positive parent-child relationships existed in all six cases. At Acme Refrigeration, Lisa Kaiser Kenaly enjoyed driving to work with her father when she was still a teenager. At Dugas Pest Control, Doug McPherson trusted his daughter, Laura, and invited her into the business to help with the accounting. At Duplessis Cadillac-Volvo, Ron Duplessis cherished the extra days and years that he was allowed to spend with his father after Sidney survived a series of heart attacks. In each case, the positive relationship began in the childhood of the successor and continued to grow over time.

Proposition 2: If the founder engages in positive "shop talk," this will increase the likelihood that successors will join the family business.

Founders should recognize that their children learn about the family business primarily through the avenue of hearing their parents talk about the business, which is often referred to as "shop talk" (Handler, 1994). Therefore, the family business owner should learn to speak in balanced terms concerning positive and negative aspects of the business in the presence of their children. If the family business owner complains constantly about business difficulties, such as rude customers, lazy employees, and greedy suppliers, this is all the child will hear about the business. Who would want to become part of such a bad situation? If the founder genuinely desires to pass the family business to the next generation, he or she must control their language and description of business activities in front of the possible successors. Further, I suggest that ambivalence concerning the goal of passing the business on to the next generation may lead founders to speak of the family business in a negative manner.

Proposition 3: If the founder insures that summer work is enjoyable, this will increase the likelihood that successors will join the family business.

The second great exposure to the family business for children of owners is the opportunity to work there in the summer or after school (Barach et al., 1988). At Acme Refrigeration, Chuck Kaiser fondly recalled working in the summer, and Lisa Kaiser Kenaly was pleased to get some spending money when she worked during the summers. Too often, summer work involves experiences like Robert Miller's, in which he received the nastiest, hottest work assignments. While Robert survived the experience and became better for it, many potential successors are driven off by poor treatment in summer jobs. The business owner should think about the reason for the summer employment. Does he want low-priced, temporary labor, or is he making an investment in the future of the business? If he is investing in the future, the owner should take time to plan possible work assignments and give thought to what the potential successor is doing on the job. Generally, a plant will grow bigger and stronger when it is watered and cared for, and so will a successor.

Proposition 4: If the founder emphasizes the positive aspects of the family business, this will increase the likelihood that successors will join the family business.

Emphasizing the positive aspects of the family business means going beyond mere positive "shop talk." It is one thing to avoid negative talk in front of children and to occasionally laugh and smile about things that happen at work, and another thing to actively accentuate the positive aspects of a family business. Barach and Ganitsky (1995) call for the founder to share both the good and the bad aspects of the family business with the family. I propose that the founder needs to go beyond this level and become an advocate for entering the family business. Family business owners should make successors aware of the benefits of joining the family firm. For instance, there is flexibility in the work schedule. Laura McPherson Simpson cited a flexible schedule as a major reason why she came into Dugas Pest Control and then stayed with the company. Most family members do not punch a time clock. In another example, at Acme Refrigeration, family members are free to come and go as needed for things like children's ball games and doctors appointments within reason. There is also more job security in a family business because family members are rarely fired except in cases of flagrant abuse. Additionally, there is the opportunity to spend time with family members. For instance, at Acme Refrigeration, sisters Susan Kaiser Treigle and Lisa Kaiser Kenaly go to lunch together occasionally. Finally, in all six cases there is access to top management, especially for family members. This more personal approach is rarely found in a publicly owned company (Kelly, Athanassiou, & Crittenden, 2000).

Proposition 5: If the founder encourages successors to complete their college education, this will help prepare successors to join the family business.

Morris et al., (1997) found a positive relationship between successor educational increases and smoother family business leadership successions. In this study, an extremely high percentage of the family business owner/manager respondents had finished their college education (14/16= 87.5%). Although I cannot infer a causal relationship, I suggest that the college education broadens students' perspectives and helps prepare them to deal with the demands of the business world. Many of the family business successors majored in business administration or management. This exposure to the basic principles of management in college also aids the family business owner in a complex and technologically advancing environment. For example, David Rabenhorst, Vice President, Rabenhorst Funeral Homes, received a B. S. in Business from Louisiana State University in 1975 and a Masters in Finance in 1977, also from LSU. David was eager to apply the principles he learned in college to the family business: "There was such a void. It was interesting. I had studied all this in graduate school."

Proposition 6: If the founder does not encourage successors to work for another company first, this will increase the likelihood that successors will join the family business.

The family business literature is mixed on the subject of encouraging the successor to work for another business before coming into the family business. According to Barach et al., (1988), working for another company may broaden the experiences of the successor in the family business. However, valuable time may be lost while successors work outside the family business. It takes time to acquire firm-specific knowledge concerning company procedures and personnel and the successor needs to be present in the family business to accomplish this (Morris et.al, 1997; Ward, 1987). Most of the family business successors in this study did not work for another company before starting their career in their family business (14 of 16 started working in the family firm). This finding is congruent with a study by Barach et al., (1988), which reported that 85 percent of all successors go to work directly for the family business upon graduation from college. Successors' time is very limited and they have their hands full learning about their own business and industry. By working their way up "through the ranks," successors learn the processes of their family's company and the people in their family firm. Also, successors' time is well spent in their family business because they avoid learning improper methods and bad habits from other businesses. The pattern here is for the successor to broaden their general knowledge through the college experience and to focus on the family business thereafter.

Proposition 7: If the founder leverages the family resources, this will increase the likelihood that successors will join the family business.

The family business founder should plan for succession and in this process the founder must overcome feelings of loss of control of the business and prominence in the family (Ibrahim, Soufani, & Lam, 2001). Also, the first generation family business leader must give priority to the process of succession rather to remain engrossed in the daily operation of the firm (Bjuggren & Sund, 2001). The incumbent family owner-manager should encourage every able and willing member of the next generation to enter the business. Although large families may have the luxury of not employing every available family member, family businesses should attempt to keep talented family members in the business. The days of primogeniture are gone, and modern family businesses need to involve younger sons and daughters whenever possible. In a recent survey of family businesses, Chrisman, Chua, and Sharma (1998) found that gender and birth order are less important than a manager's years of experience in the family firm and that the best qualified family candidate is now chosen for a leadership position. In this study, the movement toward management by committee, evidenced at Acme Refrigeration, Franklin Press, and Rabenhorst Funeral Homes, serves as an example of an excellent response to the demands of an ever increasingly complex environment. In these cases, multiple family members are involved in the leadership of the firm: five family members at Acme Refrigeration, four family members at Franklin Press, and four family members at Rabenhorst Funeral Homes. Additionally, six of the thirteen family members in these three cases are women.

Proposition 8: If the founder understands the changing role of women, this will increase the likelihood that successors will join the family business.

This study highlights the long-term orientation of family firms and the value of tradition, which may imply a reluctance to allow for change in some areas. However, the companies in this study, all of which are successful, have allowed for change in the role that women play within their structure. This finding confirms trends reported in the family business literature concerning the advancement of women in the management and ownership of family firms (Aronoff, 1998; Cole, 1997; Sharma, 2004). In the firms of this study, women have played key roles from the very beginning. The oldest company, Rabenhorst Funeral Homes, survived the succession from the first generation to the second only because Caroline Rabenhorst, the wife of the founder, held the company together and managed the firm for a period of close to ten years while her sons, Alvin Eugene Rabenhorst and Oscar F. Rabenhorst, grew old enough to take over the management of the company.

This study traces the increasing involvement of women within the top management of family firms. Today, Karen Rabenhorst Kerr owns 25 percent of Rabenhorst Funeral Homes and the Rabenhorst Life Insurance Company as well. Karen is primarily responsible for the funeral home, while her three brothers manage the insurance business. This is significant because the funeral home industry is still male-dominated to a large extent. In recent years, there has been some consolidation in the industry with conglomerate organizations, such as Service Corporation

International (SCI) out of Houston and Alderwoods, Inc. of Canada, purchasing local funeral homes. However, Rabenhorst Funeral Homes has been able to hold its market share in Baton Rouge. Karen, who is involved in some national professional organizations, including Selected Independent Funeral Homes and the National Funeral Directors Association, perceives an increase in women in the funeral industry across the country. Rabenhorst Funeral Homes has employed some female embalmers, but none have stayed with the company for very long. Because funeral directors should have a genuinely caring attitude toward the families of the deceased, Karen believes that women fit naturally into this role: “The caring attitude is best for funeral directors and women are more nurturing.” Karen is a prime example of this caring attitude and presents a very professional image for Rabenhorst Funeral Homes.

A second example of the changing role of women in family business is Laura McPherson Simpson of Dugas Pest Control. Laura has been the president, CEO, and owner of Dugas for approximately ten years. Following in her father’s footsteps, Laura is very involved in pest control industry trade associations. She has served as president of the Baton Rouge Pest Control Association and the Louisiana Pest Management Association and has been on the boards for national groups, such as the National Pest Control Association and Associated Pest Control. Dierdra Scott, Office Manager, Dugas Pest Control, recognizes that Laura is unusual: “There are not a lot of women in the pest control industry. There are a few, one other in Baton Rouge…This industry is mainly a male-based industry. So, having women in it is exciting.” On the one hand, Laura is breaking new ground for women in the pest control industry, but on the other hand, Laura is treated like any other family business owner/manager, whether man or woman. Wayne Duke, Pest Control Manager, Dugas Pest Control, comments: “It [her gender] has not made any difference to me. As long as somebody is fair and knowledgeable, I don't think it makes any difference to me."

This recognition of equality between men and women is evidence of the changing role women play in family businesses. With women serving at the top in management and ownership positions in four of six businesses, this study suggests that family businesses are now looking beyond the first-born son to manage the next generation. At Acme Refrigeration, Lisa Kaiser Kenaly feels that she has received fair treatment from her male counterparts: "I have to say that Manny has been the one to get Susan and I involved in the meetings and to bring us in. You know that you are a part of this too, whether you are a female or not."

ENCOURAGING THE DEVELOPMENT OF SUCCESSORS IN FAMILY BUSINESS

After the successor enters the family business, he or she must earn the respect of the founder and the employees of the company. As the successor accomplishes this goal, they move into Handler's (1990) third stage of succession. Here, the successor steps into a prominent management role and the founder cuts back on his hours of work. Gradually, a transfer process takes place. An incumbent family business owner/manager can initiate several activities to encourage the development of successors, especially in this third stage of the succession process in the family business.

Proposition 9: If the founder limits ownership to family members who manage the firm, this will encourage the development of successors.

If next generation family members come into the business, the incumbent family leader should reward them. Currently, five out of the six family businesses in this study limit the ownership of stock to family members who are actively involved in the management of the firm. The exception to this rule is Franklin Press, which has two family member owners who are not managers and two non-family managers who are owners. In all other cases, only family members who are managers own stock.

The situation at Rabenhorst Funeral Homes is a good example for this concept. The third generation at Rabenhorst included two family member-owners who were not interested in the management of the business except for the financial rewards. These family member-owners were Harry Rabenhorst, who spent virtually all of his time and effort in coaching LSU basketball, baseball, and football, and Alvin Eugene Rabenhorst II, who withdrew from the business after working only a few years. Over a period of approximately a dozen years, ending in 1993, Alvin Phillips Rabenhorst bought the company stock back from Harry Rabenhorst's two daughters and Alvin Eugene Rabenhorst II. This costly process was financed by Alvin Phillips Rabenhorst, who was confined to a wheelchair, and managed by David Rabenhorst, Alvin Phillips Rabenhorst's son. Having non-managing family member owners proved to be a great hardship for the business and nearly led to its termination. According to David Rabenhorst, "I was very instrumental in reconsolidating the ownership. If we had not done that, we would not have survived."

Proposition 10: If the founder creates alternative ownership forms, this will encourage the development of successors.

Although the preceding argument to only involve family owner-managers in the stock ownership of the firm is straightforward, there are some viable alternatives. Incumbent family leaders may choose to form alternative ownership structures, such as the issuance of two kinds of stock; common stock with voting rights and preferred stock without voting rights. Family members who are not involved in management may receive the preferred stock. In the event that the company is sold to an outside agent, non-managing family members may share in the proceeds of the sale. Other vehicles, such as limited liability companies (LLCs), may also achieve similar results. In the LLC, owners, called members, can also manage the company and there are less restrictions than in an S Corporation. Examples of alternative governance structures in this study include the use of the LLC ownership form at Duplessis Cadillac-Volvo and Rabenhorst Funeral Homes.

Proposition 11: If the founder enables successors to acquire company and industry knowledge as soon as possible, this will encourage the development of successors.

Dyck, Mauws, Starke, and Mischke (2002) compare the process of succession in the family business to a relay race involving the factors of sequence, timing, baton-passing technique, and communication. The first factor – sequence – refers to the education and training of successors. In this study, one of the key elements involved in the success of successors as leaders was the rapid and thorough acquisition of "hands-on" knowledge. Employees frequently used the term "hands-on" in a positive sense to describe family owner-managers who had a good knowledge of the company and industry in which they worked. Ron Duplessis of Duplessis Cadillac-Volvo is greatly admired and respected by his employees because he has an excellent knowledge of the work that is done in the dealership. Robert Miller of Star Service also commands the respect and admiration of his employees because he knows the kind of work they are doing and is still willing to go out on the job. Robert explains his philosophy: "I do not alienate the guys who work for me because I have done and will do anything that they do. Friday night, I will go on a job with them until 2 AM."

Proposition 12: If the founder emphasizes the team concept, this will encourage the development of successors.

Ward (1987) recognized a competitive advantage among successful family firms because of a high degree of commitment to the firm among family members and loyal employees. In the best situations, this commitment leads to a feeling of teamwork within the company. In this study, a trend toward management by committee or "team management" was evident. Facing increasingly complex operating environments, family businesses may find that drawing on the knowledge and experience of several family members - as opposed to just one person - is efficacious. Incumbent family business leaders should look for and encourage cooperative behavior among next generation members. Selfish behavior should not be allowed to continue once discovered. Mike Miller of Star Service explains, "Our partnership works because neither one of us is greedy. I think in a partnership where one of the partners has some degree of greed in his make-up, it can absolutely kill the whole deal."

Proposition 13: If the founder serves as a mentor, this will encourage the development of successors.

In the best family businesses, potential successors receive counsel and encouragement from family members informally around family dinners and gatherings (Dyer, 1986). Goldberg (1996) found that most effective successors had experienced mentoring relationships. The incumbent family business leader should assume the role of mentor to the next generation. This is the best method of developing the successor found in this study. For example, Bill Miller had Mike Miller follow him for approximately three years to learn how to mange Star. Adrian Kaiser, Jr. encouraged four of his children to enter Acme Refrigeration because he set a wonderfully positive example for them to follow. Doug McPherson patiently taught Laura

McPherson Simpson the fine-tuned workings of the pest control industry at Dugas. Sidney Duplessis invited his son, Ron Duplessis, to follow in his footsteps at Duplessis Cadillac without overshadowing Ron. Sidney recognized Ron's strong leadership ability and gave him plenty of room to grow by opening the second dealership in Gonzalez.

UNDERSTANDING THE DIFFERENCES BETWEEN SUCCESSORS AND FOUNDERS

Often communication may be poor between generations in a family business (Hubler & Kaye, 1999). Selfishness and lack of concern for others is all too common. In the case of a proactive or dictatorial style of family business leader, the very strengths that carry an entrepreneur to the top of a business may render him or her a poor teacher of the next generation (Aronoff & Ward, 1991). The family business founder should be well aware of the many differences between himself and his successors. Previously, I highlighted the differences found in this study in three external and two internal areas. The external differences in the environment, the company, and the family are probably beyond the scope of an individual's ability to control. The following propositions address the internal differences, which may lie within an individual's ability to affect change.

Proposition 14: If the founder recognizes the successor as a manager/builder, this will increase the understanding between the founder and successor.

The founder must be willing to let go of the control of the business (Dyer, 1986). He or she must also resist the temptation to shape the successor in his or her own image. The successor's position is not the same as that of the founder because the successor usually starts at a lower level management position and works his way up in the family business; whereas the founder pioneers the family business in the top manager's role. The founder may have paid his dues in the industry working for other companies before starting the new business, but his position in the family firm is never a subordinate one. One example of this is Doug McPherson of Dugas Pest Control. Doug bought the firm from Dr. Dugas and operated the business as the president. His daughter's experience has been different in that Laura served in a subordinate role to her father and has worked her way to the top of the company. Doug has wisely stepped back from the management of the business and given control to Laura at the appropriate time. Also, Doug has refrained from imposing his leadership style on Laura. In another example from this study, Sidney Duplessis of Duplessis Cadillac-Volvo worked for many years in the automobile industry, first in New Orleans in sales and then in Baton Rouge in management, but he never worked for his father in a family business. A thoughtful successor realizes the vulnerable position in which he must place himself upon entering the family business and also the inherent risks involved. Ron Duplessis of Duplessis Cadillac-Volvo explains this situation: "There was an opportunity for me to come (into the business) and for him to step out that I thought was just right. I could become my own man. I did not want to be daddy's little boy."

The founder has played the role of starting the business or as Susan Kaiser Treigle explains "striking out into uncharted waters." The successor comes into a business that has been operating for some time. The successor needs to be a manager, not a pioneer or an entrepreneur. If the successor believes that he wants to start a new business instead of working for the family, he should do so, rather than persist in a potentially unpleasant job. The mindset of the successor should be to manage and build a growing company.

Proposition 15: If the founder recognizes differences in approach to risk, this will increase the understanding between the founder and the successor.

While the founder of the family business should take a position of care and concern for the future of the business, he or she must avoid inappropriate involvement in the firm. Davis and

Harveston (1999) describe the situation in which the founder retains a significant role in the company even after the next generation has supposedly taken over the management of the firm as the “generational shadow.” Additionally, the founder should realize that the successor may have a different attitude toward risk-taking than the founder and he should allow the successor to make his own mistakes within reason. Frequently in this study, I found that the founder, near the end of his tenure in the family business, had a more conservative approach to decision-making than the successor generation, which is much closer to the beginning of their career. Tobin Barker of Star Service comments on this idea: “Mike is a maverick, looking to the future…I did not really know that side of Mr. Miller.” As the founder ages, he has less desire to take risks in the family business. The founder should understand that the successor’s youthful desire to take more risk and expand the business may be a positive factor when channeled correctly. The successor’s energy and enthusiasm for change may benefit the firm by bringing a fresh perspective to the environment in which the company operates. Chuck Kaiser of Acme Refrigeration elaborates on this theme, “When you have a change of generation, the younger generation has a sense of or a more keen awareness of the things that are evolving in the marketplace.” The founder should welcome the youthful energy of the successor, treat it respectfully, and channel it constructively.

UNDERSTANDING THE LEADERSHIP QUALITIES OF SUCCESSORS

Family business founders should be aware that successors face challenges, which are different in nature and complexity from those faced by the founders as time passes and the environment changes. To meet those challenges, successors may require qualities that are not necessarily the same as those needed by founders. Although many leadership qualities are important for successors in the family business, I have identified five themes in this study, which may have more importance for successors. The themes include the necessity of “hands-on” technical knowledge, the importance of a long-term orientation, the changing role of women, the need for a spirit of cooperation among family leaders, and the relevance of servant leadership. In previous recommendations, I have touched on the first three themes. Here, I discuss the final two themes, which are especially relevant for successors.

Proposition 16: If the founder fosters and encourages the spirit of cooperation in the successor, this will increase the likelihood of successful successor leadership.

Another key to success in passing the family business from one generation to the next is the exercise of patience both by the founder and the successor (Barach et al., 1988). The founder must be willing to adjust the organization to fit the leadership skills of the successors. Meanwhile, the successors must obtain credibility in the company by proving their ability to company managers and employees. Repeatedly in this study, I found the dominant quality of the successor generation to be one of cooperation among the family members in top management. For example, Manny Kaiser of Acme Refrigeration encouraged the involvement of his sisters, Susan Kaiser Treigle and Lisa Kaiser Kenaly, in the top management team. Manny chose this path of cooperation and inclusion, often going out of his way to proactively seek out the advice of his sisters. This spirit of cooperation was modeled for many years by Adrian Kaiser, Jr. and John Kaiser, who worked closely together in a very effective partnership. When the third generation at Acme assumed leadership of the day-to-day activities of the company, they followed the model of cooperation set by the previous generations.

Another example of cooperation occurred at Rabenhorst Funeral Homes. Alvin Phillips Rabenhorst took ownership of the business back into his own hands and then passed the business on to his four children in equal shares. Alvin accomplished this with the assistance of his son, David Rabenhorst. David, the leader of the fourth generation, has invited the participation of his siblings, rather than working competitively against them. David is the third oldest child in his generation, but the first to enter the business. It may have been possible for David to politically block his siblings from entering the business; however, the spirit of cooperation, fueled by David's unselfish choice, has enabled the family businesses to grow stronger with the infusion of the management talent of all four Rabenhorst siblings.

Proposition 17: If the founder recognizes and encourages servant leadership, this will increase the likelihood of successful successor leadership.

The Organizational Leadership Assessment (OLA) identifies the qualities of displaying authenticity, valuing people, developing people, building community, providing leadership, and sharing leadership as integral to servant leadership. The above attributes also fit squarely with the positive qualities of successors described in this study. Having been rated into the "servant" leadership category by their employees, the leadership of Duplessis Cadillac-Volvo and Star Service have embraced the qualities measured in the OLA. These two firms also serve as positive examples of successful family businesses. Additionally, five of the six companies in this study rated above the average score for leadership found by Laub (1998).

Recognizing that servant leadership is a good fit for successors in the family business, founders should seek to instill the qualities of servant leadership in their successors. In order to understand the process of guiding followers to perform servant leadership, Greenleaf (1970) pointed to several examples of servant leadership from history, including Jesus Christ and Ghandi. Looking at the historical examples, there appear to be three primary methods of instilling servant leadership among followers: serving as an example, teaching through stories, and direct command. The founders of both Duplessis Cadillac-Volvo and Star Service used all three of the above methods to foster the qualities of servant leadership in the successors of their businesses. Sidney Duplessis served as a tremendous example of servant leadership not only in the company, but also as a community leader by giving extraordinary amounts of his time and talent to charitable causes. Likewise, Bill Miller set the example for his sons at Star Service. He led them into the service business and the acquisition of a Linc franchise and also served as a mentor for Mike. Sidney Duplessis was well known for his colorful stories of the automobile business, while Bill Miller was known for a direct and commanding approach. In each case, the process of building a servant organization began with the founders and continued through to the successors in both organizations, serving as an integral component to their success.

SUMMARY

In this exploratory study, I have examined the leadership qualities of successors in the family business and have attempted to stimulate further research in the areas of leadership and family business studies. I have examined six exemplary family businesses as individual case studies and then I have performed a cross-case analysis, looking for themes and patterns that tie the cases together. The goal of this study has been to better understand the development of successors in the family business and their approach to the leadership of the firm.

To summarize, I have presented four groups of propositions for family business founders who are concerned with passing their business on to the next generation. I have listed eight concepts designed to encourage the entrance of the next generation into the family business: positive parent-child relationships, positive shop talk, enjoyable summer work, emphasis on the positive aspects of the family business, completing the successor’s college education, working directly for the family business, leveraging the family resources, and understanding the changing role of women in family business. I have highlighted five propositions for encouraging the development of successors in the family business: limiting ownership, creating alternative ownership forms, enabling the successor to acquire knowledge as soon as possible, emphasizing the team concept, and serving as a mentor. I have suggested two important considerations for understanding the differences between founders and successors: the entrepreneur versus the manager/builder, and orientation toward risk. Finally, I have proposed two ideas for understanding the leadership qualities of successors: the spirit of cooperation and servant leadership. These concepts fit together in building our understanding of successor leadership in the family business.

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APPENDIX 1: PILOT STUDY INTERVIEW NOTES

INTERVIEW NUMBER 1: WEDNESDAY, SEPTEMBER 1, 2004

Subject: Mickey Seale, CEO Seale Funeral Services, Denham Springs

Mickey Seale, age 55, is the president and CEO of SFS. He owns 100% of the company's stock. Mr. Seale attended LSU and studied medicine, but decided to enter the family business instead in 1974. Mickey's father, Virgil Seale, Sr., started the funeral business in 1957. Mickey's father gave him 50% of the stock, but Mickey had to buy-out his brother's 50 %. Billy Seale, the brother, who had heart disease and could not get life insurance, passed away 10 years ago (December 30, 1993) during open heart surgery.

SFS has three properties – two in Denham Springs and one in Livingston. The main property in Denham Springs contains the funeral home, Evergreen Memorial Park, and the monument business. The second property in Denham Springs is Beech Ridge Cemetery. The third property in Livingston is also a funeral home. The Seales have done some backward vertical integration into marble slabs for monuments and also a limousine service. SFS ranks in the top 1000 funeral homes in the U.S., serving approximately 500 clients per year. The average funeral home serves 200 clients per year. Three major conglomerate organizations, Service Corporation International (SCI), Alderwood, and Stewart, are buying out funeral home businesses across the country. SFS is one of the few independents in the greater Baton Rouge area. Rabenhorst is another major independent in Baton Rouge.

Mickey is an active member at Amite Baptist Church in Denham Springs and has a devout faith. He experienced a spiritual awakening after going through a divorce from his wife. Mickey has two sons, Billy (age 32) and Stacy (age 30), who are involved in the daily management of SFS. Mickey's spiritual values are very similar to those held by his father, but the sons may not share this same faith. Mickey plans to pass the business on to the two sons, but is not ready to retire for perhaps another 10 years at least. Mickey lists two reasons for his desire to pass the family business to the next generation rather than to sell out. First, he wants his sons to be able to make a living from the business. The conglomerates that are purchasing funeral homes are not known for keeping managers who were former owners of the business. Secondly, Mickey feels deeply for the people of Denham Springs and wants to continue to serve the community.

INTERVIEW NUMBER 2: MONDAY, SEPTEMBER 20, 2004

Subject: Stacy Seale, Vice President and Inside Manager, Seale Funeral Services

Stacy, the son of Mickey, is the inside manager for SFS, while his brother, Billy, is the outside manager for the firm. Stacy manages activities within the funeral home, including pick-ups, embalming, funeral services, sales, and customer complaints, while Billy manages the actual burials outside the funeral home. Stacy grew up with the business and is not offended by the necessary activities of handling deceased individuals. Stacy was born and raised in Denham Springs, graduating from Denham Springs High School in 1991. He attended Delgado Community College in New Orleans and obtained his funeral license. Stacy married in 1995 and has two daughters, while Billy has two sons. Mickey has stepped back into the role of overseer or consultant.

INTERVIEW NUMBER 3: TUESDAY, SEPTEMBER 7, 2004

Subject: Robert Heroman, Billy Heroman's Flowerland

Robert is an LSU senior Marketing major and plans to enter the family business, either upon graduation or after spending a couple of years in Houston or Atlanta working for another company to gain some experience. Robert is part of the fourth generation at Heroman's. His father is Buzzy Heroman and his grandfather is Billy Heroman (Born 1923), the youngest son of Harry Heroman, Sr.

Harry, Sr. founded the company in 1878. The second generation in the floral business included Harry, Sr.'s four sons: Harry, Jr., Al, Fred, and Billy. Harry, Jr.'s son and grandsons still operate Heroman's Original Florist. Although today, there are four different Heroman floral businesses that operate independently of each other in the greater Baton Rouge area: Billy Heroman's Flowerland (1955), Heroman's Original Florist (1878), Fred Heroman's Flowers and Gifts, and Rickey Heroman's Florist and Gifts. Billy Heroman has three locations in Baton Rouge and is the largest Heroman business. Rickey Heroman split off from Billy Heroman in 2002 and has two locations, one in Baton Rouge and one in Denham Springs next to the Seale Funeral home. Fred Heroman has one location in Baton Rouge and the Original Heroman's has two locations in Baton Rouge.

INTERVIEW NUMBER 4: WEDNESDAY, SEPTEMBER 22, 2004

Subject: Billy Heroman, Chairman of the Board – Billy Heroman's Flowerland.

Billy Heroman has passed the management of his firm on to his children. Buzzy (1955-) is the president and CEO of the business and daughter, Cyril Ann (1955-), is also an active stockholder and manager. Son Ted, was involved in the business, but chose to pursue a career in carpentry and is not a stockholder. Son Rickey recently left to open his own shop, Rickey Heroman's Florist and Gifts. Billy retains ownership of the property and the business pays him rent as his retirement compensation.

Billy served in the US army in World War II and was captured by the Germans in the battle of the Bulge. He was released after four months of captivity and returned home. Billy worked in a variety of businesses over the next ten years including the selling of funeral plots. After a few years, he settled into the family florist business. However, in 1955, Billy decided to open his open shop. Today, his firm is the largest of the Heroman businesses with sales over $3.5 million per year. Billy has been greatly involved in community activities such as the Lions Club. He stresses the business values of honesty, hard work, fair treatment of employees, and giving back to the community.

INTERVIEW NUMBER 5: WEDNESDAY, SEPTEMBER 8, 2004

Subject: Jack Jackson, CEO Jack Jackson Inc.

Baton Rouge Coal and Towing Company, founded by Joshua (J.C.) Werner, Sr. in 1902, was a river tugboat operation. The company originally serviced steamboats that used coal for fuel on the Mississippi River. This coal was stored in warehouses along the river and then on barges to directly supply the steamboats. The tugboats would move the barges out to the steamboats.

After managing the company successfully for close to forty years, J.C. Werner, Sr. (1870 - 1940) passed the business on to his three sons and two daughters; each of the five siblings owned an equal 20 percent share of the company stock. J. C. Werner, Jr., the oldest member of the second generation, acted as president of the company while John Werner, William Werner, Helen Werner Jackson, and one other daughter also served in the business. J.C., Jr. started working in the business (1930) before the others and maintained his primary status in spite of the fact that his siblings could have voted him out of the presidency of the company. According to Jack Jackson, there was one instance in which the younger siblings rebelled, but this was quickly squelched when J. C., Jr. threatened to step down and give his siblings all of his workload, which apparently frightened the group into submission.

As technological improvements came, steamboats began to use oil, which was more efficient than coal. Then, in the 1940s, ships began to use diesel power. Boats on the River continued to haul cargo, both dry and liquid as well as moving dirt to construct the levees.

Jack Jackson joined the family business in 1959. After working in the business for three years, Jack decided that he wanted to start his own company. With the blessing of his uncle J.C. Werner, Jack incorporated as Jack Jackson, Inc in 1962. Using $125,000 in seed money from his father-in-law, Roland Kiser, Jack built the operation from one tugboat into a seven – boat business. He specialized in grain, moving grain barges in and out or grain elevators. The tugboats carried each individual barge out on the River to attach to a convoy of around 50 barges. The system operated somewhat like a railroad on the river, with the tugboats bringing barges in and out to the larger "train" of barges. Within five years and much to his father-in-law's surprise, Jack repaid the loan. The business demanded attention on a 24-hour basis and Jack worked very hard. So hard that his sons did not want to enter the business and follow in Jack's footsteps.

Another incident that may have also contributed to the sons' desire to do other things occurred in 1997. One evening about 6:00, an African-American man came to Jack's office asking for work as a welder. Jack allowed the man into the office to fill out an application even though the personnel manager was not there at the time. After filling out the application, the man asked to speak to Jack's leading assistant, the "High Captain" in his office. Apparently, the man thought that there was payroll money in the High captain's office, which there was not. He had entered the wrong business office. The robber pulled a gun on the High Captain and shot him in the head, killing him instantly. Moving quickly, the robber came out of that office and into Jack's office. He shot again, wounding Jack in the neck. Jack felt a hot prick run through his neck and slumped to the floor. As Jack lay on the floor, the robber ransacked his office looking for money. Fearing that he was paralyzed, Jack moved one of his legs. As he did so, Jack heard the robber say, "Move one more time and I will shoot you again." Miraculously, the man left without shooting again. Later, the robber was caught, tried, and convicted. He sits on death row today awaiting execution for his crime pending appeal. Perhaps, the greatest miracle of all was that the bullet passed through Jack's neck and did no serious damage to his spinal cord or to his vocal cords. The doctor at the hospital pronounced it a true miracle indeed.

INTERVIEW NUMBER 6: FRIDAY, SEPTEMBER 24, 2004

Subject: John Kaiser, Retired Owner and Sales Manager, Acme Refrigeration of Baton Rouge, Inc.

In 1945, Adrian Emanuel Kaiser, Sr. (1902-1969) started Acme Refrigeration of Baton Rouge. Adrian, Sr. started in the refrigeration of ice cream, selling refrigeration boxes for ice cream to grocery stores and restaurants. In the aftermath of the Second World War, appliances and all sorts of electrical equipment were difficult to obtain. Adrian Sr. bought equipment in New Orleans and resold it to installers in Baton Rouge.

During the 1950s, air conditioning was developed and become commercially available. Today, air conditioning products make up 90 percent of Acme's revenues. During the last ten years of his life, Adrian, Sr. suffered a series of heart attacks and developed prostate cancer. His poor health forced him to give the daily management of the firm to his sons, Adrian, Jr. and John. Additionally, Adrian, Sr. incorporated the company, holding 51% of the stock himself and giving 24% to each of his two sons who were working in the business. The sons divided the workload among themselves, with Adrian, Jr. choosing to work inside the office and John, choosing to work outside the office in sales.

John Lopez Kaiser (1932-) worked for his father while he was still in college at LSU and became interested in the business. After a stint in the Army, John returned to Baton Rouge (1958) and entered the family business. Over the years, the two brothers steadily built the business from around $100,000 in revenue in 1958 to approximately $23 million in 1996. The number of employees grew from five in 1958 to 130 today. The business suffered a blow in 1969 when Adrian, Sr. passed away. Although the two sons had persuaded their father to give them some additional shares of stock, Adrian, Sr. still owned a large share of the company stock at his death. Because of the lack of estate planning by their father, the Kaisers nearly lost the business to taxes. Fortunately, they were able to persuade the IRS to agree to a 10-year payout period for the estate taxes. Due to their hard work and a steadily increasing demand for air conditioning products in southern Louisiana, the Kaisers paid off the note to the IRS. John Kaiser attributes the success of the business to honest dealings with customers, fair treatment of employees, and hard work. These basic business values came as a result of sound moral upbringing and a Catholic religious faith.

Both brothers married and had children. John's children are John, Jr. (Jay) (1957-), Chad, Keith, Jimmy, and Katherine. All of the children worked during the summers in the family business at low-level jobs in the warehouse and store. Only Jay has remained actively involved in the management of the firm. Chad works in a related air conditioning service business, Kaiser Heating & Air, Inc. Keith had a similar business, Keith Kaiser Sales and Service, Inc., but sold out a few years ago although the business still bears his name and is a confusion for Chad's business. Jimmy works in sales at Star, Inc., an HVAC company. Finally, Katherine is a registered nurse.

INTERVIEW NUMBER 7: WEDNESDAY, OCTOBER 6, 2004

Subjects: Adrian E. Kaiser, Jr., Chairman of the Board, Acme Refrigeration of Baton Rouge, Inc.; A. E. “Manny” Kaiser, III, President and CEO, Acme Refrigeration of Baton Rouge, Inc.

Emanuel (Manny) Lopez Kaiser, the grandfather of Adrian Kaiser, Jr., owned an ice cream manufacturing plant in Natchez, MS. In 1939, there was a fire and the factory burned. With the help of his son, Adrian Kaiser, Sr., Manny rebuilt the plant and continued selling ice cream during WWII to soldiers at Camp Van Doren in Centerville, MS. After the war, the Kaisers sold the factory to Brown’s Velvet Ice Cream. Adrian Kaiser moved to Baton Rouge and opened Acme Refrigeration in March 1945.

INTERVIEW NUMBER 8: WEDNESDAY, SEPTEMBER 29, 2004

Subject: John Naylor, Retired Owner of Naylor’s True Value Hardware & Garden Center

John Naylor (1922-), with some financial assistance from his brother, purchased the Quality Feed, Seed, and Hardware Company, located on 2882 Government St. in Baton Rouge, from Claude Couvillion on October 1, 1953. Having a natural interest in the gardening and hardware businesses, John acquired the necessary knowledge to operate the business while working at the Louisiana Agriculture & Supply Company. Using a hands-on, customer-driven approach, John gradually grew the business. After running the business for about a year, John changed the name to Naylor Brothers Feed, Seed, & Hardware.

In 1958, John acquired a second location at 9404 Florida Blvd. in Baton Rouge and changed the name of the business to Naylor’s Hardware & Garden Center. One of John’s biggest problems was finding a knowledgeable man to manage the second location. After a hard search and negotiation process, John found Albert Taylor from Monroe, LA and paid the price necessary to bring Taylor to Baton Rouge. This relationship proved fruitful as Taylor worked in the business for 25 years until his retirement.

In 1986, John purchased a property at 14441 Old Hammond Highway in Baton Rouge, his third location. John managed the Old Hammond location directly and hired Lewis Miller to run the Florida Blvd. location. During the 1980s, Ace Hardware and True Value Hardware pursued the independent hardware stores across the country to join with them in cooperative associations for buying purposes. John aligned his business with True Value. Today, the company is Naylor's True Value Hardware & Garden Center.

John's son, John E. Naylor, Jr. (1953-), began working in the business while he was still a schoolboy on Saturdays, the busiest day of the week. John, Jr. attended UL Monroe and worked for another hardware and garden business there. After graduating from college, John, Jr. returned to work in the family business in Baton Rouge. John, Sr. also has a daughter, Kathleen Savoie, who is not involved in the business.

John, Sr. sold the Government St. location to Mr. Theriot and holds the note on the property. Subsequently, John sold the Florida Blvd. location to Broadmoor Presbyterian Church, giving his own church a good deal in the process. John, Jr. continues to operate the Old Hammond location, paying rent to his father as his retirement income. John, Jr. has two daughters who do not appear interested in managing the business at this time.

John, Sr. bases the "whole scheme of things" on his Christian faith, seeing this as the foundation for all that he does. John, Sr. does not compartmentalize his faith, acting one way on Sunday and another way during the week. John valued personal relationships with his customers and provided a variety of merchandise peculiar to the wants and needs of the local community. John, Sr. is passing the business on to his son because John, Jr. has shown a lifelong devotion to the business and enjoys it. John, Sr. could sell the business to another buyer for a greater financial reward, but prefers to hand the company on to his son.

APPENDIX 2
THE ORGANIZATIONAL LEADERSHIP ASSESSMENT

General Instructions

The purpose of this instrument is to allow organizations to discover how their leadership practices and beliefs impact the different ways people function within the organization. This instrument is designed to be taken by people at all levels of the organization including workers, managers and top leadership. As you respond to the different statements, please answer as to what you believe is generally true about your organization or work unit. Please respond with your own personal feelings and beliefs and not those of others, or those that others would want you to have. Respond as to how things *are* … not as they could be, or should be.

Feel free to use the full spectrum of answers (from Strongly Disagree to Strongly Agree). You will find that some of the statements will be easy to respond to while others may require more thought. If you are uncertain, you may want to answer with your first, intuitive response. Please be honest and candid. The response we seek is the one that most closely represents your feelings or beliefs about the statement that is being considered. There are three different sections to this instrument. Carefully read the brief instructions that are given prior to each section. Your involvement in this assessment is anonymous and confidential.

Before completing the assessment it is important to fill in the name of the organization or organizational unit being assessed. If you are assessing an organizational unit (department, team or work unit) rather than the entire organization you will respond to all of the statements in light of that work unit.

IMPORTANT ….. please complete the following

Write in the name of the organization or organizational unit (department, team or work unit) you are assessing with this instrument.

Organization (or Organizational Unit) **Name**:

____

Indicate **your present role/position** in the organization or work unit. Please **circle one**.

1 = Top Leadership (top level of leadership)

2 = Management (supervisor, manager)

3 = Workforce (staff, member, worker)

Please provide your response to each statement by placing an **X** in <u>one</u> of the five boxes

1	**2**	**3**	**4**	**5**
Strongly Disagree	Disagree	Undecided	Agree	**Strongly Agree**

<u>Section 1</u>	In this section, please respond to each statement as you believe it applies to **<u>the entire organization</u>** (or organizational unit) including workers, managers/supervisors and top leadership.

In general, people within this organization ….

		1	**2**	**3**	**4**	**5**
1	Trust each other					
2	Are clear on the key goals of the organization					
3	Are non-judgmental – they keep an open mind					
4	Respect each other					
5	Know where this organization is headed in the future					
6	Maintain high ethical standards					
7	Work well together in teams					
8	Value differences in culture, race & ethnicity					
9	Are caring & compassionate towards each other					
10	Demonstrate high integrity & honesty					
11	Are trustworthy					
12	Relate well to each other					
13	Attempt to work with others more than working on their own					
14	Are held accountable for reaching work goals					
15	Are aware of the needs of others					
16	Allow for individuality of style and expression					
17	Are encouraged by supervisors to share in making *important* decisions					
18	Work to maintain positive working relationships					
19	Accept people as they are					
20	View conflict as an opportunity to learn & grow					
21	Know how to get along with people					

Please provide your response to each statement by placing an **X** in <u>one</u> of the five boxes

1	2	3	4	5
Strongly Disagree	Disagree	Undecided	Agree	**Strongly Agree**

<u>Section 2</u>	In this next section, please respond to each statement as you believe it applies to the **leadership** of the organization (or organizational unit) including managers/supervisors and top leadership

Managers/Supervisors and Top Leadership in this Organization		1	2	3	4	5
22	Communicate a clear vision of the future of the organization					
23	Are open to learning from those who are *below* them in the organization					
24	Allow workers to help determine where this organization is headed					
25	Work alongside the workers instead of separate from them					
26	Use persuasion to influence others instead of coercion or force					
27	Don’t hesitate to provide the leadership that is needed					
28	Promote open communication and sharing of information					
29	Give workers the power to make *important* decisions					
30	Provide the support and resources needed to help workers meet their goals					
31	Create an environment that encourages learning					
32	Are open to receiving criticism & challenge from others					
33	Say what they mean, and mean what they say					
34	Encourage each person to exercise leadership					
35	Admit personal limitations & mistakes					
36	Encourage people to take risks even if they may fail					
37	Practice the same behavior they expect from others					
38	Facilitate the building of community & team					
39	Do not demand special recognition for being leaders					
40	Lead by example by modeling appropriate behavior					
41	Seek to influence others from a positive relationship rather than from the authority of their position					
42	Provide opportunities for all workers to develop to their full potential					
43	Honestly evaluate themselves before seeking to evaluate others					
44	Use their power and authority to benefit the workers					
45	Take appropriate action when it is needed					

Please provide your response to each statement by placing an **X** in <u>one</u> of the five boxes

1	2	3	4	5
Strongly Disagree	Disagree	Undecided	Agree	**Strongly Agree**

Managers/Supervisors and Top Leadership in this Organization		**1**	**2**	**3**	**4**	**5**
46	Build people up through encouragement and affirmation					
47	Encourage workers to work *together* rather than competing against each other					
48	Are humble – they do not promote themselves					
49	Communicate clear plans & goals for the organization					
50	Provide mentor relationships in order to help people grow professionally					
51	Are accountable & responsible to others					
52	Are receptive listeners					
53	Do not seek after special status or the "perks" of leadership					
54	Put the needs of the workers ahead of their own					

<u>Section 3</u>	In this next section, please respond to each statement as you believe it is true about **you personally** and **your role** in the organization (or organizational unit).

In viewing my own role …		1	**2**	**3**	**4**	**5**
55	I feel appreciated by my supervisor for what I contribute					
56	I am working at a high level of productivity					
57	I am listened to by those *above* me in the organization					
58	I feel good about my contribution to the organization					
59	I receive encouragement and affirmation from those *above* me in the organization					
60	My job is important to the success of this organization					
61	I trust the leadership of this organization					
62	I enjoy working in this organization					
63	I am respected by those *above* me in the organization					
64	I am able to be creative in my job					
65	In this organization, a person's *work* is valued more than their *title*					
66	I am able to use my best gifts and abilities in my job					

VITA

A native of West Palm Beach, Florida, the author was named after his grandfather and father. John Cater, III, was raised in Palm Beach County and attended local public schools. After successfully completing his bachelor's degree, majoring in business administration and history, and his Master of Business Administration degree, both at Wake Forest University in Winston-Salem, North Carolina, John Cater, III, returned to Palm Beach County and entered his family's business. Cater's Furniture, a retailer of home furniture, was founded by John Cater, Sr., in 1925 in West Palm Beach, Florida. John Cater, Jr., succeeded his father as president and CEO of the company in 1968. As the sole representative of the third generation in the family firm, John Cater III rose rapidly through the ranks of assistant store manager and store manager to become Vice President of the company by the age of 31. At its height in the early 1990s, Cater's operated eight retail stores in the Palm Beach County area. Although the business prospered for many years, the family sold the company in 2001 to provide for the retirement of the second generation. This circumstance allowed John Cater III the opportunity to pursue a doctoral degree in management at Louisiana State University. Married to Estelle Cater, the author has three daughters: Rebecca, Caroline, and Elizabeth.