

CASE STUDY

THE ROLE AND USE OF MANAGEMENT ACCOUNTING SYSTEMS (MAS) IN FAMILY FIRMS: A CASE STUDY¹

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1. Introduction

Family firms world-wide represent a fundamental factor in economic development and wealth. In the Italian context, the Istat data and the statistics of the Bank of Italy (from 1996 to 2004) show that businesses are overwhelmingly small and family owned.

The literature suggests that one of the most challenging event a family business had to deal with is the succession process. Ensuring effective family leadership across generations has been labelled as one of the most substantive problems family firms face (Le Breton-Miller, et al., 2004). The rate of failure is worryingly high, since 30% of firms survive into the second generation of family ownership, and just 15% survive into the third generation (e.g. Kets and Vries, 1993; Ward, 1987; Matthews, Moore and Fialko, 1999).

One of the main causes of failure is the centrality of the owner-manager, since it makes difficult an effective take over by the successors (Feltham et al., 2005). The owner-manager represents the main source of competences and capabilities within the organisation and his/her leave may cause a relevant loss of knowledge, as it would happen for the leave of eventual key employees (Wong and Aspinwall, 2004). The owner-manager plays a central role within both the family and the firm, in terms of influence on culture, values and performances (Schein, 1983). The long standing tenure of owner-managers (three times longer than non-family executives according to McConaughy, 2000) emphasises their power in shaping and making the organisation dependent on their presence, but also their trustworthiness.

¹ *Acknowledgement: the authors are grateful for the valuable comments received during the third workshop on "I processi innovativi nelle piccole imprese. Le sfide oltre la crisi" held in Urbino on 16-17 September 2011. Although the paper is a joint effort, the different sections can be attributed as follows: Introduction, MASs in family business succession: a theoretical framework, Methodology and method, The case study: background to Enrico Bracci; the remainder (Role and use of MAS prior the succession process, Role and use of MAS during and after the succession process, Discussion and final remarks) to Laura Maran.*

Business succession, in strict sense, can be considered a process of radical change, during which the identity roles are going to be modified within the organisation and the family. The dominant literature considers the process of succession as a progressive and neutral path, especially when supported by both technologies and a discourse on managerial efficiency. Despite the bulk of literature on family business succession, Salvato and Moores (2010) argue there is a need for more research on the role of management accounting in family business. For instance, the issues of management accounting changes within business succession is still an under-researched area (Salvato and Moores, 2010; Giovannoni et al. 2011). Few studies attempt to mix other dimensions of the process (such as the struggle between family trust and organizational routines) with the role of management accounting systems (MASs), beyond their technical and functional aspects (Ahrens and Chapman, 2007; Scapens, 1990).

The aim of this paper is to investigate the way in which MASs are involved in an intergenerational business transfer. Drawing from institutional framework of MASs changes (Burns and Scapens, 2000), we will focus on the role of MAS with respect to family trust among people involved in the succession process and the organisational routines trying to uncover the effective role of management accounting innovations and tools in building or dismantle trust and creating new organizational routines (Busco et al., 2006). In detail, the research questions are: how does MASs influence the creation or modification of family trust? How does MAS modify or reinforce the organizational routines?

The evidences are drawn from an in-depth longitudinal case study on a family business carried out during the planning and implementation of a succession process. The succession involves the owner-manager, his two children (male and female) and his nephew (male). The case study shows how the succession represents a complex and uncertain process against the promises of control and rationality. Organisational change (especially in terms of organizational routines) is mixed with the MAS innovation. The results give an overview about the role of MAS as a way to influence family trust, giving to the successors an idea of business controllability. Nevertheless, the results show also the embedding of family relations among the father, the daughter, the son and the cousin. We argue that the family firm succession is a rhetorical and real change, thus we have the possibility to identify the contrast and mix between informal relations and planned "deterministic" actions, that may enlighten the actual functioning of MASs, and its roles during the business succession process.

The remaining of the paper is structured as follows: the next section will sketch the theoretical framework adopted before entering the case study. Then a methodological section will follow describing the research methods and phases. The fourth and fifth sections will describe the case context and

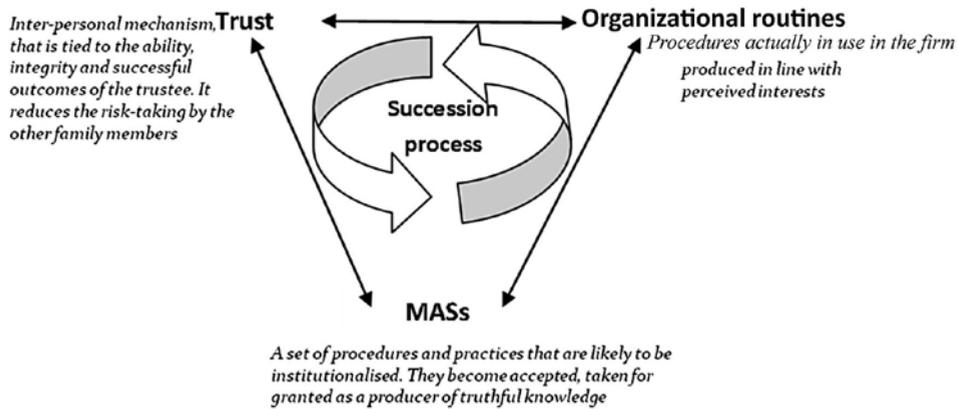
the empirical results. Finally, a discussion of the results and a concluding section will complete the paper.

2. MAS in family business succession: the theoretical framework

Institutional theory focuses on the deeper and more resilient aspects of social structure. It considers the processes by which schemas, rules, norms, and routines, become established as authoritative guidelines for social behaviour (Scott, 2004). The institutional paradigm tends to study the environment and its influence on organisations: it can reply to questions like how and why procedures and beliefs of the environmental context are applied within organisations independently from any further consideration about economic fit and efficiency. The very first versions of institutional paradigm (Berger and Luckmann, 1967, Selznick, 1949, 1957) emphasizes the myths, rules and shared beliefs about the social environment of an organisation as they are taken for granted and they unconsciously inform the organisation and the meaning of its actions. Di Maggio and Powell (1983), Meyer and Rowan (1977), Zucker (1977, 1988) concentrated their analysis on the nature and variety of processes of institutional adaptation, Meyer, Scott and Deal (1983), Meyer, Scott and Strang (1987), Scott (1987), Scott and Meyer (1983), Singh, Tucker and House (1986) focussed on the relation between the processes of institutional adaptation and the structural characteristics of an organisation, while Hinings, Greenwood (1988), Tolbert and Zucker (1983) remarked the processes of organisational change.

Coherently with the aim of the paper, we adopt the institutional framework of accounting and organisational change proposed by Burns and Scapens (2000). The Authors recognize that MASs can both shape and be shaped by the institutions that govern organisational activity. However, the Authors distinguish between rules (formalized statement of procedures, as it is set out in the manuals) and routines (procedures actually in use). While rules can be periodically changed, routines have the potential to be reproduced despite a change on rules. The analysis of these streams of literature leads to identify the concepts of trust, organizational routines and MASs as interconnected elements that influence and are influenced in a process of organisational change, like the intergenerational succession (Figure 1).

Fig. 1 – Trust, organizational routines and MASs in the succession process



Trust is a complex concept that can be explained with reference to legitimacy and power. The literature (e.g. Abernethy, Chua, 1996) tends to mix legitimacy with the concept of power or it derives the concept of legitimacy from what is not explained by efficiency.

Khun and Beam (1982) stress legitimacy in connection with the definition of roles within the organisation, Clegg (1989) and Pfeffer (1981) refers to the use of “discretionary influence” in determining resource allocation, Allen et al. (1979) discuss about “personal skills” and Selznick (1949) remarking the importance of “coalition and representation”. However, the definitions of roles is again a matter of trust.

Arguably, the shift and changes of trust within the family members seems to be a source of family and business legitimacy, thus a source of power² and one of the most cited reasons for failure. The literature refers to “power struggle” within a family business (de Vries, 1993), rather than “power imbalances” (Handler, 1988) as the succession implies a change in the role identity of the owner and the successors (Milton, 2008).

Each organisation preserves its nature of a coalition (Cyert and March, 1963, March, 1962) that means that power is shared because no one person controls all the desired activities in the organisation (Salancik and Pfeffer, 1977). In family business, the coalition is composed by family members, with the owner-manager taking the leadership role, for reasons of trust.

² Dealing with power issues implies the consideration of some epistemological issues:

- Provan (1980) points out the difference between potential and enacted power and argues that the need to recognize, measure and interpret power has generally privileged the enacted power, so the «capacity to exert influence [...] it is the demonstrated use of power» (p. 550),
- Friedberg (1994) develops three main implications of power from the classical reflections of Dahl (1957), Emerson (1962, 1972), Crozier (1964,1971), Baldwin (1978) and Chazel (1983): first its relational nature, secondly its exchange object like the search for cooperation of persons, thirdly the bilateral or multilateral relation.,

Trust is so important that it is a marker of power and it becomes measurable through the degree of influence over the allocation decisions («a subunit instrumental in obtaining critical resources for the organisation is in a better position to obtain the critical and scarce resources of the organisation», Salancik and Pfeffer, 1977, p. 453). Transferring that trust and that power in family business is, therefore, one of the critical issue for the growth or stagnation, or even crisis of the firm (Barnes and Hershon, 1976).

Shifting these considerations on the analysis of the “family firm” means that successors need to search for trust as a source of legitimacy and power.

Research suggests that family firms are particularly good at capitalising trust (Steier, 2001). This is even more important when the firm is guided by an owner manager, holding the power relations within the organisation. Long term family relations are also considered to breed trust among family members, reducing the need for formal systems of control and coordination within the organisation (Chrisman et al, 2007). At the same time, if trust on owner-manager’s ability and integrity are compelled with the successful outcomes, they lead the organisation and its family members to reduce their risk-taking (Mayer et al., 1995). Trust among family members is inter-personal, it helps to explain the higher willingness to make sacrifices (by the family members themselves) to ensure the firm’s prosperity (Gersick et al., 1997).

Although in a different way, no-family employees trust on their leader, too. They focus their trust on the value-producing activities and they display even greater organisational citizenship behaviours (Mayer and Gavin, 2005). The way the family leader is perceived in terms of stewardship affects employees’ commitment and quality of work. Family firms tend to have a potential advantage because of pre-existing interpersonal trust among family members, behavioural norms and values.

However, trust is a temporary and fragile concept that can easily transform in distrust, particularly during the succession process. Indeed, among the family members there could be a conflict around who should succeed the leader, and how the successor will manage family wealth. At the same time, the tendency of the owner-manager to make choices driven by family considerations, rather than business evaluations, (i.e. preferential treatment towards children) is likely to be viewed as unfair. Despite the importance of trust and stewardship within the organisation, they can leave space to hostility, withdrawal or shirking (Chua et al, 2009).

Moreover, trust and faith on the owner-manager can become problematic for a successful succession process. Trust can lead to blind faith, amoral familism and complacency (Sundaramurthy, 2008), it also affect the propensity of other family members to take risks and responsibility for decisions and action by. The dissolution of trust can also occur among family members. Pearson and Marler (2010) argue about the complexity of main-

taining reciprocal stewardship among family members as long as the family firm's leadership becomes more dispersed and more generations are involved. Over the time, family bonds may weaken and trust may diminish when the later generations become less trusting on their distant relatives (Steier, 2001) for a lack of common experiences and close relationships (Sundaramurthy, 2008).

When business succession arises, family business can face an overwhelming need for radical change, in terms of both individual capability and organisational culture change. Successors and the rest of the organisation need to go through a (un)learning process from the previous way (tied to the owner-manager centralism).

Organisations normally tend to remain stable, routines represent the manifestation of an institutionalised cultural order, and the way in which uncertainty is managed. Routines also represent a formalisation of knowledge about how to achieve the intended aims and scope. When radical changes occur, routines and the organisational order are deemed to be put under question. Business succession can be considered a radical change and it represents a substantial threat to both the organisation and the individuals within it (Webb, 1996). Radical change may involve inadequacy, and the search for somebody(thing) to trust on. Indeed, trust entails predictability (Luhman, 1979), henceforth routine, stability, organisational and cultural order.

Critical uncertainties and organisational problems could be indirectly solved, analysing the resultant key positions within the firm and the change in the main accounting objects. In this sense, note that Hopwood (1992) recognizes to accounting the ability to construct spheres of economic activity.

MASs, along with other organisational systems, can play a role in enabling family members to respond to the need for change. The literature suggests how MAS is a carrier of individual and organisational knowledge (Nelson and Winter, 1992; Burns and Scapens, 2000) and it can put under quest prior knowledge and trust on prior organisational pattern.

Accounting is involved in the process of creating a trust rationale, sustaining organisational culture and routines or changing them. MASs can be employed during process of radical change in order to re-build conditions of trust and stability (Busco et al., 2006). Roberts and Scapens (1993), however, suggest to look at the unintended consequences of MASs, in terms of conflicts and cultural clash.

3. Methodology and method

The paper presents a longitudinal case-study (see also Yin, 1985) conducted in a middle size metal-mechanical group made up of two firms. Both firms are owned and managed by the same family and they have a synergistic interrelationship as the one runs a specific part of the whole production process that is strategically ruled by the other firm. The group works on job orders and its commercial strategy is linked to the automotive sector.

The analysis of the case study is based on the direct participation of the researchers to the process of intergenerational change that involves the owners' family members. The process concerns the passage from the old generation (the present owners and top managers of the firm) towards the new generation (children/nephews, who are inheriting the group and probably its top management). In this sense, the case represents a unique setting (Yin, 1985) in which trying to give some insight to the role of MAS in the business succession process, and how it does relate to organizational routines and trust.

The analysis started in June 2010 and it finished in January 2012, when the formal passage to the successors is defined and completed. It is conducted through the methods of content analysis of the official documents, semi-structured questionnaires and in-depth interviews to all the family members (Creswell, 2003, Corbetta, 2003, Neuman, 1997).

The content analysis of the official documents of the group and the semi-structured questionnaires are used to triangulate the interviews results.

Thus, the research protocol encompasses:

- the definition of the main questions of the interviews,
- the definition of the criteria for the interview interpretation.

The present top managerial levels of the family group are involved (present entrepreneurs, a production head and a computer expert and an engineer) as well as the next family owners (children/nephews of the present entrepreneurs).

The main questions of the interviews to all the family members encompass:

- their personal relationships,
- the present and the forthcoming roles of the family members in the group, taking into account the transition to the new generation owners,
- the strategic activities and capabilities required for a strong leadership,
- the use and/or development of the accounting and management accounting tools that will help the transition and the leadership verification.

In order to make an interpretation of interviews, the latter are transcribed and the replies are re-organized and compared around the main questions.

Interviews data are selected considering:

- the recurrence of the same concepts among present and next entrepreneurs' generation,
- the verification of the interview issues through the firm documents (e.g. statute, balance-sheet, budget) the reports of the information system on the production process, the interviews to other non-family managers of the group and other consistent sources of triangulation evidence.

We ensured the internal validity of interviews doing pattern matching, and clarifying possible bias. In case of incoherence, the incoherent information are further verified through interviews to the other non-family managers or else the information are not used to support the interpretation.

4. The case study: background

OB Ltd. (henceforth OB) is a manufacturing firm located in the north-east of Italy. It employs some 110 people generating, prior the economic crisis of 2009, between €16 to 18 million of revenue. The OB is presently owned by two brothers (the incumbents) with a share of 75% and 25% respectively. The owner of the majority of the stake (incumbent 1) is also the managing director of the OB and he still oversees the main strategic functions of the firm. In particular, he manages the customer relationships, the market development, the product innovation, the relations with the financial institutions and the organisation and management of the human resources.

The two children (a son 1 and a daughter) of the managing director are employed in the OB.

They started working soon after the end of their studies, and they did not have other work experiences. They cover different functions within the organisation, in particular the daughter deals with the administrative tasks, while the son works in the production area.

The other incumbent (2) of the firm experienced some health problems and his involvement in the management of the OB is weak. He has a son (2), who is a general director in a public company, but he has never worked in OB. Table 1 summarizes the information related to the incumbents and the successors involved.

Table 1 – Incumbent and successors involved in OB

Incumbent	% stake	Successors	Successor's position
Incumbent 1	75	Son 1 Daughter	Production in OB Administration in OB
Incumbent 2	25	Son 2	General director in a public company

In 2009, the family formally started the succession process. All parties involved were aware of the need to tackle this issue, despite at that moment the OB was heavily dependent on the incumbent 1's activity. At the end of 2010 and at the beginning of 2011, the family members modified the organisational and governance structure of the OB. In particular, the daughter was perceived as the successor of the Incumbent 1 as a general manager of the OB, while the son 1 and 2 would have been entered the Board of Directors.

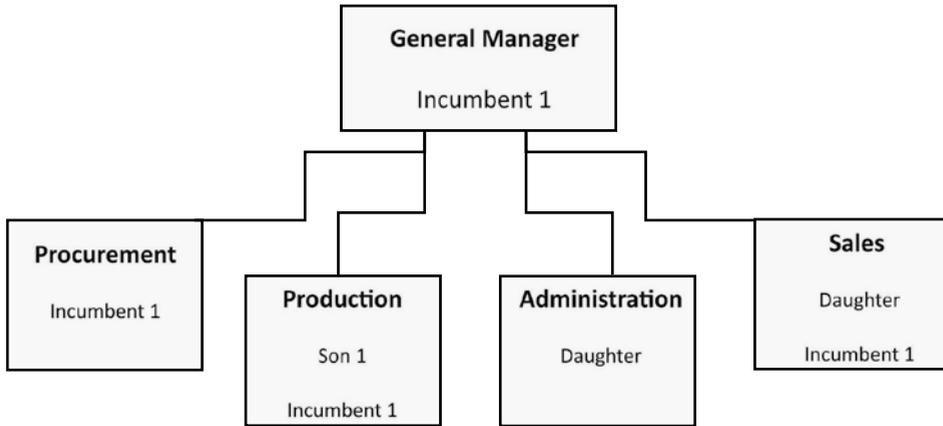
Meanwhile, in 2010 the company decided to invest in a new MAS, implementing an ERP to support the managerial and organisational activity. In particular, the daughter was very committed to that implementation, and she supervised the selection process of the most suitable MAS. The new MAS was supposed to fulfil most of the information needs about decision making (pricing, cost cutting, budgeting, ...) and it was considered as an help on the control of the job orders. The process of MAS implementation was completed by the end of 2011. Other MASs were also introduced, or started to be introduced in this period. The promoters of the innovations were the successors, and the daughter in particular, while the incumbents remained passive, although very attentive on the changes and consequences of those innovations.

5. Role and use of MASs prior the succession process

Prior the succession, OB had a very flat organisation (Figure 2), with just two levels of decision-making and control. All the operative functions were delegated to family members, with a relevant position of the incumbent 1 as both a general manager and a supervisor of all the operative functions, except for some administrative tasks. The incumbent 2 was not actively involved in the organisation, and he maintained just the stake in the company.

Thus, the situation of OB prior the succession process was pivoted around the figure of the Incumbent 1, whose relevance is to be read at both the family and the firm levels.

Fig. 2 – Organizational structure of OB prior the succession



His power derived from his position as a firm shareholder (75% of the ownership) and as a unique management head of the firm. That position of trust is not only a formal role as it is supported by a long and strong leadership on the company. According to the literature, this recalls the *blind-faith* situation in which the founder’s decisions and positions are never questioned (Sundaramurthy, 2008).

From the interviews to the family members, it appears that the shareholders’ power is played around a subtle balance of relationships between the two Incumbent brothers, that is always recognized, along the interviews by the Incumbent 2 in the following terms: “Now, it’s him he has to talk as he is the major shareholder of the company”.

The strong position covered by Incumbent 1 positioned him to a unique and omni-comprehensive vision of the firm also from a strategic point of view. A sort of lack of realism about the possibility to exit from the company’s decision making processes was repeatedly evidenced in the frequent remarks of his own decisions about all aspects of the company, included the definition of what needed to be done and whom and how had to be done. A lack of realism further concerns the belief to squeeze the future on a repetition of the present events and algorithms of solutions. This fact recalls the organisational inertia towards the change depicted by Laughlin (1991).

Incumbent 1: “I am the head of this company, however I see it after the succession exactly as it is nowadays, with my daughter at the administration function, my son at the production line and, eventually, my nephew at the commercial function”.

The leadership role played by Incumbent 1 was recognized and trusted by both the other Incumbent and the successors, however a possible situation of future weak leadership was envisaged as lack of legitimacy on the

successors. They would be affected by both the strong inheritance of their father's personality, a divide in the shareholders' quotes and the eventual need to search for a new leadership through a negotiable bargaining among them (for instance, the situation between Son 1 and Daughter is of ideal equality while the former relationship between Incumbent 1 and 2, who are brothers, is not equal).

Son 2: *"[...] A company functions well as long as there is a leader, but a company with more than one leader is doomed to fail I think that the success of this company has always been tied to the presence of a clear leadership, even in the periods of crisis. The leadership is further tied to a 75% shareholders' quote. I believe that without these considerations, the company administration would have been affected by long processes of negotiation and bargaining among the parties involved."*

In the situation prior to the succession, the legitimacy and the MASs are not problematic issues as the power of Incumbent 1 is built on trust and professional competences. The construction of trust started from the past successful choices and results by Incumbent 1: *"my employees trust me, since they see and have seen in the past the development of the firm"* (Incumbent 1) *"its him (ndr the incumbent 1) that make the final decisions, he does not ask to anyone for opinion, he just communicates his decision, and we have to trust that that's the right one"* (Successor 1).

It was not surprising uncover the fact that the Incumbent 1 did not recognize any other role. Like a Fordist entrepreneur, Incumbent 1 pointed out the ability of the company's offer to create or shape the demand, in a continuous growth agenda. In the following part of interview, the Incumbent 1 continues to assign to the production a fundamental role that is certainly linked to a leadership position: *"My belief is that the offer is in relation to the productive capacity. This productive capacity is set from a product demand. There are no doubts that if Son 1 wants to be the production head, he has to be able to forecast how the mechanical parts will be modifiable, how the labour process will be run, how the process is programmable and how feasible is the company's offer. I have tried to explain to both my children all my ideas in order to develop the present company's core business. The possibilities are open but the ideas have to be clear and the main effort is to think about what to do and how to do it."*

I think that there is nothing more to know as it is fundamental that the future head recognizes the problem and solve it. If the head knows what is the problem, he will not have to know nothing more. Once he has solved the problem, he has to multiply the activity for ten, and find the space, the resources and the planning to multiply for ten that production. Think and do it: it is a natural process. However this natural process requires the right will and motivation to start."

The last sentence of this part of interview points out a sort of un-trust in the motivation of one of successors or in his capabilities to think at the production with a problem solving approach.

A fundamental problem of trust, with future reflexes on the successors,

was envisaged in a fore-running attempt to pre-define the successors' role within the company, without a clear check on their will and capabilities: the company is the unique reality they have known since they were born and their prospective roles were clearly identified since they entered the company.

That framework was sketched by the Daughter: *"I have worked here for 20 years and when I had to choose how to do as a grown up child, I decided to study Economics and Finance in order to substitute my mother in the administrative function of this company. My brother grew up in light of the substitution of my father especially in the production line. This was the framework we were born on, I suppose."*

Thus, the building up of successors' trust in the company was affected by a privileged position within the firm that presently was not supported by a clear distinction of functions, a self-constructing process of professional legitimacy and the father's not-explained doubts on their entrepreneurial capabilities. The Daughter denounced this situation as the consequence of the lack of distinction between the family and firm role of her father: *"However, since 5 or 6 years I have evidenced the need of clarity, especially to guarantee a future to this company. I have always stressed to my father that a good entrepreneur must not mix his role as entrepreneur with his role as a father. The two things are parallel but they cannot be mixed."*

A good entrepreneur's analysis is about the recognition of the most suitable entrepreneurial capabilities within his successors. Then, if the successors are willing to become the future entrepreneurs, the incumbent can pass the baton. Otherwise, if those suitable entrepreneurial capabilities are not present in the successors, it is not a defeat nor as a father nor as entrepreneur. Each of us is good in something but it is not for granted that "something" is exactly what planned in the born framework."

The Son 2 indicated in the possibility to evaluate the activity (organizational routines) of the successors a possible "professional" solution to the denounced lack of trust: *"Ok, in the father-children relationship it is expected that the father will help the child, however at the industrial level this is not exactly the best thing to do. Finally, if the production head can enrol someone, the activity of the employee is on his responsibility, thus if that activity is not sufficiently suitable to the head, he has to be free to dismiss that employee."*

In this perspective, the role of the MASs would be interesting. The vision about the use of MASs is biased between Incumbents and Successors: the Incumbents found the work experience superior with respect to the MASs and Incumbent 1 did not see any role of "other" knowledge except the use of foreign language skills to enlarge the market.

Incumbent 2 *"We have another way of thinking, you are young, you have the technology through which achieving whatever you want as you do not have a stable rhythm, however a famous proverb states that it occurs also the experience,*

years of experience, without too much technology. The Incumbent 1 reached his results without the technology but through his experience."

Incumbent 1 *"When I thought at the organisation chart, I thought about the roles I do not presently have in the company. I have always been in all those roles but I am aware that I cannot continue to maintain the whole direction and management as nowadays some position require the knowledge of foreign languages, the continuous mobility, etc."*

Despite this scarce openness to the MAS, Incumbent 1 recognized the importance of both the information and the right person in the right position: *"It is important that the production head will be able to identify his key persons, the best ones that are those who can bring the right information. [...] These are the theories that I have always used, but I am aware that nowadays the theories on the human resources management are different."*

This statement can be read as the unique opportunity to devolve a role to the accounting tools.

The issues of trust, power and legitimacy in the situation prior to the succession are not fully distinguished. Furthermore the central and important figure of Incumbent 1 tended to obstacle the enter of successors especially in the lack of real recognition of their capabilities, the aversion to the MASs and the continuous attempt to squeeze the future forecast on the replication of present schemes, in an illusion of control. MASs were not involved in the creation of trust and legitimacy. Incumbent 1 could count on two very important and distinct source of trust and legitimacy. From the organisational side, the successful outcomes achieve during 20-30 years leadership suffice to let the employees trust what he decides and imposes. In the words of a technical employee: *"I don't know on what basis he makes decision about pricing, production, strategy. But he is always right, as he has been, since I was employed"*.

From the family side, along with the successful outcome comes the presence of a strong interpersonal trust, tied to the family bond. Sentence like *"he is my father after all"*, or *"I trust he will make the best decision for all of us"* happened to be heard talking about the relationship between the Incumbent 1 and his children.

The role of a formalized MAS was very limited. Indeed, a MAS did not exist, but it was mainly informal prior the succession: it was formed by hand calculations and a bulk of productive and cost information whose specific selection and relational linkages remained strictly tied to the experience and mind algorithms of Incumbent 1. They varied depending from the situation/the problem to face and they built up, on their own, a set of strong organizational routines.

6. Role and use of MASs during and after the succession process

The succession process involved actively all parties, the two founders and the three children. Besides, the rest of the organisation participated as an interested party, but not in an active and direct way. The discussion in the period of analysis was centred around some major points:

- How to entangle the dependency on the incumbent 1, and devolve his organisational power and trust?
- How to legitimise the successors in the eyes of both the incumbents and the rest of the organisation (trust)?
- How to support the successors in this process?

It was clear that the Incumbent 1 was in the difficult position between the need to step down, and his desire to stay in the OB. Several times, he stated this position as:

"I look forward for my children to take the lead, but they should make decisions, without me, and take the risk to fail or to succeed", and he sees himself in the future as:

"for sure I cannot step down suddenly, well, if it depends on me, I would never do. I want to keep staying in the OB, with a different role, may be as a consultant".

This tension was also perceived by the successors that stressed the willingness to take more direct responsibility and autonomy with respect to their father:

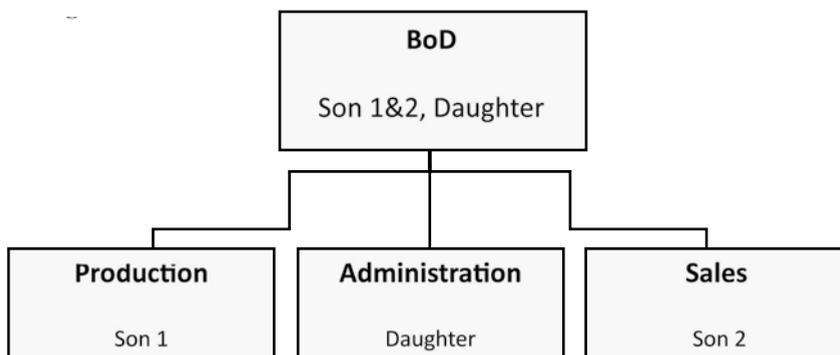
"It is difficult for us to make relevant decisions, without his support. He is still much into the organisation, and we don't have his experience, nor the tools to control and manage all functions" (Daughter)

During the discussions around the future governance of the firm, the issues were centred around who should manage the OB in the near future and how the three heirs should be involved. His vision on the future governance of the OB highlights his will to treat equally the successors. During a meeting, he presented the new organisation chart in the prospect of his exit. In his view, the three successors would have shared equally the responsibility according to their characteristics. He stated:

"The OB, when I leave, should stand on three pillars, allowing all family members to have their role. (...) they are equal to me".

However, Incumbent's 1 vision on the firm organisation changed at least three times and the visions were never discussed with successors. Figure 3 represents the final version of the re-organisation in OB after the succession.

Fig. 3 – The organisation chart after the succession process



The absence of a discussion around Incumbent's 1 visions appears a relevant signal of his trust as none of the successors feels confidence on his/her own legitimacy to argue a personal position.

This "familistic" view of the company encountered some counter-arguments, in particular from Son 2, the one not working at the moment in OB. He argued that the problem of the company is not in the distribution of formal power and responsibility to all family members, but on the legitimacy and leadership (fundamentally trust) they are able to achieve on their own.

"I don't completely agree with this vision. I think that in the past, the success of the OB was based on the leadership and the connected trust that everybody, internally and externally, embodied in you (the incumbent 1). (...) Without you in the OB, the daughter and son 1 will have to gain the trust and legitimacy from the rest of the organisation. Even if they have deserved this position, there will always be someone thinking 'they made it, because they are the children of the boss'".

A similar point of view, was presented by the Daughter. She stressed the need not to have three commander in chief, and that the OB should not be treated as a family, but as an organisation on its own. In particular, she stated:

"I believed that a dog with three masters will not behave well. I think it is important to find a new leader, to whom the main responsibility to manage the OB is given. A CEO with clear power and accountable to the owner. He or she will have to treat the rest of the family members as the others, and make decision on the behalf of the OB and not to maintain family ties".

It emerged clearly the need of the successor to modify the sources of power and legitimation that characterised the OB so far. Clarity in the roles, functions and objectives, and the transfer of the functions still governed by the incumbent. The successors made clear the will to improve the MASs available in the company. MASs were considered as relevant tools to support the decision, as well as making accountable the family members involved in the OB to each other but also toward the rest of the organisation.

"If, for example, Roberta would become CEO, well it is fine. I would let her

work for three years, and after that I want to see what she has achieved. The performance of the OB and the value created. If the results are poor, she must step down, to me". (Son 2)

He also stressed the following:

"Whoever is to take the CEO, must present a business plan, set the strategy and the objectives to be achieved".

Two important considerations emerge from the analysis: first, the source of power and trust of the successors cannot follow the same route of the one of the incumbent. The sole family trust is not enough to satisfy the legitimation and the maintenance of the power. Given that power and responsibility are now shared by at least three family members, and the family bonds may become weaker, trust and legitimation must be rebuilt through measurable outcomes. In that way, the instance of trust would enact a change in the organizational routines (for instance the measurement of outcomes). As Son 2 commented above, he wants to evaluate the work of his cousins on the basis of their performance. Trust and legitimation are read through accounting objectification and not by the sole inter-personal and family ties.

Tab. 2 – MASs introduced during the succession process

MASs	Process owner	Aim
Cost accounting system	Successor 1	Support the product pricing Efficiency and profitability analysis
Enterprise resource planning (ERP)	Successor 2 Production engineer	Plan the production requirement and scheduling
ISO-9001 certification	Successor 1	Quality certification
Business plan	CEO	Formalize, communicate strategy and long-term objectives

MASs seemed then important tools in order to create trust and legitimacy among the successors, and between the successor and the rest of the organisation.

The family members decided to immediately start the development of innovative MAS. In particular, the OB started the selection and design of the following MASs:

- A cost accounting system
- An Enterprise resource planning (ERP)
- The ISO-9001 quality certification
- A business plan

The first two MASs were interconnected, and the aim was to formalise and control the production process, the cost involved and to create accounting information to support the decision making. In particular, they aimed at giving the successor the power/legitimation to make some of the

decision previously in the hand of the Incumbent 1. Producing accounting numbers was a way of creating a trust over the decision taken. For instance, the pricing mechanism was not known, by the successors. When a new order came, the successors had to wait for the incumbent to make his own analysis, before offering the price to the client.

"Nobody knew how my father set the prices, we didn't know the elements he took into account and the overall margin we made. We needed to overcome this situation. The ERP helped us to make decisions that could be trusted" (Daughter).

The dependency on the Incumbent 1, and the need to invest in MAS, was also perceived by the members of the organisation. The main collaborators felt the uncertainty on how to deal with daily operations, in the event of succession to the children: *"The successors have been working in the OB, since they were young, but they, as well as me, always wait for the final say of the founder. I think we need to transfer his experience and knowledge somehow, if the OB wants to succeed in this succession process"* (Technical employee).

In this sense, the MAS's innovation represented also a process of (un) learning. Unlearn to manage the company trusting the experience and the decision making of the founder, and learn how to trust on MAS to control, coordinate and to make appropriate decisions. Indeed, MASs can be considered a set of rules and roles which, along with other organisational systems, are involved in the production and reproduction of organisational culture (Burns and Scapens, 2000). MASs were considered as important tools to formalise the information and knowledge needed to make relevant decision for the operations and the strategy of the OB. The successors thought the MAS could also make the management more accountable to the owner and the rest of the organisation. *"If I sit in the board of directors and I ask for the numbers of the OB, I want them straight away. Now, the level of sophistication of the MAS does not allow this. We need to push harder in that direction. I am also one of the owner, and I need to guarantee the investment to my family"* (Son 2).

Accounting information is here seen as a catalyst of trust, which in turn is relevant in improving the family cohesion in the succession process. Trust plays an important role in the cohesions of an organisation, by reducing uncertainty and creating stability. The succession process involves a radical change (Lawson, 1985) during which the patterns of family trust, and trust on the founders, are put under quest. MASs innovations are involved in both accounting for trust, and trust for accounting (Busco, et al., 2006).

Another important development taken during the succession process was the achievement of the Quality Certification ISO-9001 (February 2011). The quality certification was considered another way to overcome some of the weaknesses related to the dependency on Incumbent 1. The production processes needed to be put under higher formalisation and control, also in terms of quality standards.

At the beginning of 2011, the OB achieved the quality certification, with great satisfaction of the successors:

"The ISO-9001 is not a matter of commercial strategy, but also a sign of more formalisation of what we do and how we do things. My father could make decision just looking around and talking to people. I cannot afford it" (Daughter)

The investment in the rest of the organisational systems, was also considered a fundamental driver during the succession process.

"I come from an experience in General Electric, and now I am a manager in a public company. If I were to join the OB, I would first of all ask the CEO for the introduction of a lean production philosophy, and if I ask it, I want it straight away, with no compromise" (Son 2).

The last MASs introduced was the Business Plan. The latter was a formal request of Son 2, representing a means through which the CEO would be legitimized by the other members of the boards and against which he/she would be evaluated through time:

"If the CEO will not achieve the results set in the business plan, he/she will need to account for it, and if needed he/she will be required to step down" (Son 2).

The Business Plan was considered as a way to formalize and decide upon the long-term strategy, and to have a set of measure toward which evaluate the performance of the CEO. Indeed, before the succession the strategy and the decisions made by the Incumbent 1 were never questioned. The family members as well as the rest of the organisation had a blind faith over the decisions. However, in the time of writing, the founders are still present in OB's daily activity even though the formal role is devoted to the successors. The successors call for a radical change (in the way OB used to be managed by the founder) seem not to take the challenge. It is not just a matter of new organisational structure nor a matter of new MAS but it is a matter of values, rules, routines and intra-organisational relations:

"I strongly believe that either we define clearly who does what and the principles and values the OB has to abide to, or to sketch the new organisational flow-chart pin pointing the names in the board is merely useless" (Daughter).

In summary, after the succession MAS are still on their way to play a more relevant role as its rules did not match with the previous routines (practices in use). This entails a deeper long term organisational change, affecting the beliefs, values and routines..

The possible reasons for the situation found can be referred to:

- blinded mind towards innovation vs. blind faith on the incumbent's ability,
- little involvement in the strategic firm activity by the successors,
- scarce confidence in MAS potential towards the change,

By all means it was clear that the MASs played a substituting and mediating role in the succession process. It substituted previous practices and represented a source of trust and legitimacy for the successors. To the other

extent it mediated between the intentions of the incumbent to maintain the previous practices and the family ties, and the willingness of the successors to bring about a radical change. Legitimacy, trust and power affected the effective leadership of the successors who attempted to use MAS to rebuild their respective roles and the main organizational routines.

6. Discussion and final remarks

Family business literature has long debated on the role of trust tied to the family bonds to explain some of the competitive advantage of family firms compared to managerial firms. Long term family relationships are believed to breed trust, reducing the amount of monitoring and incentives required to solve agency-problem. In particular, the founder, is considered to have a strong imprint on trust. Since trust is related to personal attributes, cognitions, intentions and emotions, during the succession process and after it occurred, trust within the family business and the family can be heavily affected. In this paper, we considered the family business succession as a process of radical change, when “existing conventions or social practices are disrupted” (Lawson, 1985, p. 920). Indeed, the succession process involves inadequacy and uncertainty hampering the trust on the ability of the successors to achieve the same outcomes that were reached by the founder. The analysis tried to untangle the role of MASs innovation in that process of creating new organizational routines, trust and legitimacy. In doing so, we adopted the framework of accounting change developed by Burns and Scapens (2000), to interpret the empirical material collected in an in-depth longitudinal case study. The evidences suggested the complexity of the succession, as stated by Sharma et al. (1996), Le Breton-Miller et al. (2004) and De Massis et al. (2008). The use of an institutional framework allowed the emergence of the “myths of legitimacy” linked to the different visions of the incumbents and the successors. Along with the need to untangle the role of management tools (technologies) with respect to trust, power and legitimacy during the succession process, the case-study depicted the way MAS evolved and the obstacles it encountered. As enlightened by Sundaramurthy (2008) the trust to the founder (Incumbent 1) was becoming problematic for a successful succession. Specifically, that trust explained the legitimated sources of Incumbent 1’s power: his reliance in a sort of informal MAS based on his experience and mind algorithms. That informal MAS generated a set of organizational routines, for which any decisions (from the most technical to the most strategic) passed through the Incumbent 1, without discussions and without a formal measurement of his outcomes. Against that power, the successors had to create their own sources of legitimacy, possibly through the use of the management tools,

that meant a formalization of MAS rules and more transparency and formalization of the organizational routines (included the proposed measurement of their performances).

The analysis further showed how the Incumbents tried to see the succession process as a “non-changing” process, revealing an organisational inertia similar to that depicted by Laughlin (1991): they relied on routines and ordinary practices in order to preserve their control on the firm even after the succession process. This result supported the consideration that the processes of radical change imply the transformation of an organisation through the renewal of the key ideas on which it was built up (Guth and Ginsberg, 1990). The illusionistic attempt to “control the future” often led the Incumbents to squeeze the future issues on a replication of their present schemes and problem solving algorithms.

The interviews pointed out a strong counter-position (or struggle) between incumbents and successors. The incumbents expected a replication of their “way of thinking and doing”, thus they denied the importance of the informative system/ technologies that finally were the sole tools at a disposal of the successors to formalize and benefit from the crystallized organisational knowledge (Nelson and Winter, 1992, Burns and Scapens, 2000). The management tools were also seen by the successors as an opportunity to reaffirm or build up their entrepreneurial capabilities.

The vision of Incumbent 1 seemed to dominate the situation both prior the succession, in the transition period and (unfortunately) after the succession, as he used his “father” parameters to evaluate the “company’s issues”. For instance, the interviews unearthed the successors’ difficulties to disentangle themselves from a framework of pre-defined roles since they were born. Their attempts to make clarity in their reciprocal company’s relationships were affected by the fear to face both an external evaluation of their professional skills and the crystallized vision of Incumbent 1 on their future. In particular, the evidences showed that their reciprocal position of equal balance would have negatively affected the decision making processes and the linked responsibilities. That family solution to company problems demonstrated the prevalence of a myopic vision and it would have created conflicts instead to solve them.

MASs in the OB would have played a multifaceted role (as indicated by Hopwood, 1992). The MAS would have created new visibilities on the production process, cost calculations and successors’ performance to comply with their desperate need of trust. However, while MASs were involved in the construction of new organizational routines, they were also seen as a source of subtle friction between incumbents and successors, with the different actors drawing upon new procedures, rules, targets of MASs to pursue their aims (Ahrens and Chapman, 2007).

MAS was formally involved in giving clarity and transparency to stra-

tegic processes but finally the successors were not able to develop its full potential. Son 1 was not interested in the new MAS, Son 2 identified the great importance of a formal MAS but finally his role in the firm was not linked to the management (and his position was neutral) while Daughter supported the change. Her support was misunderstood as she relied in the sole technology to solve decisional problems without further effort to transform the new rules in routines. The effective results were the production and re-production of previous organisational routines, at the end of the succession process. Finally, all the firm members feared more the possible unintended consequences of a new formal MAS on the functioning of the organisations instead of benefiting from it. That evidence could be explained in terms of lack of a strong leadership from the successors, who continued to rely on previous routines, wherever practicable.

With respect to MAS, trust remained the fundamental principle for that family firm. The development of the succession process showed that trust needed to be taken into consideration more than MAS and organizational routines in identifying the final outcomes of the intergenerational change. In this process, some of the values, core-values, ethical principles imprinted by the founder and the family relations may remain and preserve the previous control of the most powerful members (incumbents) whose influence does not finish with the succession. These results evidenced how things stay as they are even in presence of a strong need to change. They support the conceptualization of management accounting change as identified by Burns and Scapens (2000). Future research may deepen this consideration, through longitudinal studies, to enable them to be extended and refined. Besides, some interesting research questions for further studies arises, such as: how the resistance to the diffusion of MASs by the incumbent is related to the lack of entrepreneurship of the successors? How MASs diffusion and use are related to the technical and personal skills of the successors?

The main limitation of the paper related to the focus on a single company, thus, the results cannot be fully generalizable. However, this study reveals some interesting streams of analysis and research about the role of MASs in family businesses during inter-generational processes, providing a basis for further empirical research.

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Riassunto

Le piccole e medie imprese familiari rappresentano un elemento fondamentale di crescita e sviluppo economico, in particolare nel contesto italiano. Una delle maggiori cause di mortalità di tali tipi di aziende è rappresentato dal ricambio generazionale, il quale tende ad essere considerato dalla letteratura come un fenomeno progressivo e naturale connesso alla sopravvivenza stessa dell'azienda e al mantenimento/ acquisizione o incremento di efficienza. Nonostante l'ampia letteratura sul tema, pochi studi cercano di focalizzarne anche altre dimensioni, come quella relazionale e fiduciaria ed in particolare rispetto al ruolo giocato dagli strumenti di controllo manageriali.

L'obiettivo è quello di indagare un progetto di ricambio generazionale dal punto di vista del ruolo giocato dai sistemi e pratiche di controllo manageriale nelle relazioni inter-generazionali e di come queste, influenzando la redistribuzione del potere/legittimazione e della fiducia, rideterminino a loro volta il ruolo dei MASs.

La metodologia utilizzata sarà prettamente qualitativa ed attraverso un approccio deduttivo-induttivo-deduttivo, tipico degli studi economico-aziendali, verrà analizzato un caso studio longitudinale.

I risultati attesi della ricerca riguardano la comprensione del ruolo degli strumenti manageriali nel processo di cambiamento inter-generazionale.

Si evidenzierà come il processo di ricambio sia influenzato sia dalla pianificazione deterministica e razionale che dall'insieme delle relazioni familiari. Solo una considerazione omericomprensiva dei fattori in gioco può probabilmente metter in luce il funzionamento del ricambio generazionale e predirne l'efficacia.

Abstract

Medium and small family firms are a fundamental element for the Italian economic development and wealth. One of the main reasons of failure of this type of firm is the business succession, within the family members. The literature considers the business succession as a natural and progressive phenomenon that is linked to both the long-term survival of the firm and/or an increasing efficiency. Despite the vast literature on the topic, a few studies try to focus further dimensions of the business succession as the role of management accounting systems (MASs) in connection with trust and organizational routines.

The aim of the present research is to deepen a process of business succession, with a specific focus on both the inter-generational relationships and their influence on the role played by MASs.

A qualitative methodology will be used to conduct a longitudinal case-study, using a deductive-inductive-deductive approach, that is typical of the business administration studies.

The expected results of the research concern the identification and definition of the "rational" (tied to the firm "efficiency") and "familiar" (tied to the trust among family members) discourses and the way in which the MASs are involved in this process.

The present study will point out how the inter-generational succession is influenced by both a rational/ deterministic planning and a set of family relationships. Only the whole consideration of those factors would shed light on the functioning of the inter-generational succession and predict its effectiveness.

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