

**OLD MONEY IN THE WEST: SUCCESSION PROCESSES AND THE PERSISTENCE  
OF FAMILY BUSINESS DYNASTIES IN THE WESTERN WORLD**

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## **ABSTRACT**

Family business dynasties encounter more complex succession processes than do general family businesses because their succession involves an extended family beyond incumbents and successors, which includes in-laws and members from multiple branches of the family. Although the institutional view argues that market-based transactions should make family-based successions less relevant and thus that family business dynasties should disappear in developed countries, we still observe prominent family business dynasties in the Western world today. Therefore, we explore how family business dynasties persist by managing succession processes with an extended network of family members under such an institutional setting. Based on the historical case studies of six family business dynasties, we differentiate succession processes into three stages—variation in the pool of successors, selection of successors, and retention of nonsuccessors after succession—and distinguish the underlying forces within and outside the family domain. These succession processes depend on the dynamics among extended family members, including grandchildren, in-laws, and nonsuccessors, as well as external parties. A family business dynasty is more likely to be sustained in the case of effective variation, selection, and retention of family ties across multiple generations.

**Keywords:** family business dynasty, family business, succession processes, historical case studies

## **INTRODUCTION**

Family business dynasties are family businesses in which an extended family succeeds in transferring a substantial portfolio of business assets over multiple generations (Colli, 2003; Jaffe & Lane, 2004; Ward, 2004). Family business dynasties effectively master complex succession processes involving an extended family, such as siblings, in-laws, and even grandchildren, often spanning multiple family branches (Gilding, 2005) that nonfamily businesses do not experience (Farah, Elias, De Clercy, & Rowe, 2020). However, extant family business succession studies tend to focus on the relationship between the incumbent and successor alone, typically focusing on the parent–child relationship (e.g., Calabrò, Minichilli, Amore, & Brogi, 2018; De Massis, Chua, & Chrisman, 2008; Huang, Chen, Xu, Lu, & Tam, 2020; McMullen & Warnick, 2015). In combination with the fact that family business dynasties often control extended business portfolios

(Le Breton-Miller & Miller, 2018; Steier, Chrisman, & Chua, 2015; Zellweger, Nason, & Nordqvist, 2012b), succession processes in family business dynasties are complex (Rüsen, Kleve, Von Schlippe, & others, 2021), often disrupting and ultimately undermining the continuation of the dynasty.

Despite the complexity of the succession process, family business dynasties have continued to prevail in developing countries. For example, Carney and Child (2013) show that more than half of the publicly listed companies in Asian countries, such as Japan, Korea, Singapore, the Philippines, Malaysia, and Indonesia, are still family owned. This is because family ties can fill institutional voids, such as constrained regulatory enforcement and financial markets (Caselli & Gennaioli, 2013), by transferring trustworthy capital and building reliable transactions among family members across generations (Le Breton-Miller & Miller, 2018). In contrast, scholars who hold the institutional view argue that family business dynasties tend to decline in developed countries because the efficiency of market-based transactions, as well as stable and reliable institutional settings (e.g., regulation), should make relational transactions based on family ties less relevant over time (Kandel, Kosenko, Morck, & Yafeh, 2019; Le Breton-Miller & Miller, 2018; Sharma & Rao, 2000). For example, Masulis et al. (2011) study listed firms in 45 countries and show that family-owned firms account for less than 20% of firms in developed countries, such as Germany, France, Italy, the UK, and the USA. Although the institutional view argues that the well-functioning institutional environment in developed countries should diminish the need for intrafamily succession that sustains a family business dynasty (cf. Farah et al., 2020; Giambatista, Rowe, & Riaz, 2005), we still observe several family business dynasties as prominent and powerful economic actors that drive innovation and create massive job opportunities in Western countries (Iacobucci & Rosa, 2010), as evidenced, for example, by the Quandt family from Germany or the

Wallenberg family from Sweden. In light of such an intriguing phenomenon, we ask the following research question: *How and why do some family business dynasties persist in Western countries while others dissolve during complex succession processes involving an extended family?*

We build on previous studies that examined the succession processes in family business dynasties (Casson, 1999; Huang et al., 2020; Lambrecht & Donckels, 2008) by examining family dynamics in an extended family, including dynamics among successors and nonsuccessors as well as with in-laws—family members who remain largely overlooked in previous work. Dynamics that involve extended family members can potentially alter succession processes and may severely undermine the persistence of business dynasties (cf. Lu, Kwan, & Zhu, 2021). Therefore, we believe that not only the incumbents and their children who succeed their parents in the business but also the complex network of ties among multiple family members (cf. Lambrecht & Donckels, 2008), including those who do not appear on organizational charts (Nordqvist & Zellweger, 2010), are important considerations when examining the succession processes that shape a family business dynasty.

Empirically, we analyze six historical cases (Wadhvani, Kirsch, Welter, Gartner, & Jones, 2020) of family business dynasties that have lasted for at least three generations (ranging from 74 to 180 years in age) originating in Germany, France, Italy, the United Kingdom, and the United States. The outcome of these cases varies between continued prosperity and bankruptcy, thus allowing us to perform within-case analysis and cross-case comparison to identify overarching patterns (Eisenhardt, 1989; Yin, 2002) for persistent/declining family business dynasties. That is, we examine how the patterns of events in both the family domain and the external environment can shape a business dynasty and its succession processes over time.

These insights contribute to three main streams of literature. First, we contribute to the emerging

yet limited studies on family business dynasties (e.g., Carney & Gedajlovic, 2002; Laakkonen & Kansikas, 2011; Moya, Fernandez-Perez, & Lubinski, 2020) by looking beyond the succession dynamics between parents and their children (e.g., Casson, 1999; Gilding, 2005; Huang et al., 2020) and considering the complex dynamics within the extended family since differences in the extent to which these family members act and learn may help sustain or weaken a family business dynasty. Second, we contribute to research on succession. Instead of focusing on dynamics between members in the organizational setting (e.g., Berns & Klarner, 2017; Farah et al., 2020; Giambatista et al., 2005), parents and children (e.g., Casson, 1999; Huang et al., 2020) or successors themselves (e.g., Dalpiaz, Tracey, & Phillips, 2014; Radu-Lefebvre & Randerson, 2020), we consider a more comprehensive and longitudinal dynamic that includes family members who have been largely neglected in the literature—i.e., grandchildren, in-laws, and nonsuccessors—and how successors may use legal instruments to manage relationships with these family members. Finally, we provide novel insights into historical studies of family businesses, as we look beyond the traditional focus on individual members’ narratives and subjective interpretations of historical events (e.g., Ge, De Massis, & Kotlar, 2022; Jaskiewicz, Combs, & Rau, 2015; Sasaki, Kotlar, Ravasi, & Vaara, 2020; Suddaby & Jaskiewicz, 2020) by considering objective events influencing various family members across domains and time. This approach allows us to better reveal the complexity and contingency (Perchard, MacKenzie, Decker, & Favero, 2017; Wadhvani et al., 2020) underlying individual members’ actions that determine the continuation of family business dynasties.

### **LITERATURE REVIEW: FAMILY BUSINESS DYNASTIES**

Entrepreneurs often aspire to uphold their family’s control over their firms (Carney & Nason, 2018; Le Breton-Miller & Miller, 2018), which can eventually lead to the formation of *family business dynasties*. Studies (see Table 1) have identified three important elements characterizing family business dynasties—*transgenerational control*, *asset transfer*, and *extended family*. First,

family business dynasties adopt a transgenerational outlook, with some existing for more than one hundred years under the control of the founding family (Ward, 2004). Given the extensive length of this time horizon, family business dynasties tend to focus on long-term strategic investments that benefit the preservation of the family's nonfinancial wealth, i.e., socioemotional wealth (SEW), which captures the family's affective needs (Gomez-Mejia, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007), such as the family status in the firm and its control over the business (Gu, Lu, & Chung, 2019), and on building functional structures that govern those investments (Lambrecht, 2005). Second, the family needs to plan for the transfer of a substantial portfolio of business assets among family members. For instance, the current generation may set career paths for next-generation members (Huang et al., 2020) and has to determine when to grant children managerial responsibility and ownership (Caselli & Gennaioli, 2013). These wealthy families often set up inheritance plans for descendants as beneficiaries to ensure that their family and business wealth remain in the hands of future generations of family members (Carney & Nason, 2018; Casson, 1999). Finally, following long-term development and the transfer of wealth across generations, the family evolves into an extensive clan-based network (Colli, 2003; Ouchi, 1998; Rösen et al., 2021). This familial network accordingly consists of multiple branches with a limited number of family members involved in business operations (Jaffe & Lane, 2004).

(Insert Table 1 about here)

Our conceptualization of family business dynasties is based on these three elements and stands in contrast to studies focusing on the business sphere, such as the entrepreneurial activities of portfolio family businesses (Michael-Tsabari, Labaki, & Zachary, 2014), the governance structures needed to control such extended business portfolios (Steier et al., 2015), and resource management by business families (Le Breton-Miller & Miller, 2018). Specifically, our concept of

the family business dynasty concerns the management of family complexity, thereby taking into account the expanded number of family members (Rüsen et al., 2021) and family branches (Colli, 2003; Jaffe & Lane, 2004) as well as the interpersonal dynamics among these individuals.

### **Succession processes of family business dynasties**

As family business dynasties persist after transferring the business and asset portfolio to the family's extensive network after generations, it is important that the current generation can effectively manage the related succession process by transferring the firm to the next generation (Lambrecht, 2005). The engagement of family members in the succession process differs from that of nonfamily businesses, where attention tends to be centered on factors specific to the organizational setting. For instance, firm performance and other firm characteristics, such as age, size, and strategic orientation, tend to influence the type of new CEO the board of directors considers in the selection process (Giambatista et al., 2005). Berns and Klarner's (2017) review emphasizes the importance of how incumbent CEOs, successor CEOs, and the board interact to determine the success of the whole succession process. Similarly, the review by Farah et al. (2020) highlights the characteristics of CEOs and directors, such as their previous experience with similar succession processes and interpersonal relationships, which are likely to affect the success of leadership succession. However, these studies focus primarily on CEOs and the board of directors while ignoring a broader range of other stakeholders and those outside the organizational setting, especially when those stakeholders are likely to play important roles in determining whether the new leader can establish legitimacy after the succession process (Berns & Klarner, 2017).

Family business scholars have thus considered factors beyond the organizational setting by focusing on those in the family setting. Specifically, scholars have highlighted the roles of family relationships, such as those between parents and their children (McMullen & Warnick, 2015) and

those among children (De Massis et al., 2008), in transferring the ownership and managerial responsibilities of a family business from the current generation to the next generation (Daspit, Holt, Chrisman, & Long, 2016). For instance, Lambrecht and Donckels's (2008) case studies highlight the role of the explicit expectations of parents for their children and how the preparation of the latter, including the legal transfer of assets and the development of the children's managerial experience, ensures successful transfers. For family business dynasties, Huang et al.'s (2020) study on Chinese family dynasties is particularly insightful. This finding indicates that parents who focus on sustaining family SEW in the business may exert coercive control over their children, forcing them to take over the management of their family organization. Such children may regard themselves as stewards of their dynasty and thus become willing to sacrifice their personal welfare, such as foregoing their claims to dividends, to keep their dynasty afloat (Casson, 1999).

Although these family business studies have acknowledged that the succession process in a family business dynasty is a long-term process involving actors from both the family and business domains (Lambrecht, 2005), most attention has been devoted to the dynamics between incumbents and successors in the succession process (Lambrecht & Donckels, 2008), particularly between parents and their children (Casson, 1999; Huang et al., 2020). There is a limited understanding of the succession dynamics in an extended family; typically, these dynamics involve multiple potential successors, and not all of them can be appointed to a leadership role as part of the succession process (Huang et al., 2020). Studying these neglected family members (i.e., nonsuccessors) is important because their (non)collaboration is likely to determine successors' abilities and chances of continuing family business dynasties (cf. Berns & Klarner, 2017). For instance, their (non)collaboration determines how many resources, including financial and human resources, the successor can allocate to initiate strategic changes such as innovation and the

preservation of SEW (van Helvert-Beugels, Nordqvist, & Flören, 2020). As part of the succession process, the family composition is reshuffled (“who is in and who is out”), resources are redistributed, and interests are realigned (Aldrich, Brumana, Campopiano, & Minola, 2021). All of these factors are likely to unleash important intrafamily dynamics and, ultimately, affect the persistence of family business dynasties (Lu et al., 2021).

Some scholars taking the institutional view have argued that the external environment, such as the change in regulations (Giambatista et al., 2005), the availability of professional managers in the labor market (Moya et al., 2020), and the rise of institutional investors (Farah et al., 2020), should mitigate the challenges in intrafamily succession processes involving extensive family members. Specifically, family business dynasties are expected to be more prominent in emerging economies than in developed countries, where market-based transactions are more efficient and regulations are more complete and reliable than those in developing countries (Hall, 1988). For instance, Kandel et al. (2019) have examined the disappearance of family business dynasties in the U.S. between 1926 and 1950 following modifications in the legal and tax system, such as new limits on intragroup loans and increased taxes on dividends, designed to prevent unfair related-party transactions. When the institutional infrastructure is well structured and functional, businesses are more likely to be managed and controlled by nonfamily professionals than by reliance on family members (Masulis et al., 2011). However, prominent examples of family business dynasties in developed countries still exist. For instance, today, in Sweden, the Wallenberg family, whose business interests date back to the 18th century, controls approximately 14 listed firms, close to 40% of the total value of the Stockholm Stock Exchange (Lubatkin, Lane, Collin, & Very, 2005). In the U.S., the Ochs-Sulzberger family has retained control of The New York Times since the end of the 19th century, and the Ford family has been actively involved in

the operations of Ford Motor since the beginning of the 20th century (Lambrecht, 2005; Lambrecht & Donckels, 2008).

In our study, we thus focus on the Western context, where some family business dynasties persist after effectively managing their complex succession processes that involve various family stakeholders. In particular, we reach beyond the prior focus on parent–child relationships (e.g., Casson, 1999; Huang et al., 2020) and successors themselves (e.g., Dalpiaz et al., 2014; Radu-Lefebvre & Randerson, 2020) by considering the role of an expanded set of family members, especially nonsuccessors and in-laws, in shaping the persistence (versus dissolution) of family business dynasties. In light of this goal, we examine the *history*—the patterns of decisions and events (Miller & Le Breton-Miller, 2021)—of extensive family members throughout the succession process of family business dynasties.

## METHOD

We adopted the abductive approach that generates conceptual insights into empirical observations that existing theories do not fully cover (Langley, Smallman, Tsoukas, & Ven, 2013; Sætre & Van de Ven, 2021). Specifically, in the previous sections, we have observed the intriguing phenomenon of persisting family business dynasties in developed countries and confirmed that existing studies on succession and the institutional view could not explain the empirical puzzle of how family business dynasties manage their complex succession process to persist in such institutional environments. To generate insights into this phenomenon, we explore multiple historical case studies, which are valuable for developing theoretical constructs and their relationships based on longitudinal observations (Goodman & Kruger, 1988; Wadhvani et al., 2020). Multiple historical cases enable us to evaluate whether the generated constructs and relationships are consistent across settings (Sætre & Van de Ven, 2021).

Our epistemology follows what Suddaby et al. (2020) call “*objective history*,” which objectively views history as a collection of facts about the past. From this view, we approach history as “a logic of sequential and patterned causality between events” to carefully examine the “continuities and discontinuities ... of objective historical data” (p. 535). Therefore, we aim to examine history by analyzing and interpreting past events in relation to their time and place (Wadhvani, 2016) (i.e., events experienced by individual family members in the family, business, and environmental domains). In particular, we focus on the contexts in which individual members took action and how past events shaped the future of the researched phenomenon (Wadhvani et al., 2020) (i.e., the succession process in family business dynasties).

This historical method has distinct advantages over the conventional historical approach, which focuses on how individual actors use narratives to make sense of past events and construct collective memories (Hansen, 2012) but lacks the contextualization of the historical environment in which individuals are embedded (Perchard et al., 2017). In particular, individual actors may strategically use time to erase the past to create their intended vision (Suddaby & Foster, 2017), overlooking the cumulative effects of historical events in different environments that shape the development of an organization (Suddaby et al., 2020). As such, our approach looks beyond the traditional historical approach in family business studies that focus on the narration and interpretation of (non)family members in the business setting (e.g., Ge et al., 2022; Jaskiewicz et al., 2015; Sasaki et al., 2020) by considering extended family members and their actions in different domains to better understand how family business dynasties persist over time (Suddaby, Silverman, Jaskiewicz, De Massis, & Micelotta, 2023). That is, we analyze the relevant patterns of sequential events involving various members in different domains to theorize the (dis)continuity of the studied phenomenon (Suddaby et al., 2020). This approach to analyzing historical cases

enables us to elaborate on the complexity of historical forces and boundary conditions among our phenomenon (Perchard et al., 2017) by delineating cases with varying industries, historical events, and, ultimately, levels of persistence (Wadhvani et al., 2020).

### **Case Selection and Profiles**

We performed theoretical sampling, i.e., selected cases “based on their ability to illuminate and extend relationships among constructs or develop a deeper understanding of processes” (Eisenhardt, Graebner, & Sonenshein, 2016: 1114) and their ability to “fill theoretical categories and provide examples of polar types” (Eisenhardt, 1989: 537) in the outcome of the succession processes—i.e., the continuation vs. dissolution of family business dynasties.

Accordingly, our case selection of each historical family business dynasty was based on the following criteria: (1) a long history, i.e., at least three generations, to account for the extended transgenerational outlook of family business dynasties (Le Breton–Miller, Miller, & Steier, 2004); (2) vivid cross-domain interactions between the family and firm, i.e., the family’s continuous involvement in the firm, such as ownership, board membership, or management, to capture the multifaceted evolutionary forces that shape a family business dynasty (Miller & Le Breton-Miller, 2021); and (3) being based in a developed country and having rich historical records of various major institutional changes, such as wars, industrialization, and innovation, which had critical impacts on how family members reacted and made decisions for their dynasty.

(Insert Table 2 about here)

In accordance with these criteria, we chose six cases with dynasties lasting from 74 to 180 years and with at least three generations of continued family involvement. Table 2 summarizes their key characteristics, including their respective longevity and family wealth (in terms of total assets). The first dynasty case, the Agnelli family, started with Giovanni Agnelli (first generation),

who founded its first and main business, Fiat, in the Italian automobile industry in 1899. This dynasty has since grown steadily, extending its business portfolio into banking, media, real estate, and even acquiring a soccer club, thereby continuing to prosper after more than a century of participation in the Italian economy. The Agnelli dynasty has always been under the dominant leadership of a single male family member. Leadership passed from the grandfather to the grandson, as the designated parent successors passed away unexpectedly. From Giovanni Agnelli (first generation), the leadership passed to Giovanni Agnelli II (third generation) after Edoardo Agnelli (second generation) died in a plane crash; from Giovanni Agnelli II, it passed to the dynasty's current leader, John Elkann (fifth generation), after Giovanni Alberto Agnelli (fourth generation) died of colon cancer.

Another dynasty in the same industry is the Quandt family. Founded by Emil Quandt (first generation) as a textile company via the acquisition of his brother-in-law's firm, this business grew rapidly and diversified into other sectors, including the chemical, metal, and automobile industries. After World War II, the family exited its original textile business to focus on automobiles, i.e., BMW, which remains its main business today. The Quandt family initially focused on active, male leadership, including that of Günther Quandt (second generation) and Herbert and Harald Quandt (siblings, third generation). Today, Susanne Klatten and Stefan Quandt (siblings, fourth generation) serve as the main shareholders and board members of BMW.

The third case is the Hermès family. This dynasty's founder, Thierry Hermès (first generation), started the business in 1837, providing luxury harness goods to wealthy, carriage-owning clients. This dynasty has grown by focusing on high-end clients and offering them various luxury products, such as saddlery, bags, scarves, perfume, and shoes. The firm became a fashion house in the 20th century after the market for harnesses and saddlery declined in the late 19th century. This dynasty

has also retained male family leadership, passing control to Charles-Émile Hermès (second generation), Adolphe and Émile Hermès (third generation), and, notably, to the sons-in-law Robert Dumas, Jean-René Guerrand, and Francis Puech (fourth generation) because Émile did not have any sons of his own. The current leader is Axel Dumas (sixth generation), the CEO of the dynasty. Other branches of the family, ranging from the fifth to the seventh generations, are also actively involved in the Hermès family's businesses as directors, managers, and/or designers.

Compared with the above three cases, which still persist today, the remaining three cases are no longer family business dynasties after their last succession process, i.e., when extensive family members have no more (major) control over the business despite still retaining substantial private family wealth today (Baron & Lachenauer, 2021). In 1921, Guccio Gucci (first generation) founded a leather goods shop in Florence, Italy, after accumulating experience in craftsmanship and interacting with high-end customers while working in a luxury hotel in London. Similar to the other cases, the Gucci family grew its business by expanding into other product categories, including shoes, perfumes, and accessories, although leather goods remained its main business. Although its leadership was shared among male family members, including Aldo, Vasco, Rodolfo (all second generation), and Maurizio Gucci (third generation), the transition between the second and third generations was highly competitive and hostile. Consequently, after Maurizio's assassination by a man hired by his ex-wife in 1995, there were no family successors who could take over the business, leading to its external takeover.

Another dissolved case concerns the Vanderbilt family (originating from the Netherlands). Cornelius Vanderbilt (first generation) entered the commercial steamboat industry in 1807 and founded a ferry business in 1810. Later, in 1863, he sold the ferry business and acquired a railway business after seeing an opportunity in transcontinental railroads once the U.S. government passed

the Pacific Railway Acts. Unlike the other cases, the Vanderbilt family focused mainly on a single business (first ferries, then railways) throughout its history. The leadership of this family business dynasty was thus confined to a few male family members, including William Henry (second generation), Cornelius II and William Kissam (third generation), and William Kissam II (fourth generation). The associated exclusion of other family members left the Vanderbilt family in a situation similar to that of the Gucci family. After the death of William Kissam II in 1944, there was no clear family successor who could defend the dynasty against a hostile takeover in 1954 or who was able to prevent its eventual bankruptcy in 1970.

The case of Sainsbury represents an example of a more gradual decline than the cases of Gucci and Vanderbilt. John James Sainsbury and his wife, Mary Ann Staples (first generation), founded a supermarket in 1869. The family primarily remained in the retail industry throughout its business history, except for a limited expansion into the banking sector in 1997. Similar to the other cases, its leadership has been confined to a few male family members, including John Benjamin (second generation), Alan John and Robert (third generation), and John Davan and David (fourth generation). These leadership transitions were less dramatic than those in the other cases, as the predecessors often resigned before their death, indicating that such successions were less unexpected and sudden and that the successors could gradually step into their roles. However, since 1997, the family has steadily retreated from the business, exiting from firm management with the resignation of David Sainsbury in 1998. The family is now only a minority shareholder in the business.

In summary, the selected cases represent polar outcomes, even in the same industry environment: the continuing Agnelli and Quandt dynasties vs. the dissolved Vanderbilt dynasty in the transportation industry; the continuing Hermès dynasty, the dwindled Sainsbury dynasty, and

the dissolved Gucci dynasty in consumer industries. Additionally, these cases are located in different institutional settings in the Western world (with various extents of capitalism), including the coordinated market economies of Germany and France, where nonmarket relationships such as family relationships are important; the liberal market economies of the U.S. and the U.K., where market-based relationships dominate; and the hybrid economies of Italy, where both relationships complement each other (Schneider & Paunescu, 2012). Examining these cases, their differences, and their longitudinal evolution across different institutional settings (Gehman et al., 2018) enabled us to develop a robust theory on persistent family business dynasties in developed countries (Eisenhardt et al., 2016).

### **Data Sources**

All the authors and seven trained student assistants<sup>1</sup> (as part of their course assignments in a master's degree program in business administration and management at the authors' university) collected the data from multiple sources. Specifically, our data were extracted from secondary databases and archival data, similar to the historical case studies of Toms et al. (2020). As Table 3 shows, these include (1) ORBIS (for ownership and industry sector data); (2) corporate archives, such as corporate websites, annual reports, and annual releases that document family and business events; (3) industry reports (for industry events); (4) history books describing family histories; (5) academic articles focusing on specific industries; (6) news articles reporting on a family and its business; (7) government reports describing the regulation of a specific industry; and (8) documentaries featuring family member or third-party narratives describing family and business

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<sup>1</sup> These assistants mainly collected data from ORBIS and corporate archives. We obtained their consent to use such data for the purpose of this study.

history. Data collection was concluded in December 2017, once a family completely exited its business (Gucci, in 1993<sup>2</sup>) or when business operations ended in bankruptcy (Vanderbilt, in 1970).

(Insert Table 3 about here)

Relying on multiple sources for each case, our analysis thus adopted data triangulation to ensure data convergence (Eisenhardt, 1989). Another benefit of historical case studies is temporal distance, which prevents subjective and contemporary biases, e.g., via authors' direct involvement in their cases or interviewees' personal interpretations (Suddaby & Foster, 2017). By covering the complete timespan of each of the six focal business dynasties from inception and relying on multiple sources to capture events across various domains, we have therefore reliably reconstructed and studied the evolutionary forces behind these cases (Rynes & Gephart Jr., 2004; Toms et al., 2020).

### **Data Analysis**

Following Eisenhardt's (1989) suggestion, we began with a within-case analysis, triangulating our multiple data sources (see Table 3) for each case to construct a case profile with a detailed description of the case's history. These case profiles were first compiled and analyzed by student assistants under the close supervision of the authors. Later, the authors conducted a more extensive data search, analyzed the data independently, and revisited the above interpretations to ensure data convergence and reliability (Jonsen, Fendt, & Point, 2018).<sup>3</sup> We coded each case individually over approximately five weeks to prevent coding fatigue and any prescriptive coding informed by the other cases (Crayne & Hunter, 2018). In total, we compiled 117 single-spaced pages of case profiles, including a visual map and a description of each incident in each case history.

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<sup>2</sup> Because the Sainsbury family did not completely exit its firm, we also collected its data until December 2017.

<sup>3</sup> We also invited an independent, external scholar, an expert in case studies, to help us navigate the coding and analytical process.

When collecting and analyzing data for a single case, we first built our initial theoretical constructs inductively, as suggested by Yin (2002). Specifically, we followed previous process studies to build case profiles around *incidents*—i.e., raw data or occurrences in a case history (Langley, 1999), such as the birth of a specific family member. We then categorized these incidents into *events*; an event is “not directly observed; it is a conceptual construct in a model that explains the pattern of incidents” (Van de Ven & Poole, 1990, p. 319), and this construct served as our unit of analysis (e.g., birth). The categorization of events emerged from the iteration between analyzing the raw data and comparing these data with the literature (Locke, Feldman, & Golden-Biddle, 2022) after we identified repeated major events in different domains—that is, events that had major influences on a family member’s life, business operations, and institutional environment throughout the history of a dynasty. We also followed Van de Ven, Bechara, and Sun (2019), focusing on “the temporal order or pattern in which a chronological progression of action and outcome events unfold over time” (p. 1256)—in our case, this constituted a chronological series of key events in the family, business, and environment domains that were closely interconnected in the succession process of each case.

In the family domain, we drew a visual map for each case family (Langley, 1999) to capture the family incidents supported by the construction of a family tree. In each map, we assigned temporal brackets (Langley et al., 2013) to mark repeated incidents that converged on three key family events: *birth*, *marriage/divorce*, and *death* (of family members in general). Each visual map focused on the life events of the family members closest to the respective business.

We complemented each family visual map with incidents in the business domain, such as changes in the main product, changes in ownership and governance, engagement in mergers and acquisitions (M&A), and further changes in strategy (Le Breton–Miller & Miller, 2013). Based on

the *time* that each incident needed in its preparation and/or realization (Lippmann & Aldrich, 2013; Suddaby & Foster, 2017), we categorized events into *gradual changes* when family members used more time to react to these events (e.g., starting a succession plan) or *punctuated changes*, which occurred in a much shorter timeframe (e.g., engaging in the diversification of business activities immediately after the selection of a successor).

In addition, we identified incidents in the external environment that were closely connected to the family or business domains. For instance, changes in the government can affect the resources, opportunities, and legitimacy of the family and/or business (Terreberry, 1968). Competitors' actions may also challenge how the family and/or business behave (Carney & Gedajlovic, 2002). Hence, in this analysis, we grouped these incidents into different levels of events: *government* or *industry*.

In our within-case analysis, we synthesized these family, business, and environmental events among each case into a combined visual map (Langley, 1999), a table that allowed us to analyze the interactions and cooccurrences of events across domains to identify consistent succession patterns (Cloutier & Ravasi, 2021). The cells in this table record the incidents, the rows represent the calendar years (the first row is the birth year of the founder(s)), and the columns contain the events in the family, business, and environmental domains.

Following the within-case analysis and construction of key events in each domain, we continued performing cross-case analysis through pairwise comparisons of the cases (Eisenhardt, 1989). Specifically, we employed an *iterative analytical process* that “involve[ed] constant comparative analysis whereby groups [were] compared on the basis of theoretical similarities and differences” (Rynes & Gephart Jr., 2004: 459). This process included the examination of whether the event constructs and the emerging patterns were replicated across cases. For example, when examining

the birth of grandchildren and its impact on the succession planning process, we searched for similar patterns that occurred between cases (such as in the Hermès, Quandt, and Sainsbury cases). Additionally, we compared the event constructs with prior literature regarding the same phenomenon, i.e., family business dynasties and succession (e.g., Huang et al., 2020; Lambrecht, 2005; Lambrecht & Donckels, 2008). For example, we compared our observations of the succession processes induced by grandchildren with those of previous studies that focused on processes involving parents and their children (e.g., Bennedsen, Nielsen, Perez-Gonzalez, & Wolfenzon, 2007; Calabrò et al., 2018; Schell, de Groote, Moog, & Hack, 2020). We focused on comparing and, if needed, differentiating our results from those of the prior literature. This comparison across cases and the literature enabled us to refine the internal validity of our findings when theorizing on the relationships among our key constructs (Yin, 2002).

Moreover, we paid close attention to variation across cases to identify whether the events exhibited systematic variation (i.e., similarity among cases) or random variation (i.e., uniqueness of a case) (Van de Ven & Sun, 2011). Our analytical strategy therefore aligned with other process studies (e.g., Salvato & Rerup, 2018; Van de Ven et al., 2019), theorizing patterns among cooccurring events across the cases (Rynes & Gephart Jr., 2004) while ensuring the temporal separation of cooccurring events and inferring their sequential connections after observing repeated patterns across cases (Gehman et al., 2018).

After identifying the relevant similarities and differences in our findings (from the comparison across cases and with prior research), we built our overarching framework incorporating the concepts of process theory to capture the temporal dynamics involving interactions of multiple individuals across domains (Langley et al., 2013) (including the family, business, and environment) throughout the succession processes of family business dynasties across generations. Specifically,

we first use the concepts of the evolutionary process (Van de Ven & Poole, 1995)—variation, selection, and retention—to differentiate between temporal stages of the succession processes in which events across the family, business, and environment domains interact and unfold (Langley et al., 2013). In particular, variation corresponds to the initial stage of enriching the pool of successors, selection responds to the appointment of the successor as the next leader and his actions to build leadership in the respective family business dynasty, and retention reflects the configuration of members' relationships after selection. These evolutionary processes are useful in helping us capture the recursive (succession) processes over generations (Cloutier & Langley, 2020), developing a higher-level framework to account for our observations across cases. Within each evolutionary process, we have identified other process dynamics, such as *life-cycle processes* (Van de Ven & Poole, 1995) regarding the prefigured progression of an individual's life events (including birth, marriage, and death) that may change the pool of successors (Giambatista et al., 2005); *teleological processes* (Van de Ven & Poole, 1995) concerning individuals' purposeful actions, such as strategic changes of the selected successors; and *dialectic processes* (Van de Ven & Poole, 1995) denoting the struggles and conflicts among different parties concerning the power over the business dynasty (cf. Van de Ven & Sun, 2011). As such, our framework presents the dynamic interactions of succession processes that continue family business dynasties by entailing various processes, including members' purposeful and/or conflicted actions (Langley et al., 2013).

## **FINDINGS: ENDOGENOUS AND EXOGENOUS FORCES BEHIND THE SUCCESSION PROCESSES OF FAMILY BUSINESS DYNASTIES**

In our theoretical model (see Figure 1) regarding the succession processes of family business dynasties, we differentiated between two distinct forces. Specifically, based on the framework of Carney and Gedajlovic (2002), which differentiates forces within or outside the *business* domain,

we focused on forces within or outside the *family* domain. The first force, *endogenous force*, refers to the changes induced by events in the family domain, such as members' birth, career change(s), and death. The second force, *exogenous force*, captures the changes triggered by external events outside the biological family, for example, a marriage with an external member or a shift in government. Based on the framework of these two forces, our model thus theorizes on (1) the variation in the pool of successors, (2) the selection of successors and their actions to legitimize their new leadership, and (3) the retention of family members after selection. These members' life cycles, teleological changes, and dialectical conflicts throughout these succession processes determine the succession outcome of the family business dynasty (see Table 4 for a summary of our theoretical model and the online Appendix for a detailed observation of each case).

(Insert Figure 1 and Table 4 about here)

### **Variation in the Pool of Successors**

*Endogenous variation initiated by family members with kinship ties.* Among our cases, endogenous variation was induced by the *birth of new members in the existing family*, which is part of the family life cycle by signaling both rejuvenation and the time to start a new chapter in the dynasty (see the upper box in the first column of Figure 1). The birth of new family members stimulated the senior generation's "feelings of urgency and an awareness ... [that] it [was] time to move ahead" (Gersick, 1994: 12), such as developing a new business that the future generation might take over (cf. Michael-Tsabari et al., 2014).

However, we found that the birth of a new family member has another important function: signaling that the time has come to initiate the succession process. This often occurs after the birth of grandchildren (i.e., the junior generation), when current leaders (senior generation, grandparents) start to gradually prepare their own children (next generation, parents) as potential successors. For example, in the Hermès case, the first member of the fourth generation, Jeanne Hermès, was born

in 1889, whereby the second-generation leader of the business, Charles Émile Hermès, started involving his two sons, Adolphe and Émile Hermès, in management in 1894, seeing that Jeanne was growing up in good health. A similar incident occurred when the fifth-generation leader Jean-Louis Dumas was promoted to the leadership position in 1964, following a decade in which 16 members of the sixth generation were born. A similar situation occurred in the case of the Quandt family, when Günther Quandt became a co-owner with his father in 1909 after his son was born in 1908.

In contrast to studies discussing the direct dynamics between the senior generation and next generation, such as the preference of the senior generation for their children of a specific gender or birth order (e.g., Bennedsen et al., 2007; Calabrò et al., 2018) or the aspirations among next generation members for leadership (e.g., Gimenez-Jimenez, Edelman, Minola, Calabrò, & Cassia, 2021; Huang et al., 2020; Lambrecht & Donckels, 2008), we thus observed more indirect and long-term succession dynamics. That is, the birth of a junior-generation family member seemed to signal to senior-generation leaders the professional maturity of their own children as possible successors and the need to engage in succession planning. These succession processes are similar to inheritance planning, in which parents consider allocating inheritance to their children with “an increased probability of marrying and producing surviving offspring” (Hrdy & Judge, 1993: 19) and are in line with a generative, inevitable cycle of life (cf. Giambatista et al., 2005).

***Exogenous variation introduced by external members entering the family.*** In contrast to the endogenous variation in the pool of successors surrounding the births of junior family members, exogenous variation in the pool of successors is impelled by another family life cycle—*marriage*—i.e., the legal and relational bond that introduces external individuals to the family as potential successors. As these members possess resources and experience from outside the family

and firm (cf. Michael-Tsabari et al., 2014), existing family members have more immediate expectations for the contributions of in-laws than in the patient process of endogenous variation where a family-internal successor is gradually developed (see the lower box in the first column of Figure 1).

For instance, the Quandt dynasty was founded upon Emil Quandt's acquisition of his brother-in-law's textile firm in 1883. Similarly, the Sainsbury dynasty built connections in the margarine business through marriages with the van den Bergh family (in 1896 and 1937). In the Hermès dynasty, Émile Hermès (third generation) relied on one of his sons-in-law, Jean-René Guerrand (fourth generation), a perfumer, to facilitate Hermès's diversification into the perfume business in 1951. By providing new skills, experiences, and assets, in-laws can thereby expand the pool of potential successors. For example, three sons-in-law, Jean-René Guerrand, Robert Dumas, and Francis Puech, took over the leadership of Hermès after Émile's death in 1951.

However, when the family does not welcome in-laws, their rejection and any ensuing conflicts may reduce their spouse's eligibility as a successor. For instance, when Maurizio Gucci (third generation) began dating his future wife Patrizia Reggiani in 1972, his father, Rodolfo Gucci, excluded him from the company (although he welcomed him back after they married in 1973). A further example can be found in the Vanderbilt family: Cornelius Vanderbilt III (fourth generation) was disinherited by his parents in 1896 after marrying Grace Graham Wilson, of whom his parents did not approve. Although external members' novel resources and perspectives could generate new options in the pool of successor candidates and save the family time in terms of finding and developing a competent family-internal successor, the rejection of these in-laws by the family could sometimes come at the cost of their partners' succession candidacy. Hence, in contrast to the slow variation in the pool of successors when the successor is a next-generation family member

(endogenous variation), we found that exogenous variation, i.e., the advent of in-laws, represents a more punctuated variation in the succession course of a family business dynasty.

### **Selection of Successors and the Resulting Strategic Changes**

***Endogenous selection through intrafamily competition.*** We found that the selection of a successor typically follows the death of a family leader, as the death of a senior family leader is a highly disruptive family event for the continuity of a family business dynasty. This event calls for the imminent selection of a successor to fill the looming power void inside a dynasty. We therefore found that this selection process is a dialectical process involving *intensive competition and infighting among multiple heirs* for the “throne” after the death of a previous leader (see the upper path in the second column of Figure 1). The most common competition was among siblings of the next generation. For example, when Guccio Gucci passed away in 1953, his three sons (Aldo, Vasco, and Rodolfo) removed their sister (Grimalda Gucci) and stepbrother (Ugo Gucci) from the shared leadership of the firm. Similarly, when Cornelius Vanderbilt passed away in 1877, William Henry Vanderbilt had to fight with his three siblings over their firm shares and inheritance before William officially came to lead the business empire in 1879.

In the later generations of a dynasty, such infighting can extend to members with more distant degrees of kinship. For example, in the case of the Agnelli family, when the designated successor, Giovanni Alberto Agnelli (fourth generation), died of colon cancer in 1997, his brother, Edoardo Agnelli Junior, and nephew, John Elkann, fought for the successor position until his father and the dynasty’s leader at the time Giovanni Agnelli chose John as the next successor. When Giovanni (third generation) passed away in 2003, John had to fight his mother, Margherita Agnelli, for his grandfather’s inheritance before fully establishing his leadership. In the Quandt family, when Harald Quandt (third generation) passed away in 1967, his brother, Herbert Quandt, fought

Harald's wife, Inge Bandekow, over Harald's shares of the dynasty, driving Harald's family branch out of the dynasty's businesses. The Gucci family also experienced intrafamily conflict between cousins and an uncle after the death of a senior generation leader. When Rodolfo Gucci (second generation) passed away in 1983, the family engaged in a fervent inheritance dispute over the distribution of firm shares among his son (Maurizio), brother (Aldo), and nephews (Giorgio and Roberto Gucci). In the end, Maurizio allied with an institutional investor to buy out other family shareholders in 1987, establishing himself as the sole owner and dominant leader.

To prevent such intrafamily conflict, current leaders sometimes appoint and firmly establish successors before their own passing. A notable case of this occurred in the Sainsbury family. During its five generations of active family leadership in the supermarket chain, we identified several smooth succession processes: successors entered the firm in their early 20s,<sup>4</sup> gradually became executive-level managers in their 50s, and then retired and transferred their chairperson position to the next successor before their death. Similarly, in the Quandt family, before Herbert Quandt died in 1982, he had already distributed assets to his children from previous marriages between 1973 and 1977 while ensuring that only one of his family branches—his third and last wife and their common children—would inherit the main business.

When a family is unable to agree on a clear successor and thus to fill the power void after the death of its business leader, the unresolved dialectical process may lead to dysfunctions (Van de Ven & Poole, 1995), thereby risking dynasty dissolution (as in the case of Gucci and Vanderbilt). For instance, when William Kissam Vanderbilt II (fourth generation) passed away in 1944, there was no clear successor in sight to take over the dynasty, thus undermining the family's ability to defend itself against a hostile takeover in 1954 and ultimately leading to its bankruptcy in 1970.

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<sup>4</sup> Except John Benjamin Sainsbury and George Sainsbury (second generation), entering at age 14, and Alan John Sainsbury (third generation), entering at age 19.

The Gucci case provided even more dramatic testimony of failed succession. As Maurizio Gucci became the sole family owner in 1988, following his assassination in 1995, there were no family successors to prevent an external takeover.

***Urgent establishment of new leadership following endogenous selection.*** Successors who prevail in the endogenous selection process tend to initiate *punctuated changes* in business operations (Tushman & Romanelli, 1985). Such changes are part of their purposeful teleological process to immediately establish their authority and differentiate their new leadership from that of their predecessors. In strong contrast to any gradual and steady firm rejuvenation process (Laakkonen & Kansikas, 2011; Nordqvist & Zellweger, 2010; Rondi, De Massis, & Kotlar, 2019), endogenously selected successors tend to engage in punctuated changes and pursue a distinct and new direction for the dynasty (cf. Miller, Steier, & Le Breton-Miller, 2003). These changes mainly comprise rearranging the business portfolio, primarily through mergers, acquisitions, and divestments.

For example, in the case of Gucci, after excluding their sister and stepbrother in 1953, the newly appointed leaders Aldo, Vasco, and Rodolfo immediately supported the firm's international expansion into the United States, which was opposed by their late father (i.e., previous leader). In the Agnelli family, once John Elkann settled his inheritance conflict with his mother in 2007, he established a legal entity with a new holding company, Exor N.V., in 2008 to consolidate the family's equity, and he engaged in M&A across automobile, real estate, media, and bank businesses in 2007–2014. In the case of the Quandt family, after Herbert became the sole leader after excluding the family branch of his late brother from the main business in 1967, he sold parts of the dynasty's chemical businesses in 1968 and then began M&A in the metal and baby food industries in 1969–1970.

*Exogenous selection imposed by external forces.* Exogenous selection is another possible dialectical process that family business dynasties may encounter in the succession process. It is very different from endogenous intrafamily competition, as the external environment exerts effects on the family. Specifically, external forces, ranging from the *government* to *nonfamily investors*, conflict with the current leader and can pressure the family to exclude that individual, even if he or she still has dominant power and control over the family and business (see the lower path in the second column of Figure 1). The most notable examples occurred among the Agnelli and Quandt families because of their links to defeated governments in World War II. In 1945, Giovanni Agnelli Senior (first generation) was accused of collaborating with the Mussolini government during World War II and was thus forbidden by the new government from entering the company. Similarly, Günther Quandt (second generation) and Harald Quandt (third generation) were arrested for their connections to the Nazi regime in 1946 and 1944, respectively, and were released in 1947–1948. Another case was Aldo Gucci (second generation), who was forced to step down as chairperson in 1986 because of a jail sentence for tax evasion. To prevent such potential exclusion imposed by the government and establish benevolent ties with the leading party, the Quandt family has learned from its previous experiences and has tried to stay closely connected with the key (ruling) political party, the Christian Democratic Union of Germany (CDU), by becoming one of its largest donors since 2002.

Drastic departures of senior-generation leaders can also be initiated by nonfamily investors, typically implying a reduction in family control over the dynasty. We found that both the Gucci and Sainsbury families experienced such pressure from nonfamily investors. When Maurizio Gucci (third generation) allied with the institutional investor Investcorp to exclude his cousins from the company in 1987, 50% of the family's ownership was sold to Investcorp in 1988–1989.

In 1993, Maurizio was even forced to sell all his shares to Investcorp because the company had experienced high debt and weak performance under his leadership as CEO. As the only family member involved in the business, he retained his managerial position but had no ownership. Similarly, the Sainsbury family lost its majority share, becoming a minority shareholder in 1997, after its supermarket business lost market share to a competitor and experienced reductions in its financial performance between 1995 and 1997.

***Gradual changes in new leadership upon exogenous selection.*** If a family experiences external pressure, leading to the punctuated exclusion of its current leader, new successors tend to *gradually develop their new leadership* in a teleological process following the existing strategic trajectory. For example, when Giovanni Agnelli Senior was forbidden access to his business in 1945, his grandson and successor, Giovanni Agnelli, was already involved in the firm, continuing to lead it without significant disruption. Similarly, when Günther and Harald Quandt were arrested during/after World War II, Herbert Quandt was already leading the dynasty and continued his father's proven strategies via M&A in chemical and metal businesses from 1946 through 1949.

In contrast to the punctuated changes to business operations via M&As and divestments after endogenous successor selection, a family adopts a more gradual approach to further develop its business activities when its existing leader is forced to step down due to external pressure (i.e., exogenous selection). That is, successors tend to be selected from among those who are already working in the dynasty. Even though the current leader is unexpectedly excluded by an external actor, these successors gradually develop their leadership by following the existing path. If there are no successors after an exogenous selection, the family gradually loses its leadership in the dynasty (see Gucci in 1988–1995 in Table A-4 and Sainsbury in 1995–2013 in Table A-6 in the online Appendix).

## **Retention of Family Relationships after Selection**

At the end of the selection stage, the continuity of family business dynasties is substantially affected by the resolution of the dialectical tensions in which successors and nonsuccessors redefined their relationships in working and private lives (cf. Langley et al., 2013) (see the transition from the second column to the third column in Figure 1).

*Endogenous retention by reconfiguring family relationships.* Endogenous retention centers on reconfiguring relationships between successors and nonsuccessors (those not selected in the selection process). We found that the continuation of a family business dynasty depends on whether successors and nonsuccessors retain productive or confrontational relationships.

There are two common paths to resolve the dialectical tensions among successors and nonsuccessors and preserve the family's financial and nonfinancial wealth, namely, the involvement of nonsuccessors in a *coordination entity* or by entering a mutually beneficial *business partnership* (see the upper box in the third column of Figure 1). On the first path, successors assign nonsuccessors to the role of shareholder and/or board member in a legal coordination entity, such as a private family holding company, that consolidates family equity and helps them reach an agreement on their respective roles and engage in the family business dynasty (cf. Van de Ven et al., 2019). Examples of these occurred in the Hermès family, in which several nonsuccessors, such as Xavier Guerrand (fifth generation, CEO of the perfume business), Frederic Dumas (fifth generation, photographer), and Sandrine Dumas (sixth generation, movie director and actress), served as board members of the family's holding companies (Émile Hermès SARL and H51 SAS). Similarly, the Agnelli and Quandt families set up holding companies to settle family disputes; various assets were redistributed among these various family branches and placed into separate holding companies to settle claims. In the Agnelli family, John Elkann set up the

holding company Exor in 2008 to consolidate family equity after he settled the lawsuit with his mother in 2007. In the case of the Quandt family, Herbert Quandt set up the holding company Varta, which controls the battery business, in 1973 and then distributed its shares to his children from previous marriages until 1977, ensuring that the dynasty's main business, BMW, passed only to his third and last wife and their joint children. Interestingly, in the case of the Gucci family, Aldo Gucci accommodated his illegitimate daughter, Patricia Gucci (whose mother was Aldo's mistress, Bruna Palombo), by appointing her the dynasty's first female board member in 1982. Retaining nonsuccessors in this legal and formalized way is beneficial for the selected successors because it prevents the eventual sale of shares to nonfamily outsiders and limits nonsuccessors' ability to interfere in business operations. For example, the Gucci family never set up a private family holding company to align the different interests and perspectives of its feuding family members. Using such a legal entity may help keep "family baggage" outside the family business dynasty.

On the second possible path, successors cooperate with nonsuccessors who decide to work independently outside the dynasty but remain business partners with it. This retention path is common in cases with many family branches and an extensive business portfolio, such as Agnelli, Quandt, and Hermès. For instance, Andrea Agnelli, the nephew of the third-generation leader Giovanni Agnelli, assumed the presidency of the family-owned soccer club Juventus F.C., a sphere of activity beyond the dynasty's automobile business. In the case of the Quandt family, Sven Quandt (fourth generation), the son of Herbert Quandt, launched his own racing car company in partnership with BMW, the main business controlled by his half-siblings. More examples can be found among the Hermès family, where several nonsuccessors remained connected to the family's fashion business. For example, Frederic Dumas (fifth generation) worked as a photographer in

collaboration with the dynasty's main business, and Coralie de Seynes (sixth generation) founded her own fashion business in partnership with Hermès. Thus, selected successors can further develop the family's nonfinancial wealth in various sectors through the support of these nonsuccessors, and vice versa, whereby nonsuccessors enjoy autonomy while retaining close business collaborations that help their respective dynasties persist.

By *entering completely different fields or starting to compete against the original dynasty*, less cooperative nonsuccessors tend to continue the dialectical process and detach themselves from their dynasties' business activities (see the middle box in the third column of Figure 1). If nonsuccessors enter socioeconomic fields very different from those of their families' dynasty—typically, fields with high publicity and social status—they focus on self-actualization. One common example is the pursuit of a political career (in the case of Gucci, Sainsbury, and Vanderbilt). For example, Ugo Gucci was involved in Italy's Mussolini regime, David Sainsbury resigned from the dynasty to become an undersecretary at the Department of Trade and Industry in the UK, and several Vanderbilt nonsuccessors married nobles, such as dukes and counts in England and Hungary. Although such careers accommodate the social and reputational aspirations of nonsuccessors, such careers and positions might also contribute to their families' nonfinancial wealth, potentially creating side benefits that help their business dynasties persist (Le Breton-Miller & Miller, 2018).

In the worst-case scenario—i.e., failing to resolve the dialectical tensions among successors and nonsuccessors—nonsuccessors develop confrontational relationships with successors as new leaders amid conflicts upon their nonselection. When successor selection is perceived as questionable or unjustified, nonsuccessors remain spiteful and hostile toward successors. In turn, we have found that grudging nonsuccessors either perish out of despair or start to compete with

their families' original business. We thus observed several nonsuccessors who suffered in distress after their nonselection in the cases of the Agnelli and Vanderbilt families. For example, Edoardo Agnelli Junior committed suicide in 2000 after losing selection to John Elkann. Similarly, Cornelius Jeremiah Vanderbilt was first sent to an asylum in 1849 by his father and dynasty founder but then committed suicide in 1882 after his brother, William Henry, took over the leadership of the dynasty. Moreover, if nonsuccessors do not despair but remain dissatisfied with the selection outcome, they often take advantage of their insider knowledge by starting their own firm, competing against their dynasty's new leader(s). For example, Aldo Gucci's three sons, Giorgio, Paolo, and Roberto, started their own fashion businesses after they were excluded by the new leaders<sup>5</sup> and were unwilling to support the new leader to prevent dynasty dissolution (such as from takeover threats). In such cases, the disputed successor-selection process has severe repercussions for the associated dynasties, manifesting as adversarial relationships among family members.

*Exogenous retention by building family cohesion amid external threats.* In contrast to endogenous retention, which focuses on reconfiguring the family's internal relationships, exogenous retention is induced by external, dialectical threats, particularly competitors, to the family business dynasty. To resolve this dialectical process, the continuation of a family business dynasty depends on whether successors and nonsuccessors are able to retain family cohesion to collectively defend themselves against external threats. That is, if these family members can form a cohesive alliance, they are more likely to retain their control over the dynasty and defend it against external threats, i.e., takeovers (see the lower box in the third column of Figure 1). The

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<sup>5</sup> After losing control of the dynasty in 1995, some family members remained involved in the fashion industry as competitors with the original business, such as Alessandra and Allegra Gucci (fourth generation), who had their own fashion firms.

most successful example of this was in the Hermès family. This family set up its first family holding company, Émile Hermès SARL, in 1989 to legally consolidate the family's shares and prevent a possible takeover, which its competing firm, LVMH, experienced in the same period. In 2010, Bertrand Puech (fifth generation, board president) set up another private family holding company, H51 SAS, which brought equity stakes of more than 50 family owners under its roof. By pooling family members' dispersed equity stakes in several such legal entities, the Hermès family had multiple defenses to fend off external threats, particularly takeover attempts.

However, if a family cannot form a cohesive bond in the face of such an external threat, it is likely to lose control over its dynasty. For example, in the case of Gucci, after Maurizio allied with Investcorp to buy the firm out and exclude other family members, there were no family members willing to support him in preventing the later takeover by Investcorp in 1993. Similarly, the Vanderbilt family did not have a clear next-generation leader who could summon other members' support to defend against the hostile takeover in 1954. In the case of the Sainsbury family, 18 trusts were held by individual family members. A single parent family trust was set up for philanthropic purposes<sup>6</sup> but was legally ineffective in consolidating numerous family owners' equity to maintain joint control over the family's supermarket empire after 1997. Therefore, amid an exogenous retention process, the continuity of a family business dynasty critically hinges on the cohesion of the family collective to fend off threats from outside the family.

### **Evolutionary Feedback Loops across Generations**

The succession processes in our model tend to repeat themselves across generations (as shown by the arrow in Figure 1, where families experienced variations in the new generation again after experiencing retention from the previous generation). The families we studied tended to experience

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<sup>6</sup> See <https://www.sfct.org.uk/>

life cycle processes that bring endogenous variation in their pool of successors after the birth of grandchildren, which indirectly legitimizes their parents as potential successors, or exogenous variation via the introduction of in-laws. With respect to successor selection, new leaders emerged from dialectical processes after surviving fierce competition among multiple family members aspiring to become successors (endogenous selection) or after the government or nonfamily investors forced incumbents to resign (exogenous selection). In turn, the selected successors started teleological processes by initiating business changes to develop their new leadership. In addition, they attempted to resolve the dialectical process by redefining their relationship with nonsuccessors to collectively start a new chapter of their dynasty; if such realignment was not possible, successors and nonsuccessors drifted apart, undermining the continuity of the dynasty. However, the realignment of successors' and nonsuccessors' relationships toward the formation of a cohesive family served as an important prerequisite for a cohesive alliance to defend against competitors' takeover. Our analysis thus reveals that family business dynasties are more likely to be sustained in the case of effective variation, selection, and retention of family members in business operations across generations. However, such dynasties may dissolve when they (1) are unable to select a successor in family-internal selection, (2) lose control following predecessor removal by external forces, and (3) lose family cohesion in the face of takeover threats (as shown in Figure 1).

Our longitudinal analysis further discovers that if a family business dynasty survived variation, selection, and retention in one generation, the family learned from the previous generation when reexperiencing similar processes and challenges in the next generation, in line with what Cloutier and Langley (2020) call "multiple feedback loops" (p. 11). For example, we observed repeated examples of the Agnelli family's tendency to start the endogenous variation of successors from

grandchildren (from the first generation to the third generation and then from the third generation to the fifth generation); the Hermès family's reliance on in-laws to bring in exogenous variation in successors and use of holding companies to fend off hostile takeovers in 1989 and 2010; the Sainsbury family's gradual intrafamily relay succession over generations; the Gucci family's initiation of major teleological changes after endogenous selection of a next leader from within the family, such as the expansion to the US in 1953 and diversification between 1975 and 1976; the Quandt family's experiences after two leaders were arrested in 1944 and 1946; and the Vanderbilt family's resource building through the marriage of nonsuccessors.

Although families tended to repeat these succession processes, they did not necessarily lock themselves into these processes (cf. Sydow, Schreyögg, & Koch, 2009). Instead, they also learned from the environment, such as the trend toward gender equality in business and family leadership, to disrupt path-dependent processes over generations. Specifically, in early generations, family business dynasties seemed to have followed a primogeniture tradition (Calabrò et al., 2018), in which female family members tended to experience disadvantages in the succession process. For example, Émile Hermès chose to appoint his three sons-in-law rather than his own daughters as successor candidates, whereas for daughters-in-law who were not welcomed by the family, their husbands, such as Maurizio Gucci and Cornelius Vanderbilt III, were excluded from succession considerations. In other cases, female nonsuccessors seemed to have been excluded from the dynasty through marriage, such as in the case of Vanderbilt family members marrying European nobles. Despite primogeniture in the early generation, the family appeared to have learned from the institutional trend of shifting toward an egalitarian culture in the environment (Farah et al., 2020). Families in recent generations have increasingly engaged female members in leading positions, such as Johanna Bruhn and her daughter Susanne Quandt as majority shareholders of

BMW in 1982 and various cousins of the Hermès family as board members of its holding companies today. Rather than focusing on selecting and retaining the variation brought by only male members within the dynasty, families have incorporated feedback from their previous experiences and changing institutional norms into the succession process by engaging more female members. Hence, the recursive and adaptive process of variation, selection, and retention of family ties over generations highlights the multifaceted challenges related to succession processes and, ultimately, the persistence of family business dynasties.

## **DISCUSSION**

With this paper, we seek to explain the succession processes of family business dynasties in developed countries, where extended families continue to control complex business portfolios with a history of multiple generations. Previous studies on family business dynasties have provided little insight into family dynamics throughout the succession process in extended business-owning families (Huang et al., 2020). This oversight is unfortunate, as the continuation of family business dynasties critically hinges on alignment and cooperation among family members (Lambrecht & Donckels, 2008).

Our analysis of six historical cases (from Germany, France, Italy, the United Kingdom, and the United States with between 74 and 180 years of history) has revealed the interwoven processes (Langley et al., 2013; Van de Ven & Poole, 1995) behind succession that define the continuity of family business dynasties across generations. Specifically, we rely on evolutionary concepts to differentiate succession phases (i.e., variation, selection, and retention) and follow Chiles et al. (2004: 501), who emphasize the “actions of individuals as agents of economic change,” to distinguish between endogenous and exogenous forces in which family members (as agents) interact with each other and their external environment at different temporal paces in the succession process.

For *variation in the pool of successors*, the endogenous force originates in the family life cycle process with the arrival of the junior generation (i.e., grandchildren). Its arrival signals to the incumbent leaders (of the senior generation) that it is time to start succession planning by considering this generation's parents (i.e., the next generation) as potential candidates and engaging them in the business to gradually develop their leadership skills (cf. Rösen et al., 2021). In contrast, exogenous variation comes from another life cycle with marrying nonfamily members, i.e., in-laws, who insert "different kinds of businesses and business combinations" into the dynasty through marriage (Le Breton-Miller & Miller, 2018: 531). In-laws' expertise, gained in the external environment, legitimizes them and allows them to become immediately available successor candidates rather than being excluded from the pool of successors *ex ante*, as previous studies have suggested (Signori & Fassin, 2023; Yu, Stanley, Li, Eddleston, & Kellermanns, 2020). Meanwhile, if in-laws are not well accepted and integrated into the family, they can severely damage their spouse's candidacy as a successor. Therefore, we find that exogenous variation (in-laws as successors) is typically more disruptive than endogenous variation (children as successors) for the persistence of family business dynasties.

An inevitable process following variation in the successor pool is *selection*, which is typically triggered by the death of a leading family member or the forced departure thereof due to the dialectical process involving pressure from the government or outside investors. Death events often precipitate a competitive and dialectical selection process among heirs for the top spot in the focal business empire. Such endogenous selection may fail due to feud among these heirs, which in turn puts the dynasty at risk. In successful endogenous selection, the selected successors are eager to initiate a teleological process that strengthens their foothold through punctuated/immediate changes in their business, in contrast to any succession pattern identified by

Miller et al. (2003). In contrast, in the case of exogenous selection imposed by the government or investors, an existing family manager tends to fill the power vacuum. The inability to put in place a next-generation leader, in turn, heightens the risk of losing control over the dynasty. Our results suggest that amid such an exogenous shock in successor selection, successors of persisting family business dynasties gradually continue their predecessors' teleological paths in their business without much disruption to business activities. Our findings thus suggest that selected successors vary in their temporal pace of initiating strategic changes after selection (cf. Giambatista et al., 2005), depending on how they are selected.

Importantly, after selection, the resolution of the dialectical process in the *retention* process, involving successors and nonsuccessors, critically determines the continuation of family business dynasties. Endogenous retention revolves around the reconfiguration of family relationships. Although the selected successors may appear to be the winners in the competition, they may lose in the subsequent management of family relationships, especially with nonsuccessors, whereby the latter have been portrayed in the literature as powerless victims of the successor selection process (Barach & Ganitsky, 1995; Harvey & Evans, 1995). Rather, we found that some nonsuccessors cooperate with the family and its businesses, e.g., by working inside the family's businesses or by becoming business partners. Successors tended to set up private holding companies that coordinate these cooperative nonsuccessors' equity to ensure the family's stable control over the main business. In the case of confrontation between successors and nonsuccessors, we found that nonsuccessors became competitors with the dynasty's operations. Without successfully reconfiguring intrafamily relationships (e.g., without holding companies to consolidate family equity), the family risks losing control over its dynasty amid exogenous threats, particularly hostile takeovers by competitors. Successful defense against such external challenges requires resolving

the dialectical process by forming a cohesive alliance among family members to ensure that they retain their grip on the family business dynasty. Eventually, a persistent family business dynasty survives the recursive feedback loops of learning from these succession processes over generations.

## **Contributions**

*Contributions to the family business literature.* Our study explains the continuation of family business dynasties in developed countries by studying intrafamily succession processes over generations. Existing studies tend to examine these processes by focusing on the immediate parent–child relationship (e.g., Casson, 1999; Gilding, 2005; Huang et al., 2020) but have a limited understanding of the dynamics in extended families that may complicate or even disrupt the continuation of a family business dynasty (cf. Huang et al., 2020). Extant institutional studies tend to argue that market infrastructures in developed countries, particularly in liberal economies, should replace family-based transactions (Hall & Soskice, 2001), leading to the transformation of family business dynasties into nonfamily businesses (e.g., Caselli & Gennaioli, 2013; Hall, 1988; Kandel et al., 2019). Yet, we still observe several family dynasties in the Western world today, such as the Agnelli, Quandt, and Hermès dynasties. Our study thus examines this intriguing phenomenon that family business and institutional studies cannot explain, and we do so by closely evaluating family dynamics in succession processes involving the extended family. We focus on the critical yet hidden roles of grandchildren, in-laws, and nonsuccessors in determining the persistence of family business dynasties. In contrast to passively reacting to institutional variation, selection, and retention (Carney & Gedajlovic, 2002; Moya et al., 2020), the actions and interactions of these individual family members are pivotal for the persistence of family business dynasties in different types of institutional environments with external threats over generations.

Specifically, our study reveals the complex processes of continuing a family business dynasty, as these processes are nested within each other, occur in the form of distinct temporal patterns, and experience feedback loops over time (cf. Cloutier & Langley, 2020; Van de Ven & Poole, 1995). Our model is particularly valuable to family business scholars in developing unique family business constructs, such as SEW, which tend to focus on control and dynastic succession primarily among incumbents and successors (Berrone, Cruz, & Gomez-Mejia, 2012; Gomez-Mejia et al., 2007; Gu et al., 2019). This is because transgenerational control over the business dynasty is also subject to pressure from other stakeholders, such as other extended family members (Berrone et al., 2012) and institutional actors such as investors (Gu et al., 2019). Understanding the dynamics among these actors over time helps build a stronger theoretical foundation for the SEW construct (Swab, Sherlock, Markin, & Dibrell, 2020). As such, our model has incorporated evolutionary processes into differentiating between different temporal stages (i.e., variation, selection, and retention) as well as the context (Lippmann & Aldrich, 2013) into distinguishing two types of underlying forces—endogenous and exogenous. Moreover, our model extends evolutionary theory by examining cross-domain and multilevel processes (Abatecola, 2014)—i.e., how family members’ life cycle, dialectical, and teleological processes are embedded in and interact with each other at different stages (cf. Langley et al., 2013) throughout the succession processes of family business dynasties.

We first reveal the *difference in temporal paces and patterns across various succession processes* and thus provide novel insights into the family business literature, which tends to focus on the temporal focus (Nason, Mazzelli, & Carney, 2019) or duration of family SEW (Swab et al., 2020) but ignores the speed at which the family reacts to events within (endogenous to) vs. outside (exogenous to) the family domain (see Miller & Le Breton-Miller, 2021). Specifically, the

temporal patterns that family members undertake to react to events depend on the sources of the forces underlying the succession process.

For example, endogenous variation is characterized by the family's life cycle of birth (Schell et al., 2020) and transgenerational control intentions (Zellweger, Kellermanns, Chrisman, & Chua, 2012a). When the birth of junior family members (i.e., grandchildren) triggers senior-generation incumbents to prepare next-generation members (i.e., children) as successors, the preparation of the latter tends to take longer than the exogenous variation brought about by external members (i.e., in-laws) who enter the family through the life event of marriage. Although exogenous variation in the pool of potential successors can quickly introduce successor candidates to the family business dynasty, we find that unwelcomed in-laws can disrupt their partner's candidacy as successors, complementing the positive view of prior studies on in-laws' support for their partners as successors (Le Breton-Miller & Miller, 2018). These findings suggest that the time needed for transferring assets and SEW among family members may depend on the life cycle events these members experience during the succession process.

Interestingly, our findings indicate an opposite temporal pattern in selecting successors. We find that successors emerging from endogenous intrafamily selection do not follow the path of steady conservation or wavering indecision when taking over their business, as suggested in previous studies (Laakkonen & Kansikas, 2011; Miller et al., 2003). Rather, these successors initiate immediate teleological changes to establish and differentiate their new leadership. In contrast, we identify a different temporal pattern for a less-known selection process in family business studies—exogenous selection imposed by external forces (e.g., government or nonfamily investors). When powerful incumbents are suddenly excluded from their dynasty after exogenous selection, the next leaders tend to emerge from among family members already occupying

management positions rather than conceding to a leadership void. To consolidate their family's power, they tend to prefer steady teleological processes by further developing existing business operations. These findings hold new insights for family business studies that consider the impact of the family, such as SEW, on firm-level strategic change (Gu et al., 2019), as this relationship may vary by the type of dialectical processes the family needs to solve. A family may choose to stabilize its SEW after experiencing a sudden dialectical shock introduced by external parties or renew its SEW after experiencing long dialectical competition among family members.

Moreover, we highlight the important role of *nonsuccessors* in the dynastic succession process when successors attempt to solve dialectical processes with them and other external actors to continue their family business dynasty (Huang et al., 2020). In particular, we find little evidence for the self-sacrificing behavior of group members during or after selection, which organizational evolutionary scholars tend to assume (e.g., Watts, Sheehan, Atkinson, Bulbulia, & Gray, 2016; Willer, 2009). Rather, group members who are not retained as part of the successor-selection process, i.e., nonsuccessors, may choose their own paths and part with their family rather than sacrificing themselves for the dynastic ambitions thereof. Indeed, nonsuccessors may cooperate with successors to support/protect the dynasty. However, nonsuccessors may also start careers outside their family business dynasty, often seeking high publicity and social status (e.g., by entering politics or marrying nobility). Another group of nonsuccessors simply perishes in despair after their nonselection. Nevertheless, other nonsuccessors decide to challenge their dynasty by starting rival businesses. Our findings therefore point to a positive linkage between the cooperation of successors with nonsuccessors after resolving their dialectical tensions and the persistence of the family business dynasty. This finding emphasizes the importance of individual family members' intentionality and choice in shaping the "cohesion and persistence of the group" (Nowak, Tarnita,

& Wilson, 2010: 1061)—which in turn can help resolve exogenous, dialectical processes by defending the family business dynasty against threats from the institutional environment, such as external takeovers. Therefore, how successors retain nonsuccessors elucidates an important research direction for family business scholars to understand how the family solves conflicts with various organizational members to preserve the family’s financial and socioemotional wealth in the business.

The *feedback loop* in our model makes another important contribution to understanding the evolutionary nature of family business dynasties. Existing studies tend to assume that families have an imprinted pattern in addressing challenges by relying on their experiences with overcoming similar challenges in previous generations (Jaskiewicz et al., 2015; Kidwell, Eddleston, & Kellermanns, 2018) and may thus suffer from lock-ins in path-dependent processes that undermine their adaptability to the external environment (Moya et al., 2020). However, we reveal that families may potentially break their path dependence by learning from not only their past experience but also other family members and stakeholders in the current environment as the dynasty evolves (cf. Sydow et al., 2009). Our findings indicate that families can learn from in-laws’ professional expertise to expand the dynasty, collaboration with nonsuccessors to fend off external threats, and social norms in the external environment (e.g., the norm of gender equality) to diversify their pool of successors. Such insights shed light on the recent debate on how families identify and adjust (dys)functional processes across family and business domains as they evolve (Kidwell, Eddleston, Kidwell, Cater, & Howard, 2024). Our findings may help family business scholars better explain how families adapt to preserve their financial and socioemotional wealth (Radu-Lefebvre, Davis, & Gartner, 2024), which may otherwise be lost if the family experiences

maladaptation and rigidity as the business dynasty evolves, as suggested by the literature (Nason et al., 2019).

***Contributions to the succession literature.*** Our consideration of the dynamics among various family members within and outside the extended controlling family offers important contributions to the succession literature. Specifically, our focus on the succession process of family business dynasties complements the prior focus of traditional succession studies on nonfamily businesses, such as the interactions between incumbent and succeeding CEOs as well as the board of directors (e.g., Berns & Klarner, 2017; Farah et al., 2020; Giambatista et al., 2005). We consider the processes engaging extensive members from the *family domain*, which allows us to enrich the theorization of complex succession processes (Giambatista et al., 2005), especially the entire process starting from identifying potential successor candidates to the aftermath of selection (Berns & Klarner, 2017). For instance, we show that different family life cycle events, including birth and marriage, may introduce various successor candidates from different domains (inside and outside the family domain). The successor selected from an endogenously dialectical process (with intensive family competition) may be more eager to initiate teleological changes to build his leadership than a successor selected from an exogenous process (cf. Dalpiaz et al., 2014). Moreover, resolving the dialectical process between family successors and nonsuccessors after selection likely determines whether a family business dynasty continues while facing external threats. Hence, our findings help us better understand the complex dynamics underlying the succession process across family and business domains at different stages (Farah et al., 2020).

Moreover, our model contributes to the family business succession literature. Extant studies tend to focus on the family dynamics between incumbents and successors (Daspit et al., 2016; Lambrecht, 2005; Lambrecht & Donckels, 2008), particularly between parents and their children

(e.g., Casson, 1999; Huang et al., 2020) or among successors themselves (e.g., Dalpiaz et al., 2014; Radu-Lefebvre & Randerson, 2020). They focus mainly on how parents perceive the direct signal from next-generation successors' own characteristics (Schell et al., 2020), such as birth order (Calabrò et al., 2018), gender (Bennedsen et al., 2007; Gimenez-Jimenez et al., 2021), or competence (Richards, Kammerlander, & Zellweger, 2019). We look beyond the parent–children relationship and introduce the birth of grandchildren as an *indirect signal* for the family internal succession process. The arrival of the junior generation indicates to the senior generation that their children are legitimate successors of the dynasty and will soon be ready to take over, triggering the succession planning process. This insight discovers the dynamics and signals of other family members, such as grandchildren, to complement the existing focus, which mainly considers parents and children (cf. Lu et al., 2021). Our focus on the signals shared among family members also adds a new perspective to signal theory in the family business literature, which tends to focus on the signal the family sends to external nonfamily investors (Jaskiewicz, Block, Combs, & Miller, 2017) and stakeholders (Sekerci, Jaballah, van Essen, & Kammerlander, 2022). Instead of focusing on signals and their impact on nonfamily stakeholders, we highlight the important role of signals processed by family members and how this internal process affects succession decisions in the top ranks of the firm and alterations to firm-level strategies.

Our model further reveals the critical role of *nonsuccessors* in sustaining a family business dynasty. In contrast to the traditional view that nonsuccessors fail in the successor-selection process (Barach & Ganitsky, 1995; Harvey & Evans, 1995) and should be excluded to secure the selected successors' power (Harrington & Strike, 2018; Jaskiewicz et al., 2015), our findings on endogenous retention highlight the need for successors to spend time and effort in carefully resolving dialectical processes by reconfiguring their relationships with nonsuccessors, including

allying with cooperative nonsuccessors (e.g., through involving them in the dynasty or cooperating with them as business partners), while preventing less cooperative nonsuccessors from threatening the continuation of the dynasty, such as by facilitating takeover attempts by competitors. Such insights are valuable for helping us uncover the dynamics after the selection stage, particularly how successors manage (non)cooperative relationships with other members (Berns & Klarner, 2017).

To establish cooperative relationships, we discover the *productive use of legal instruments*, i.e., *private family holding companies*, to consolidate family equity and exercise family control in effective ways, to avoid fragmentation, to fend off takeover attempts, and, ultimately, to counter the dissolution of family control. Extant studies tend to focus on the instrumental use of holding companies to allocate assets among family members (e.g., Hall, 1988; Lambrecht & Donckels, 2008; Rösen et al., 2021), pool resources to reach economies of scale for investment (Jaffe & Lane, 2004), obfuscate information (Carney & Child, 2013), and avoid tax and legal obligations (Kandel et al., 2019). Our findings uncover a more distinct and productive role of family holding companies than those functions highlighted in previous studies, as holding companies can help maintain family cohesion and thus fend off internal and external threats that may undermine the persistence of the family business dynasty. This finding may help explain the recent emergence of family equity holding companies and family offices (Ben-Shahar, Carmeli, Sulganik, & Weiss, 2023; Zellweger & Kammerlander, 2015).

***Contributions to historical studies.*** Our approach of examining objective history from multiple historical cases to theorize the persistence of family business dynasties contributes to historical studies on family businesses. Prior studies tend to focus on the narrative historical approach, which focuses on family members' subjective interpretations of the history and construction of its

meaning (Suddaby & Jaskiewicz, 2020), such as using history to motivate entrepreneurship (Jaskiewicz et al., 2015), reshape firm identity (Sasaki et al., 2020), and remain competitive in the market (Ge et al., 2022). Although the narrative approach is useful for understanding how individual actors make sense of history and for uncovering their potential intentionality and biases of their actions (Heller, 2023), this approach often focuses on how individuals bracket time into different periods to better remember the past and may even intentionally erase certain historical events from memory to better serve their intended goals (Suddaby & Foster, 2017). Consequently, this approach limits the use of history and overlooks the wider historical context that provides a complete theorization of an organizational phenomenon, which depends on the interaction between *historical forces and actors in the context over time* (Perchard et al., 2017). However, considering actors in different contexts across time is the key to reaping the benefits of the historical approach in explaining organizational phenomena (Pillai, Goldfarb, & Kirsch, 2024).

Therefore, our historical approach to objective history complements the traditional narrative approach by connecting key facts and events surrounding individual members across domains and time to build a more comprehensive model that explains our phenomenon (Suddaby et al., 2020), i.e., (dis)continuation of family business dynasties. Specifically, our model builds on *multiple historical cases with various outcomes* (Colli, Howorth, & Rose, 2013), ranging from the continuation to the dissolution of a dynasty, by capturing how different individuals and parties interact and shape an organization in different institutional settings (Suddaby et al., 2023). In particular, our model identifies how an organization, i.e., the family business dynasty, may not follow a predicted path (Argyres et al., 2020), such as the life cycle and teleological strategy of family members. Instead, our model identifies the complexities and contingencies underlying family members' actions (Perchard et al., 2017). For example, family members need to solve

various dialectical conflicts among themselves or with external parties throughout the succession process before they can continue their teleological process in strategic planning and retain valuable members and businesses. As such, our historical approach enables us to look beyond the subjective narratives of individual family members by considering the relationships between actors, events, and contexts to better theorize the *variations* and *contingencies* behind a puzzling phenomenon (Wadhvani et al., 2020), i.e., the continuation of family business dynasties in developed countries.

### **Limitations and Future Research**

Our study has certain limitations. First, our findings are based on historical case studies, and we derived them by examining past events and their relationships across time and across domains (including the family, business, and environmental domains) (Wadhvani, 2016; Wadhvani et al., 2020). We have thereby engaged in “objective history” by analyzing a collection of facts from the past rather than the actors’ subjective interpretations thereof (Suddaby et al., 2020). However, this historical approach tends to elide contemporaneous responses *ex ante* (Wadhvani et al., 2020: 5), such as how current family members interpret past events and determine future business directions. While we have addressed this limitation by collecting data from various sources (see Table 3), future research may adopt a historical approach that pays closer attention to current actors’ interpretations, motivations, expectations, and learning regarding a specific action, e.g., rhetorical history, focused on actors’ narrations of the past, or an imaginative history, focused on how actors use this history to predict the future (Suddaby et al., 2020). Although the actor-centered approach may require different types of data, such as field observations, it may reveal causality in our model, which relies on objective historical events.

Second, our historical cases reflect rather traditional family structures—namely, patriarchal structures. More recent socioeconomic trends, such as the rise in divorce rates, women entering

the workforce and top leadership roles, out-of-wedlock births, adopted children, single-parent households, and unmarried couples without children (Aldrich et al., 2021; Aldrich & Cliff, 2003), may further complicate family dynamics beyond what we have observed in the sampled cases. Nevertheless, our cases offer some evidence of how families cope with these new trends, e.g., including illegitimate children as board members (in the Gucci case) or setting up holding companies for children from previous marriages (in the Quandt case). Nevertheless, future work may pay more attention to the multiplexity of family relationships and their coordination (Mahmood, Zhu, & Zaheer, 2017), e.g., whether the distribution of assets and control is coordinated differently (e.g., using other family governance tools than holding companies) if there are multiple families in the same business dynasty (Duran & Ortiz, 2020).

Third, our findings identify the utility of holding companies in consolidating family equity and relationships while fending off external threats. Although our findings reveal alternative uses of holding companies other than instrumental use for investment and legal compliance (Zellweger & Kammerlander, 2015), future research may explore additional functions associated with holding companies or other family governance entities such as foundations and family offices. For instance, the family may use those entities to institutionalize the intergenerational transfer of SEW (Schickinger, Bierl, Leitterstorf, & Kammerlander, 2021) by providing systematic training for next-generation members and preparation for incumbents' retirement before selecting the successor. These entities may also provide an alternative way to retain nonsuccessors by engaging them in philanthropic activities (Cruz, Milanov, & Klein, 2024). Moreover, these entities may help the family shift from defensive positions to more proactive positions in addressing competitors when they can pool together sufficiently large family resources (Jaffe & Lane, 2004) to afford further business expansion or even the acquisition of other companies. Future studies can build on

our insights to further explore the diverse uses of holding companies and other types of family governance entities.

Finally, our model identifies how the family learns from past experience and current trends when undergoing succession processes over generations, such as the use of holding companies to defend the dynasty and the introduction of gender equality that comes with further variation in the pool of successors. These insights shed light on how a family can break free from imprinted patterns in managing its financial and socioemotional wealth (cf. Kidwell et al., 2018). Future research may further explore how the family learns from other social trends, such as technological advancements in relevant industries, as members' technological expertise may influence which business units they will take over as successors (Lu et al., 2021). Another direction addresses how the family learns to better manage relationships with noncooperative successors to prevent them from competing against the successors or even from harming themselves to the extent of committing suicide, which may otherwise damage family SEW. Therefore, scholars may use our insights as the foundation for examining how the family learns from experiences and social norms to manage other social processes.

In conclusion, our paper explores how family business dynasties manage complex succession processes involving extensive family members over generations. Accordingly, this study of six business dynasties in Western countries sheds novel light on this prominent but complex phenomenon. Despite the potential external threat of interrupting the intrafamily succession process, some family business dynasties are able to overcome such threats and successfully manage the complicated succession process. With our paper, we hope to have taken a modest step toward developing this understanding.

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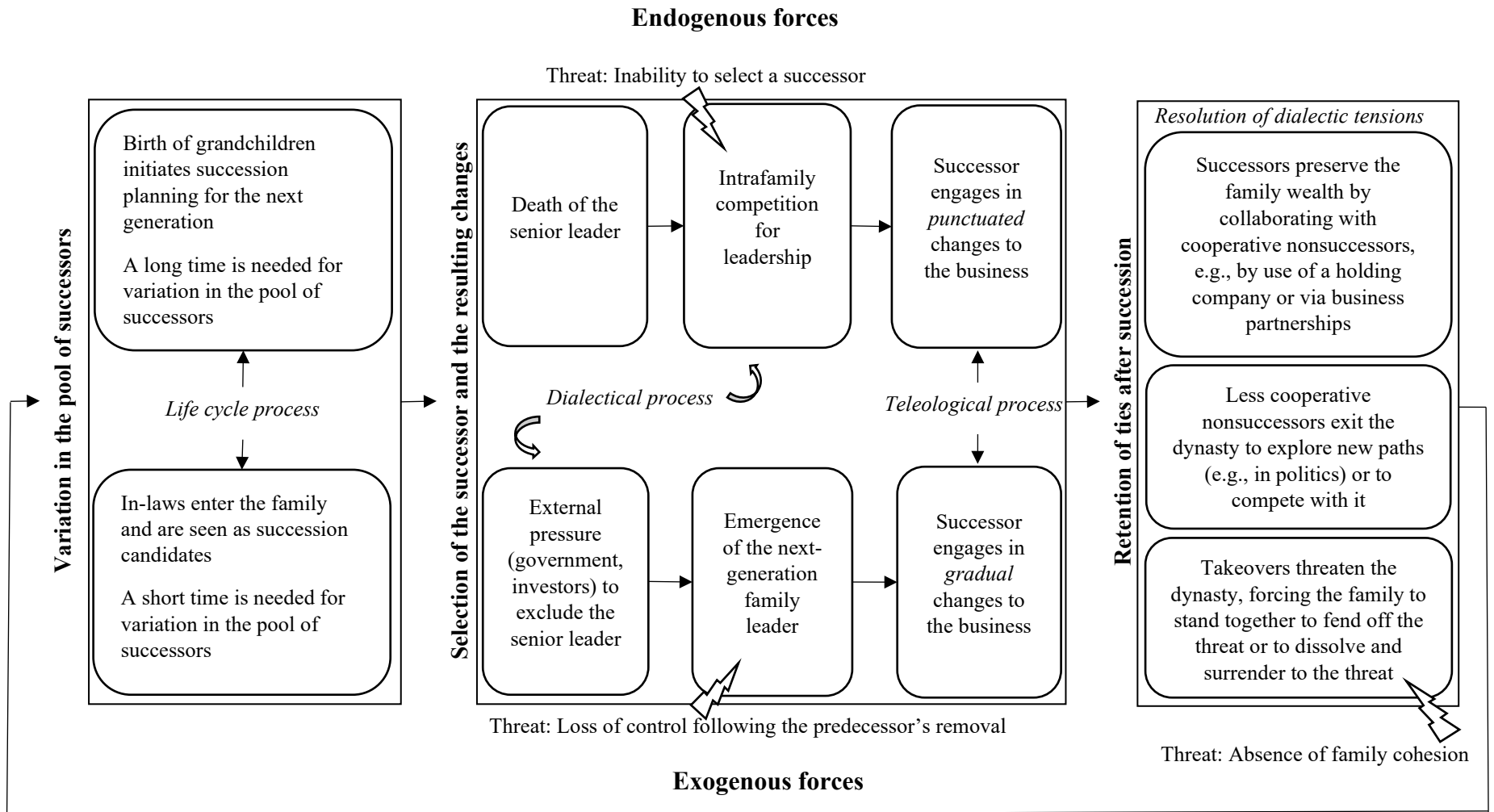
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**Figure 1.** Succession processes of family business dynasties



**Table 1.** Existing studies on family business dynasties and their primary focus

	<b>Empirical setting</b>	<b>Focus</b>
(Carney & Nason, 2018)	Examination of the wealthiest U.S. families based on survey data.	Wealth accumulation and redistribution among descendants as beneficiaries.
(Caselli & Gennaioli, 2013)	Economic modeling of the emergence of dynastic management.	Transmission of ownership and managerial responsibility of the firm within the same family.
(Casson, 1999)	Theoretical differentiation of dynastic firms from other types of firms.	Intergenerational altruism to the benefit of future generations and trust among family members.
(Colli, 2003)	Historical cases of family firms and their advantages.	Family businesses with a complex network of financial and kinship ties.
(Gilding, 2005)	Interviews with wealthy Australians regarding wealth transfer across generations.	Family control by consolidating the management and ownership of businesses across generations.
(Gu et al., 2019)	Database on Taiwanese family businesses and their new industry entries.	Long-term strategic investment bequeathed to a large group of family members across generations.
(Hall, 1988)	Historical overview of family firms in the US.	Long-term wealth transfer to the next generation.
(Huang et al., 2020)	Historical cases of dynastic monarchies and survey data of family firms in China.	Preservation of family legacy across generations, career opportunities, and wealth accumulation for the next generation.
(Jaffe & Lane, 2004)	Theory about the challenges faced by family dynasties regarding wealth management and organizational structures.	Investment portfolio of diverse assets controlled by multiple individuals from different family branches.
(Lambrecht, 2005)	Case studies of U.S. and European family businesses and their transfer to the next generation.	Long-term family businesses with sound governance structures for the family and business.
(Moya et al., 2020)	Case studies of Spanish and German family businesses and their institutional environments.	Keeping the company within the family for generations.
(Rüsen et al., 2021)	Case studies of German family businesses and how the families manage their businesses.	Family businesses with at least 50 owners in or after the fifth generation.
(Stewart, 2003)	Conceptual arguments on costs and benefits of kinship in family businesses.	Long-lasting affiliation of descendants to the business.
(Ward, 2004)	Historical case of family firms in the U.S. and its development over time.	Long-lived businesses with more than 100 years.

**Table 2.** Sample and data summary

<b>Family</b>	<b>Agnelli</b>	<b>Quandt</b>	<b>Hermès</b>	<b>Gucci</b>	<b>Vanderbilt</b>	<b>Sainsbury</b>
History of family involvement	1899–present (118 years)	1883–present (134 years)	1837–present (180 years)	1921–1995 (74 years)	1810–1970 (160 years)	1869–present (148 years)
The latest generation in the family domain	6 <sup>th</sup> generation	5 <sup>th</sup> generation	7 <sup>th</sup> generation	4 <sup>th</sup> generation	7 <sup>th</sup> generation	6 <sup>th</sup> generation
Total assets (of the business dynasty when the family was still involved)	163.78 billion (euros)	195.51 billion (euros)	7.68 billion (euros)	700 million (US dollars)	6.5 billion (US dollars)	19.80 billion (pounds)
The generation of the current/last family firm leader	5 <sup>th</sup> generation	4 <sup>th</sup> generation	6 <sup>th</sup> generation	3 <sup>rd</sup> generation	4 <sup>th</sup> generation	4 <sup>th</sup> generation
Outcome of the last succession process	Continuation of the dynasty today	Continuation of the dynasty today	Continuation of the dynasty today	Dissolution of the dynasty through an external takeover	Dissolution of the dynasty through bankruptcy	Dwindling dynasty with minor family ownership (< 10% of shares)
The current/last main industry	Automobile	Automobile	Fashion	Fashion	Transportation	Retail
Country of origin	Italy	Germany	France	Italy	United States	United Kingdom

The data collection period for the sampled cases started with their founder's birth and ended in December 2017.

**Table 3.** Types of data

<b>Data type</b>	<b>Domain of events</b>
Dataset (ORBIS dataset)	For ownership data and industry sector
Corporate archives (e.g., annual reports, press releases, and website)	For family and business events
Industry reports (e.g., analysis of the fashion and automobile industries). <sup>7</sup>	For industry events
History books. <sup>8</sup>	For family events
Academic articles (e.g., case studies of specific industries such as fashion and transportation). <sup>9</sup>	For business and industry events
News articles (e.g., Forbes, Wall Street Journal, and CNBC). <sup>10</sup>	For family, business, and industry events
Governmental reports (e.g., on specific sectors, such as reports from the U.S. Department of Transportation)	For industry events
Documentaries (such as those involving members from the Agnelli [2017] and Vanderbilt [1995; 2016] families and others produced by journalists describing the history of Quandt [2007] and Sainsbury [2019]). <sup>11</sup>	For family and business events

<sup>7</sup> For instance, we used English's (2013) "A cultural history of fashion in the 20th and 21st centuries: From catwalk to sidewalk," Ewing and Mackrell's (2014) "History of 20<sup>th</sup> century fashion" and Sterlacci and Arbuckle's (2017) "Historical dictionary of the fashion industry" to examine the fashion industry. For the automobile industry we relied on Nieuwenhuis and Wells' (2003) "The automotive industry and the environment" and their (2015) "The global automotive industry."

<sup>8</sup> Some example books include Friedman's (1989) "Agnelli and the network of Italian power," Clark's (2011) "Mondo Agnelli: Fiat, Chrysler, and the power of a dynasty," Jungbluth's (2002) "Die Quandts," Charbin's (2022) "Hermès: Straight from the horse's mouth," Homer's (2022) "The little book of Hermès: The story of the iconic fashion house," Forden's (2001) "House of Gucci: A sensational story of murder, madness, glamour, and greed," and Vanderbilt's (2001) "Fortune's children: The fall of the house of Vanderbilt."

<sup>9</sup> For example, Hines and Bruce (2007) "Fashion marketing: Contemporary issues," Sammarra and Belussi's (2007) "Evolution and relocation in fashion-led Italian districts: Evidence from two case-studies," Hadley's (1895) "Railroad transportation: Its history and its laws," Herbst's (2005) "The history of transportation," Taylor (2015) "The transportation revolution 1815-60," and Wolf's (1996) "Car mania: A critical history of transport."

<sup>10</sup> Examples include the interviews with Axel Dumas, Pierre-Alexis Dumas, Guillaume De Seyne from the Hermès family, and those with Aldo Gucci, Maurizio Gucci, Patrizia Reggiani, Patricia Gucci (Aldo's illegitimate daughter), and Allegra Gucci from the Gucci family.

<sup>11</sup> HBO's (2017) "Agnelli," A+E Networks' (1995) "The Vanderbilts: An American dynasty," Gloria Vanderbilt and Anderson Cooper's (2016) "Nothing Left Unsaid," Friedler's (2007) "The silence of the Quandts," and the BBC's (2019) "Sainbury's: 150 years on the high street."

**Table 4.** Succession processes of family business dynasties: A theoretical summary

	<b>Endogenous force</b>	<b>Exogenous force</b>
<b>Variation</b>	<i>Long and gradual preparation</i> of successors from within the existing family, indirectly triggered by the birth of grandchildren (i.e., part of the family’s life cycle). Senior-generation leaders started engaging their children in succession planning.	<i>Immediate availability</i> of potential successors who bring in their expertise after marrying into the family (in-laws) (i.e., part of the family’s life cycle). In-laws might help business diversification and even become successors themselves. In-laws not welcomed by the family might instead cost their partners the eligibility as successors.
<b>Selection</b>	<p><i>Internal competition</i> among family members over firm and family assets (e.g., lawsuits or buyout) and risk of not being able to select a successor (i.e., part of a dialectical process) and thus loss of family control.</p> <p><i>Urgent establishment of new leadership and punctuated changes to the business</i> by the selected successor in a teleological process by rearranging the business portfolio (such as expansion, M&amp;A, and divestments) to differentiate the new successor from the predecessor and mark the new regime.</p>	<p><i>Imposed departure</i> of incumbents in consequence to external pressures, such as from the government arresting incumbents or outside investors buying shares, and risk of loss of family control (in a dialectical process).</p> <p><i>Gradual development of new leadership</i> from family members already involved in the firm and <i>gradual changes to the business</i> by the successor continuing the existing business path alongside the exclusion of the predecessor to consolidate and perpetuate family control in a teleological process.</p>
<b>Retention</b>	<i>Reconfiguration</i> of family relationships between successors and nonsuccessors when resolving the dialectical tensions among them, e.g., being in beneficial cooperation (in the same dynasty or as business partners) versus hostile confrontation (that might lead to members’ death or business competition), which further facilitated versus hindered the continuation of the dynasty.	<i>Cohesion and realignment</i> of family relationships when resolving the dialectical tensions ensuing successor selection to defend against external threats, e.g., using holding companies to fend off takeovers versus surrendering to external threats by losing shares, which further facilitated versus hindered the continuation of the dynasty.