ACCESSION TOURNAMENTS: THE APPLICATION OF A GAME THEORY DERIVATIVE TO THE MULTI-DIMENSIONAL FAMILY BUSINESS ACCESSION PROCESS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

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Principal Topic

We argue that the recent governance and professionalization focus in family business research conversations, while helpful in understanding succession, and family businesses in general, needs to be complemented with a theoretical discussion of the multi-dimensional accession process. We contend that this process is multi-dimensional as, unlike in a corporate setting where the incumbent is succeeded by a suitable successor, multi-generational family businesses are more complex and there is potentially a plethora of positions of influence for which actors can compete.

We use tournament theory to propose how family actors will act in accession tournaments and propose that the absence of a ‘final’ tournament further distinguishes family from non-family businesses.

Model Development

Tournament events differ in family businesses. Additional agency behaviors such as adverse selection (nepotism) and family altruism may occur, as, for example, an actor may wish to add additional actors from their branch of the family (i.e., allies) to increase their base of power and thereby increase the likelihood the actor will attain the next level within the organization with the resulting payout. As well, in family business, because wages are not the only form of remuneration and positions of influence are attained using other means, there is an added level of complexity. Further, we posit that tournaments will be guided by a governance initiative driven agreements (i.e., the rules of the game) and the availability of tangible (e.g., financial capital) and intangible (i.e., social capital) resources for distribution to the family business in determining the probability of anti-competitive behaviors occurring during the accession tournament.

Implications

This research has particular relevance to the Successful Transgenerational Entrepreneurship Process (STEP) global research initiative. STEP has provided researchers both the motivation and opportunity to work with well established multi-generational business families to identify how well they are positioned to survive multiple generational transitions. The rich data being collected by STEP scholars to test the universal theoretical EO/RBV framework provides unique insights into significant business families around the world. As well, STEP is evolving as a catalyst for scholars to explore alternative theoretical applications to examine these established business families. The initial conversations and conceptual model presented in this current research is particularly useful to STEP scholars to better understand accession in the families with whom they are working and studying.

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