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CEO turnover in family firms: How social exchange relationships influence whether a non-family CEO stays or leaves

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ABSTRACT

Interpersonal relationships are an important factor in organizations, and a growing number of articles examine how such relationships affect why people stay or leave organizations. In this article, we investigate how affective attachment between actors influences the turnover and retention process of non-family CEOs in family firms. By employing a social exchange perspective, we reveal under which conditions affective attachment come into being. We focus on the relationship between a non-family CEO and two generations of the owner family. Conceptualizing their relationship as an exchange triad, we show how imbalances influence the affective attachment created in this triad and outline the implications for turnover. Our article contributes to the literature on family businesses and turnover by linking the affective side of interpersonal relationships to CEO retention and turnover.

1. Introduction

Why people remain in or leave an organization is a question that has been contemplated in the literature for decades (Holtom, Mitchell, Lee, & Eberly, 2008). Turnover disrupts the organization and can be costly (Hom, Mitchell, Lee, & Griffeth, 2012; Karsan, 2007). One aspect that has received increasing attention is the role that interpersonal relationships play; notably, these relationships are prominently included as ‘links’ in the concept of job embeddedness (Mitchell, Holtom, Lee, Sablynski, & Erez, 2001). Although the integration of links has led to many new insights into turnover behavior (Lee, Burch, & Mitchell, 2014), most research has focused on the number of links that individuals in an organization have. Thus, several authors have called for a stronger focus on investigating the quality of relationships (Holtom et al., 2008; Shaw, 2011; Zhang, Fried, & Griffeth, 2012). Indeed, recent research has shown how different types of interpersonal relationships can both drive and hinder the turnover process, both from a perspective of links as well as utilizing network approaches (Felps et al., 2009; Mossholder, Settoon, & Henagan, 2005; Soltis, Agneessens, Sasovova, & Labianca, 2013). An important part of relationships is the attachment that actors build with one another. Attachment fosters trust building (Williams, 2001) and fulfills the human need for belonging (Baumeister & Leary, 1995).

These considerations are especially prominent in the context of family firms. While intra-family relationships have received much attention (Handler, 1994; Kellermanns & Eddleston, 2004) the role of non-family members and their relationship with the owner family has received considerably less attention (Daspit, Holt, Chrisman, & Long, 2015; Hall & Nordqvist, 2008). The issue becomes even more important when looking at a specific situation in family firms that is becoming more common, i.e., family firms and the employment of non-family CEOs (PwC, 2014). In this article, we employ a social exchange perspective to conceptualize how and under what conditions different social exchanges lead to affective attachment between actors and influence whether a non-family CEO is more or less likely to remain in the family firm.

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The context of family firms has received increasing attention over the last decades since family businesses represent the world's most common economic organizational form. Family firms are oftentimes implicitly understood as both *owned* and *managed* by family members. However, many family firms are led by non-family CEOs (Anderson & Reeb, 2003; Klein & Bell, 2007), and a recent survey indicates that 32% of family firms plan to maintain family ownership but pass business leadership to a non-family member (PwC, 2014). Because the owner family must relinquish substantial control when hiring a non-family CEO, the choice to move to a non-family CEO represents a "very significant decision for family firms" (Chang & Shim, 2014, p. 1). Family firms are driven by mixed motives that are both financial and non-financial in nature (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012), which has led to inconsistent findings regarding non-family CEO turnover, (Huybrechts, Voordeckers, & Lybaert, 2013; McConaughy, 2000; Salvato, Minichilli, & Piccarreta, 2012; Westhead, Cowling, & Howorth, 2001). As several authors have noted, the relationship with the owner family is highly important to non-family CEOs and may even be more important than the firm's financial performance (Blumentritt, Keyt, & Astrachan, 2007; Nordqvist, 2012). Moreover, having a relationship with the owner family is inescapable for the non-family CEO because family owners are involved in the everyday running of the business and represent the non-family CEO's employer (Matlay, 1999). Such circumstances make for the importance of studying interpersonal relationships in the family firm context.

Moving beyond current research that focuses solely on the non-family CEO's connection to the current generation in power, we include an important stakeholder: the next generation of the owner family. Following Daspit et al. (2015), we draw on social exchange theory to propose a new conceptualization of the relationship between the non-family CEO, the current, and next generations as an exchange triad. Social exchange theory is a fitting theoretical choice because it is frequently used to study interpersonal relationships (Collett, 2010) and represents one of the "most influential conceptual paradigms for understanding workplace behaviour" (Cropanzano & Mitchell, 2005, p. 874). Recently, social exchange theory has also been used to study the relationship between family and non-family actors (Barnett, Long, & Marler, 2012; Daspit et al., 2015; Long & Mathews, 2011). Social exchange allows us to incorporate family actors both as co-workers and employer. In the triad, we look at both voluntary turnover (in which the non-family CEO decides to leave) and forced turnover (in which the owner family makes the decision). In particular, we make use of the affect theory of social exchange (Lawler, 2001; Lawler, Thye, & Yoon, 2008) to conceptualize how exchanges in the triad influence the turnover or retention of the non-family CEO, and how they may differ depending on how the triad is balanced. We define balance in the triad when actors have similar strength, and their dependence upon each other is equal; accordingly, imbalance in the triad comes from a difference in dependence between actors (Emerson, 1962; Lawler, Thye, & Yoon, 2000).

In so doing, our article contributes to the literature on family firms and human resource management. We propose a novel conceptualization of the triad relationship between the owner family and the non-family CEO, which relies on the affect theory of social exchange (Lawler, 2001). We extend current knowledge about family firms by explicitly integrating the next generation of the owner family, shedding light on how interactions with non-family actors can influence the succession process (Daspit et al., 2015). Moreover, we contribute to knowledge on human resource management in family firms by showing how imbalances toward either actor may impact turnover and retention. We highlight the importance of relationships for turnover by outlining under what circumstances affective attachment between actors comes into being. We thus address current criticism that research has not considered relational aspects such as attachment (Holtom et al., 2008). Moreover, by focusing on affective attachment and detachment, our article answers the call to build theory that explains simultaneously why people leave *and* why they stay in an organization (Holtom et al., 2008; Steel & Lounsbury, 2009).

2. Theoretical framework

2.1. Interpersonal relationships and turnover

In the literature on turnover, the work of Mitchell and colleagues on job embeddedness (Mitchell et al., 2001) has started research on the importance of interpersonal relationships, referred to as 'links', the "formal or informal connections between a person and institutions or other people" (Mitchell et al., 2001, p. 1104). Several authors have called for a stronger investigation into how interpersonal relationships affect turnover and retention (Holtom et al., 2008; Mossholder et al., 2005; Shaw, 2011), and several articles have responded to this call.

In focusing on turnover contagion, Felps et al. (2009) show how relationships with coworkers influence an individual's decision to remain at or quit a job, depending on these co-worker's job embeddedness and job search behaviors. Soltis et al. (2013) employ a social network approach to investigate how formal and informal workplace relationships influence turnover intentions. In particular, the authors focus on advice-taking and advice-giving relationships, showing that they either drive or hinder turnover. In addition, Vardaman, Taylor, Allen, Gondo, and Amis (2015) use social network analysis to show how the network position of individuals may influence how turnover intentions lead to actual turnover. Our conceptualization also looks at the quality of relationships – but from an affective perspective, highlighting under which conditions affective attachment may come into being in the family business context.

2.2. Interpersonal relationships in family firms

Relationships are pervasive and important in every business but even more so in family firms because of the complex intertwinement of family and business relationships (Matlay, 1999; Zellweger & Sieger, 2012). Intrafamily relationships were an important aspect of early family business research (Handler, 1994; Lansberg, 1988) that often focused narrowly on the succession process as well as on conflict in the family firm (Davis & Harveston, 1999; Kellermanns & Eddleston, 2004; Kets De Vries, 1993).