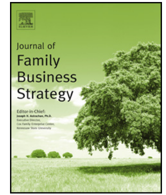
Journal of Family Business Strategy 5 (2014) 372–383

Contents lists available at ScienceDirect

Journal of Family Business Strategy

journal homepage: www.elsevier.com/locate/jfbs



# Family firm succession: Lessons from failures in external party takeovers

Olivier Meier [a], Guillaume Schier [b,*]

[a] Institut de recherche en gestion, Université Paris-Est (UPEC), Avenue Pierre Point, 77127 Lieusaint, France
[b] France Business School (Campus de Tours), 1 rue Léo Delibes, BP 0535, 37205 Tours Cedex 3, France

ARTICLE INFO

*Article history:*
Received 8 April 2013
Received in revised form 14 May 2014
Accepted 15 May 2014

*Keywords:*
Family firm
Succession
External acquirers
Cognitive biases
Managerial errors

ABSTRACT

This article focuses on the role of cognitive biases in failed external party takeovers. Our central issue is to understand how and to what extent external acquirers' cognitive biases could lead to managerial errors in small- and medium-sized external party takeovers. Our sample comprises five failed takeovers. We used narrative techniques and an interpretative approach through in-depth qualitative interviews conducted with both sellers and acquirers. Our study allows us to identify five common managerial errors that are associated with external acquirers' cognitive biases.

© 2014 Elsevier Ltd. All rights reserved.

## Introduction

Succession in a family firm is not a straightforward process, even for a CEO who is approaching the age of retirement and has clearly stated his will to pass the baton. Difficulties inherent to this process can be all the more pronounced when the company is a small-sized family firm (as in the majority of cases) and when its profitability is strongly associated with the CEO's personality. While succession is one of the major topics in family business research (Astrachan, 2010; Handler, 1994; Le Breton-Miller, Miller, & Steier, 2004; Wrigth & Kellermanns, 2011), most of these studies address the intra-family succession process (Churchill & Hatten, 1987; Handler, 1990, 1994; Lambrecht, 2005; Lansberg, 1988; Le Breton-Miller et al., 2004; Sharma, Chua, & Chrisman, 2000; Ward, 1987) or the choice between a family or a non-family successor (Bennedsen, Nielsen, Perez-Gonzalez, & Wolfenzon, 2006; Burkart, Panunzi, & Shleifer, 2003). These studies are mainly carried out from the point of view of the incumbent. The case of a family business takeover by a third party represents one of the most critical situations in terms of family succession, as it leads to the family's mourning of its continuing involvement on the one hand (Cadieux, 2004) and contributes to the creation of tensions and passions in a context where there is a high level of information asymmetry on the other (Haspeslagh & Jemison, 1991). In this perspective, a new strand of research is also emerging, taking the successor's point of view and trying to understand his motivation and the determinants of his choice between taking over a business and starting a new venture (Bracci & Vagnoni, 2011; Deschamps & Geindre, 2011; Parker & Van Praag, 2012).

From the external party point of view, the takeover decision can be analyzed as an acquisition of a firm that happens to be a family firm and, as such, becomes a risky decision. Factors of the failure of an acquisition have therefore been identified, such as strategic misfit (Bettis, 1981; Salter & Weinhold, 1979), political errors (Hunt, 1990), cultural distance (Bjursell, 2011; Weber & Schweiger, 1989) or managerial errors (Datta, 1991; Gerpott, 1995; Shrallow, 1985; Shrivastava, 1986). However, to our knowledge, no study has addressed the key factors of failure of an external party takeover of a family business in the context of incumbent volunteer succession. In this article, we focused on failed takeovers to identify the individual-level managerial errors associated with the takeover process. Inherent to this issue is the relationship with the other party and the risks incurred by the acquirer in his relational management of an incumbent manager who has an emotional and personal tie to his organization, which can generate cognitive biases (Pieper, 2010). We then mobilized the conceptual work of Hogarth (1980) on cognitive biases and extended previous works made on acquisition by taking into account the specific nature of a family firm. Our central issue is to understand how and to what extent external acquirers' cognitive biases could lead to managerial errors in small- and medium-sized external party takeovers.

* Corresponding author. Tel.: +33 2 4771 7290.
*E-mail addresses:* olmeier@yahoo.fr (O. Meier), guillaume.schier@france-bs.com (G. Schier).

http://dx.doi.org/10.1016/j.jfbs.2014.05.001
1877-8585/© 2014 Elsevier Ltd. All rights reserved.

Our research is based on five failed external party takeovers for which we were able to conduct in-depth qualitative interviews with both the seller and the acquirer. We used narrative methods to analyze our data. The aim of this paper is not to list all of the biases that may present themselves during the takeover of a family business by an external party but rather to select the most significant biases to understand how they function and then present how these biases can lead the external acquirer to observable errors. From a practical point of view, it is important to understand how the acquirer can approach such a project in a rational manner without losing sight of the emotional context and the psychological consequences for the target company's various actors. The structure of this paper is as follows. Section 'Psychological dimensions and cognitive biases associated with an external acquirer' presents a literature review of the potential cognitive biases associated with the transfer of a family business to an external acquirer. Section 'Methodology' presents the research methodology. Section 'Results: managerial errors of the external acquirer associated with cognitive biases' describes our main results: the main managerial errors of the acquirer associated with the cognitive biases identified in our sample. Section 'Discussion' discusses the results obtained and proposes some research perspectives.

## Psychological dimensions and cognitive biases associated with an external acquirer

The selling of a family business involves both the incumbent CEO and the future acquirer in a dyadic relationship in which emotions and psychological dimensions play an important role. If the seller/acquirer relationship is always embedded with some psychological dimensions at the individual level, these dimensions are even more important if the target is a family firm due to specific organizational ambiguity (Davel, 2006). Ambiguity, complexity and uncertainty are the main common circumstances that generate cognitive biases at the individual level in a strategic decision such as an acquisition. This section presents a review of the literature on the psychological dimensions of the external acquirer as well as a selection of the cognitive biases that could be associated with an external party takeover. In this study, we define a family business as one in which the majority of shares or voting rights is held by the members of a single family and where the power of management and control are in the hands of one or more of the family members (Commission Européenne, 2009). We apply the definition of cognitive bias offered by Le Ny (1999, p. 116): "a bias is a distortion (a systematic deviation from the norm) of information entering or leaving the cognitive system. In the first case, the subject operates a selection of information, in the second case; he carries out a selection of responses."

### *Psychological dimension of the acquirer in an external party takeover*

The external acquirer's situation is fundamentally different from that of the internal successor in the sense that his motivations are extrinsic to the target company (Abdellatif, Amann, & Jaussaud, 2010; Grundström, Öberg, & Öhrnwall Rönnbäck, 2012). According to Meier and Schier (2008), we can identify the following key differences between the motivations of the internal successors (a sense of duty, need to be useful, desire to carry out the job, recognition within the system, and the need to preserve the atmosphere at work) and external acquirers (an individual need for realization and a desire for ambition/power or social status, among others.). The environment in which the potential acquirer evolves is essential to his decision-making, whether it concerns the takeover project or functions on a personal or professional level. However, acting out will depend above all on the events of a given period. For example, takeovers can occur in many stages during the life of a company, such as during a retirement, succession, illness or death of the company director or a judicial receivership or upon a shareholder's or director's decision to withdraw from the company. The triggering factor of the takeover must consequently resonate with the acquirer's background (personal history, beliefs, and values) and deep motivations (search for meaning, ambition, and aspirations) for him to make the decision to take over the target company (Deschamps & Geindre, 2011). The external acquirer cannot disregard the context of the takeover and the risks associated with the incumbent's perception of the latter (Bah, 2009; Guieu, 2010; Pieper, 2010). If the acquirer is to remain true to himself and respond above all to the needs of the new company, he must also try to show that despite the differences between the incumbent and the successor, certain symbolic or structural elements of order will be preserved both in terms of the company's cultural aspects and its management style and criteria. In this regard, we develop hereafter the biases associated with the seller/external acquirer relationship during the periods when the two get to know each other and interact with a view of reaching an agreement, that is to say, the preparation and negotiation phases. The psychological dimensions of both the incumbent and the acquirer are then at the heart of the family business external party takeover. The asymmetric nature of the relationship between these two main actors and the presence of a strong level of ambiguity, uncertainty and complexity both in the family firm as an entity and in the specific dyadic relationship should enhance the cognitive biases during the takeover process.

The authors agree that the risk for an acquirer under pressure to make wrong decisions (a bad choice of target, for example) is higher in acquisitions, given the context of urgency around this type of operation, its high degree of visibility and the highly skewed nature of the relationship (Haspeslagh & Jemison, 1991). Many studies have focused on managerial errors associated with the cognitive biases present during acquisitions. Three main streams of research have been mobilized to describe this phenomenon: (a) works on the judgment in decision-making at the individual level that helped to highlight a number of heuristics and cognitive biases (Goldstein & Hogarth, 1997; Slovic, Fischhoff, & Lichtenstein, 1977; Tversky & Kahneman, 1974); (b) studies on managerial decision-making and strategy have identified a set of managerial errors common to all decision-making processes (Barnes, 1984; Schwenk, 1985, 1995), and finally, (c) studies on acquisitions were conducted to identify the specific errors made by the acquirer and the seller during these operations (Duhaime & Schwenk, 1985; Haspeslagh & Jemison, 1991; Hayward & Hambrick, 1997; Jemison & Sitkin, 1986).

In our study, we address this issue in a specific situation where the target is a family firm and the acquirer is an external party. Our literature review on cognitive biases shows that the authors are unanimous in their agreement that when an individual is faced with complex, ambiguous and uncertain choices, the decisions made could be strongly biased (Ghiglione & Richard, 1999). These biases occur because individuals have limited cognitive capacity to memorize and address information (Simon, 1959). Therefore, numerous works of research list a multitude of heuristic methods and cognitive biases that can be adopted by the decision-maker (Hogarth, 1980). Our central issue is then to understand how and to what extent external acquirers' cognitive biases could lead to managerial errors in small- and medium-sized external party takeovers.

### *Cognitive biases associated with the external acquirer*

Our presentation of the selected biases follows that recommended by Hogarth (1980), who maintains that the decision-maker

adopts them at different stages of the information treatment process. In terms of acquiring the information, an example of one of the biases found is the availability heuristic, which is defined as the tendency to judge the facts or objects that are the most pronounced, most frequent or most easily observed as causal elements (Bower, 1970; Tversky & Kahneman, 1974). In describing the availability heuristic, Le Ny (1999, p. 116) states that it is when "the estimated probability of an event is a function of the ease with which examples of this event can be evoked". We focused on the synthesis provided by Meier and Barabel (2002) to select six of the most common cognitive biases associated with an acquisition decision.

*Anchoring bias*

In terms of handling information, one of the most frequently identified biases is the anchoring bias, which is common when the takeover occurs after a strategic and financial analysis. Anchoring is defined as the construction of an argument from a given point when defining a problem, a prior situation or practice when the initial framework of analysis is fixed, limiting later possibilities for adjustment (Evans & Lynch, 1973; Kahneman, Slovic, & Tversky, 1982; Tversky & Kahneman, 1974). Anchoring leads the decision-maker to commit two types of bias highlighted by Bazerman (1998): a rejection of all information that contradicts the defined objective and selective attention vis-à-vis corroborative information. In an external party takeover, this bias could tend to minimize the complexity or ambiguity associated with the family business target. Minimizing cultural specificities of the family firm could lead the acquirer to overlook some important difficulties associated with the takeover.

*Representativeness bias*

At this stage of the process, we also find the representativeness bias, which can lead a buyer or acquirer to reassure himself based on previous, falsely similar situations. Representativeness consists of judging an individual case based on general, abstract and stereotyped preconceptions. The individual judges the present situation by putting it into a category of previously known situations, even if the similarity between the two situations is vague. When taking over a family firm, the external party could seek to transfer his knowledge acquired in previous acquisition without taking into account the specificities of this firm and/or family and/or business. The interaction of these three dimensions (family, firm and business) would make the comparability between a family firm and another firm (family or non-family firm) even more difficult.

*Illusion of control*

In terms of the information process, the illusion of control bias is very frequent, particularly in situations that unite a buyer (external acquirer) and an acquired or take-over entity. The illusion of control corresponds to an over-estimation by the individual of the chances of success of a project led by him because of his abilities as opposed to what could be guaranteed by a statistic, rational evaluation (Lefcourt, 1973). This bias is linked to the decision-maker's exaggeration of the impact his actions may have on a random situation (Miller & Ross, 1975) and a strategy of minimizing contingent factors. The result is an inappropriate feeling of self-confidence (Langer, 1975). For many authors, the family/business relationship explains the essence of the family firm, making it difficult to analyze in depth the performance determinants of these firms (Basco & Pérez Rodríguez, 2009). This could lead to an increase of this bias in external party takeovers.

*Political or relational ambiguity bias*

Other biases are also to be found, such as the political or relational ambiguity bias (Page, 1976), which occurs quite frequently in high-risk financial transactions. The ambiguity allows the two parties to find a common denominator more quickly to conclude the operation, thus facilitating relations between the parties and the production of neutral messages during public interventions. In particular, the actors present will aim to avoid approaching aspects of the takeover that are potential sources of conflict (in terms of objectives or interests) by striving to present a project that arouses agreement and makes it possible to obtain important support. This bias could be present when selling a family firm if the specific status of the CEO within the firm and within the family as well as the specific status of the family within the firm are not explicitly taken into account.

*Escalation of commitment*

Acquisition decisions and therefore decisions regarding company takeovers are also the perfect setting for an escalation of commitment. The latter occurs when more effort and impetus is given to a project following bad signs (Coulon & Wolf, 1980; Staw, 1976; Staw & Ross, 1978; Whyte, 1986) with the view of preventing these signs from damaging the effective realization of a project on which the actors have to spend significant time and resources. The takeover project can, in this way, be continued despite its lack of pertinence (Staw & Ross, 1978) and the appearance of negative information (Caldwell & O'Reilly, 1982). In a family firm external party takeover, this bias could be enhanced in several ways. First, the family or the CEO could have specific reasons to accelerate the course of events due to intra-family objectives or circumstances (death, the end of a shareholder pact, intra-family disagreement, etc.). Second, the central role played by the family or CEO or some family members could lead to a decrease in strategic resource after the sale (Pearson, Carr, & Shaw, 2008; Woods, Dalziel, & Barton, 2012), leading the incumbent to accelerate the process of selling and/or the acquirer to minimize the impact of the previous family resources in the business.

*Apathy bias*

Finally, among an ensemble of other biases, easing off or apathy can be seen in particular in the post-negotiation phase, once the intensity of relations between the buyer and seller has passed. In this type of situation, the external acquirer is so satisfied with having achieved the desired agreement that he may have a tendency to view the problem of post-acquisition management as a minor issue. As shown by Searby (1969), the energy spent carrying out the negotiation phase frequently leads the acquirer to have a slack and apathetic attitude once the company has been taken over. This bias could be expected to be severe, as the acquirer has to manage a firm where part of the management was conducted or carried out by one or several family members and part of the organizational culture was associated with the family culture (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008).

Considering these arguments, we divided our central question into more specific research questions. What are the acquirer's main managerial errors during the preparation/negotiation phases? (RQ1). To what extent are these managerial errors associated with cognitive biases? (RQ2). What are the most recurrent symptoms associated with the occurrence of these cognitive biases? (RQ3).

## Methodology

In this study, we opted for a qualitative and interpretative approach based on a specific and personal understanding of the context of the studied actors, their psychology and their behavior in the framework of the transmission process (Cope, 2011). Down and Warren (2008) explain that this approach allows for an in-depth understanding of managerial practices and processes (Rae, 2000). Dawson and Hjorth (2012) underline the interest of

**Table 1**
Profiles of the participants.

| | Takeover n°1 | Takeover n°2 | Takeover n°3 | Takeover n°4 | Takeover n°5 |
|---|---|---|---|---|---|
| Target family firms | *Revenue*: 5.2 million €<br>*Workforce*: 45<br>*Date founded*: 1952<br>*Activity sector*: General mechanics | *Revenue*: 4.7 million €<br>*Workforce*: 38<br>*Date founded*: 1926<br>*Activity sector*: Surface finishing | *Revenue*: 1.1 million €<br>*Workforce*: 4<br>*Date founded*: 1980<br>*Activity sector*: Environmental consultants | *Revenue*: 4 million €<br>*Workforce*: 95<br>*Date founded*: 1994<br>*Activity sector*: Industrial cleaning | *Revenue*: 2.7 million €<br>*Workforce*: 10<br>*Date founded*: 1957<br>*Activity sector*: Shopping center management |
| Incumbent managers of the family firms | (I1)<br>*Age*: 66<br>*Generation n°*: 2<br>*Gender*: male<br>*Reason for transfer*: Retirement | (I2)<br>*Age*: 62<br>*Generation n°*: 3<br>*Gender*: male<br>*Reason for transfer*: Retirement | (I3)<br>*Age*: 59<br>*Generation n°*: 1<br>*Gender*: male<br>*Reason for transfer*: Retirement | (I4)<br>*Age*: 54<br>*Generation n°*: 1<br>*Gender*: male<br>*Reason for transfer*: Health problems | (I5)<br>*Age*: 71<br>*Generation n°*: 2<br>*Gender*: female<br>*Reason for transfer*: Retirement |
| External acquirer | (A1)<br>*Age*: 51<br>*Training*: University degree<br>*Motivations/qualities*: Already director of a company but would like to buy out one of his competitors. Energetic with multiple competencies. | (A2)<br>*Age*: 47<br>*Training*: Qualified engineer<br>*Motivations/qualities*: Strong managerial experience. Has left his previous job to take over a company. | (A3)<br>*Age*: 45<br>*Training*: Master's<br>*Motivations/qualities*: Already a company director and wishes to take over a business to develop industrial synergies with his current company. Entrepreneurial and possesses genuine commercial competencies. | (A4)<br>*Age*: 42<br>*Training*: None<br>*Motivations/qualities*: Former CFO, he left his job and wishes to restart in a takeover. He is serious, energetic and determined. His main objectives are self-realization and independence. | (A5)<br>*Age*: 39<br>*Training*: Master's (business school)<br>*Motivations/qualities*: Young entrepreneur with third-level business school education, specializing in entrepreneurship and promoting the will to be a team leader. Has always wanted to be independent (refuses to have a boss above him). |

introducing narrative methodology in family business research. According to the authors, "through narrative analysis, theory is developed not through absolute generalization [...] but through patterns of meanings and conceptual bridges following analytical induction." The choice of narrative techniques is particularly useful when analyzing organizational processes or actors' relationships over a long time period. In this study, we applied narrative techniques because external party takeovers can be analyzed as a process whereby two actors, the seller and the acquirer, are living a similar but different story. The ways in which they each interpret the operation and relate their individual experiences allow us to analyze convergences and differences in the narratives, which could then be interpreted in terms of biases or managerial errors. Consequently, these techniques are adapted to our research questions.

Our sample comprises five takeover operations (Table 1). For each, the acquirers (A1–A5) and the incumbents (I1–I5) were interviewed. The sample was selected from the operations of a specialized consultancy company.[1] Two criteria were used. First, the selected takeovers had to be effective (the deal had to be closed and the acquirer had to have led the firm for at least one year and no more than three years) and judged as having "failed." Failure is defined as a takeover that does not meet the initial expected results of stakeholders and/or that is perceived by stakeholders to have failed. This point is very crucial as it is difficult to find operations in which the managers admit to the takeover having failed and agree to be interviewed about that issue. For that purpose, the consulting firm selected an initial broad sample of 20 takeovers "judged" to have failed by their consultants. From these 20 operations, we were able to contact the acquirers for 14 of them. After a first short interview, we obtained 8 acquirers who were willing to participate in this study. Among the 8 takeovers, we were able to interview the acquirers and the sellers of 5 firms. Table 1 displays the five selected operations as well as the profiles of the five external acquirers. The latter were initially selected by the consulting firm according to their different personalities and careers to obtain a broad and global view of the attitudes and behaviors of external acquirers. The data were mainly assembled through individual interviews with both the acquirers and sellers. The interviews lasted two hours on average and were non-directive. The interviews were organized around two major themes. For the seller, the first theme was relative to the context and the motivations for the succession; the second was relative to the contact made with the acquirer and the seller's relationship with the latter up to the effective sale of the company. For the acquirer, the first theme was relative to his professional career, his motivations for the takeover and the reasons for his choice of company; the second was also relative to this relationship with the transferor from the first meeting up to the takeover.

In accordance with Berglund (2007), our analyses therefore sought to establish links between the occurrences of the data and the theoretical concepts. Analyzing the respondents' life stories made it possible to highlight different elements that may explain the positions of different actors. These elements are too often hidden in this type of operation. The first field of reflection consisted of coding the data collected in relation to the subject of the study. These data were grouped together on the basis of questions derived from our research questions. To do this, we operated using a principle guided by cross-referencing responses, that is, finding the incidence of elements that make it possible to substantively justify the existence of the category and the common existence of these elements within the cases studied. Beyond this rather empirical approach associated with how the data were shaped, we tried to find links with the existing literature on cognitive biases. Although there was no approach that aimed to systematically identify the theoretical referents for all the data

[1] The authors thank DPM Ltd (based in Paris), specialists in SME consulting, for having made available its portfolio of family business clients undergoing successions/takeovers (European Family Business Firms).

collected, we nevertheless tried to at least find the fields that could consolidate the data gathering at the theoretical level. This approach allowed us to enhance understanding of our cases on the basis of elements obtained from previous research and, in particular, to identify what could be seen as observable managerial errors both from the point of view of the acquirer and the incumbent, to highlight cognitive biases associated with these managerial errors and finally to detect some common symptoms across our sample that could be linked to the occurrence of the cognitive biases identified. In summary, the objective was to start with the discussions of the actors (acquirers/transferors) and then to find relationships between the actions (reactions and behavior) and the events to draw conclusions as to why the acquirers' propositions caused some negative reactions from the transferors in spite of their objective advantages. Hereafter, we present the results of the analysis with a constant effort to link the literature review and the collected data (Table 2).

## Results: managerial errors of the external acquirer associated with cognitive biases

The results presented hereafter are primarily concerned with the identification of the managerial errors made by external acquirers and associated with cognitive biases. This section provides an account of the interviews conducted with the acquirers and the incumbent CEOs. Five primary errors associated with cognitive biases were identified. Table 3 identifies the linkages made between the identified biases and managerial errors through the emergence of thematic codes. For example, the minimization of cultural differences reflected the acquirer's propensity to ignore the context in which he operated (anchoring bias). Similarly, transposing past success or experiences into a new context can be seen by the acquirer as an overestimation of his own forces, referred to as "illusion of control" in the literature. In addition, the capacity of actors to favor seduction at the expense of conflict can be interpreted as political ambiguity (avoidance strategy). In the same spirit, haste can be related to the escalation of commitment. Finally, easing off after the preparatory phase resembles a bias empathy for the new buyer, who may have a tendency to believe that the worst is over (release). Consequently, the various codes have been identified as elements of translation for bias that are likely to produce a number of managerial mistakes during the preparation and negotiation phases. Finally, there is no aspect of our data that could be linked to the representativeness bias.

### *Disregarding the psychological and emotional context of the relationship*

When a family business is taken over by a third party, the latter may cling excessively to the analysis framework that he/she initially established based on the information collected on the environment and the nature of the operation at the beginning (the characteristics of the sector, economic data, market study, and financial analysis, among others). The external acquirer becomes a victim of anchoring bias, where he will construct his reasoning based on elements from the start of the process, establishing the initial analysis framework (the pertinence of the project, appreciation of the risks, and financial estimation) and limiting the future possibilities for adjustment (Kahneman et al., 1982; Tversky & Kahneman, 1974). The analysis framework, which was pre-established even before the contextual reality of the purchase was grasped, will become an instrument that will guide the acquirer in his opinions and behavior. However, the decision-making process linked to a family business takeover by an external third party is above all characterized by information asymmetry, which may lead the external acquirer to adopt an approach that is quite removed from the context in which the different stakeholders of the target company are actually evolving (Table 2, error#1, item 1).

Indeed, too often, the company directors who want to sell their companies will not speak of their projects because of modesty, cunning or ambivalence vis-à-vis the new owner, causing the success of the operation to lack a prejudicial transparency. In addition, the company takeover market is totally compartmentalized: it is simultaneously handled by the consular and professional organizations, accounting experts, commercial lawyers, notaries and intermediary bodies. Consequently, the adjustment between the seller's offer and the acquirer's demand is a difficult one. Potential acquirers do not always have all of the information

**Table 2**
Summary of the methodological framework of the research.

| | |
|---|---|
| 1. Data gathering | To identify and understand the relations between the acquirer and the seller, with the need to be in the company for a relatively long period of time to study it in detail:<br>• *Realization of 10 in-depth interviews* with both the acquirers and sellers to become familiarized with the personalities of the key actors and identify the context of each takeover and managerial errors.<br>• *Production of a monograph and a chronology* to identify the steps in the process, identify the attitudes and acquire the necessary basis for the in-depth analysis phase.<br>• *Realization of 10 additional interviews* to verify the premises of the research concerning the factors that could facilitate or by contrast, limit external party takeovers. |
| 2. The documents | *Gathering of documents* (official takeover documents, notes articles, archives, etc.) to reconstitute and validate the events, attitudes and decisions (with other gathered data) (Wacheux, 1996). |
| 3. Research validity | **Validity of the construct**:<br>We applied some advice suggested by Yin (1994) and Miles and Huberman (2003): the use of multiple sources of evidence and validation of the case by key players of the context.<br>**Internal validity**:<br>*Control of researcher effects on site*: We tried to establish trusting relationships with all stakeholders of the organization through preliminary in-depth interviews and the use of domestic authorities to explain the interest of this research. We wanted to avoid the researcher increasing the tensions between the members of organizations and blocking the access to the field conditions (Lee, 1993, p. 135).<br>*Control of site effects of the researcher*: To avoid any risk of "contamination" by appropriating the opinions of certain people, several things were done: interviews with people of different statuses and with different roles (incumbent, acquirer, and consultants) and the daily registering of emotions, feelings and doubts.<br>**External validity**:<br>The process of putting former work to the test and producing original conjectures after validation by both the acquirer and the seller. This validation was performed through two work meetings, which were organized by the researcher that revealed the research results. |

**Table 3**
Identified common managerial errors (sample quotes).

| Identified managerial errors | Related items and sample quotes |
|---|---|
| Disregarding the psychological and emotional context of the relationship (error #1) | **Minimizing cultural differences**<br>"*I knew the environment, the sector and the job quite well, but I glossed over the human and cultural specificities of this company*" (A1)<br>"*It was very difficult for me to obtain, especially, all the qualitative information, I put a brave face on it, but I found it difficult to grasp everything. I tried to decipher, to understand, without showing my limits. But what I saw and what was being said to me was quite different from what I had thought*" (A2)<br>"*Quite often, I was improvising, trying, of course, not to show it. I tried to use the strategy that I had set out for myself, but I was unable to grasp straight away the cultural and social reality of the company. What's more, I had never much thought about it*" (A5)<br>**Implicit know-how rooted in the company's history and culture**<br>"*I saw the company too much as a whole, where I would have been better off considering the personalities present, their ties and who did what*" (A1)<br>"*I felt that things were being hidden from me but I didn't know what exactly*" (A2)<br>"*I focused on the commercial development aspect, on client management and market opportunities; all important, sure. But I would have been better grasping the key competencies and the role played by certain actors in the company. That would have been quite useful for me later*" (A4) |
| Relying above all else on one's managerial and relational abilities (error #2) | **Transposing past successes or experiences onto a new context**<br>"*The fact that I knew the sector led me to underestimate the problems to come. I thought I had a head start due to my professional experience*" (A1)<br>"*I thought my third-level education and my qualities would allow me to more easily manage this company transfer. In theory, I had the necessary background*" (A3)<br>"*In hindsight, I still have difficulty understanding why it was so complicated, the signs were rather positive*" (A5) |
| Pleasing rather than convincing the transferor (error #3) | **Favoring consensus despite conflicting logic**<br>"*I don't really know if I succeeded in creating a genuine bond of trust and respect with the former director*" (A1)<br>"*I wanted to joke, to charm too much; I should have sometimes been more direct, more frank*" (A3)<br>"*The acting game has its limits; I realized this a bit too late*" (A4)<br>**Avoiding the short-term deterioration of the social climate**<br>"*I didn't show myself off enough; I wanted things to go well. Or, I took too much of a technocratic stance sometimes, without really selling myself*" (A2)<br>"*I should have revealed myself more, commanding the other's respect naturally*" (A4) |
| Confusing commitment and haste (error #4) | **Accelerating the course of events to close the deal**<br>"*We went too quickly, everything was rushed*" (A1)<br>"*If ample time had been allowed, clearly things would not have happened like that*" (A4)<br>"*Unfortunately, we botched some of the important elements*" (A5)<br>**Being afraid of the project's lack of concretization**<br>"*At the end, I really just wanted to sign and get on with the next task at hand*" (A3)<br>"*It was going on forever, I wanted to conclude and begin taking proper action*" (A5) |
| Considering the job done upon signature of the contract (error #5) | **Easing off after the preparatory phase**<br>"*I had a short period where I slacked off; it didn't last long but I had difficulty getting going again*" (A1)<br>"*Once we had signed, I was really satisfied, perhaps a bit too much so... It seemed as if I was at the beginning of a new life*" (A2)<br>"*I admit that I underestimated the problems slightly. I thought that the worst was over*" (A5) |

regarding the company on offer, particularly when there are improvised practices exclusive to the company or implicit know-how rooted in the company's history and culture (Table 3, error#1, item 2). Consequently, these multiple context variations for decision-making oblige the acquirer to seek a permanent agreement between his takeover strategy and the characteristics of the environment that the initial anchoring will make impossible to realize. There is therefore a risk that the future acquirer will not re-examine the initial motives behind the considered option for growth despite the presence of new information that casts doubt on the pertinence and strategic interest of the project. The excessive attachment to the initial diagnosis, outside of any concrete organizational reality, may lead the external acquirer to opt for an incorrect policy that does not correspond to the conducted analysis.

*Relying above all else on one's managerial and relational abilities*

During negotiations between a seller and an external acquirer, the latter may exaggerate the operation's chances of success and become convinced that the takeover decision will definitely have a positive outcome even though the statistical chances of success are less than one in two (Olie, 1994). In particular, the acquirer will be inclined to overestimate his ability to determine the results (Russo & Shoemaker, 1989), believing that the risk can be reduced by the good use of his professional capacities (Shapira, 1995; Vlek & Stallen, 1980). The decision-maker is then overly optimistic about his abilities to obtain far better results than those obtained before him (Bazerman, 1998). This situation can be compared to the notion of the illusion of control, which is the individual's overestimation of the chances of project success due to his competencies as opposed to the chances guaranteed by a statistical, rational assessment (Langer, 1975; Lefcourt, 1973). This bias is linked to the decision-maker's exaggeration of the impact that his actions can have on a random situation (Miller & Ross, 1975) and on a strategy to minimize the contingent factors (Das & Teng, 1999; Langer, 1975). However, contingent factors do occur during the takeover of a family-owned company because of the importance of the ties between the different actors, the weight of history, the family's memory of the company and the psychological dimension that surrounds the succession process (Hayward & Hambrick, 1997). In addition, some works show that

the hubris of an acquirer is often linked to an erroneous tendency to transpose past successes or experiences into a new context that nevertheless has different or specific characteristics (Table 3, error#2, item 1).

*Pleasing rather than convincing the transferor*

One of the major risks in the case of family business takeovers by a third party also concerns the acquirer's tendency to please at all costs when he must be convincing above all, leading him to avoid all forms of cognitive or relational conflicts with the incumbent CEO. In this process, it is common to find a desire to favor the consensus despite conflicting logics (disagreements), with a view favoring the quick correspondence of viewpoints and therefore the conclusion of the agreement. In the negotiation phase, the acquirer and seller each have specific expectations and interests linked to their respective situations as much in terms of the takeover objectives and the performance level expected as in terms of planning future operations. In the event that these expectations cause significant disagreements (Jemison & Sitkin, 1986), any ambiguity during the negotiation phase may enable the two parties to establish useful room for maneuvering to close the purchase or sale in good condition (Table 3, error#3, item 1).

Therefore, this phenomenon is particular in that it is a conscious act of the acquirer to reach his goals (Guieu, 1994). From this perspective, this ambiguity allows the two parties to find a common denominator more quickly to conclude the operation, thus facilitating the relationship between the parties and the production of neutral messages during public interventions. The actors present will aim to avoid mentioning particular aspects of the takeover, striving to present a project that brings about adhesion and gains important support (Page, 1976). The acquirer must know, for example, that it is rare for the seller to reveal the entire truth. According to the development bank for small- and medium-sized enterprises, Sofaris, over 20% of the acquirers consulted maintain that they lacked information about the internal running of the company or received inexact information from the transferor. The external acquirer is often found in a situation of inferiority vis-à-vis the transferor, something that can lead him to accept the unacceptable (Tariant, 2002). Some significant examples are the planned departure of certain key individuals, the relational dependency with regard to certain actors in the organization, a shortened, incomplete tour of the company, the presentation of company activities outside of normal functioning periods, and the absence of contact with some members of the staff. Very often, the external acquirer is "physically" unaware of the company before having effectively taken it over.

In addition, unlike the launch of a company, the takeover of a family business implies taking over some of the staff and partner actors of the firm (clients, suppliers, service providers, bankers, etc.). As a result, these acquired relationships require the external acquirer to have the ability to "home in on" the implied actors and convince them that his actions are well founded beyond providing the technical and financial arguments. However, this type of approach is not self-evident, and the acquirer may have difficulty justifying particular positions, especially if they involve the lives or the future of certain collaborators of the target company (reorganization, restructuring, abandoning certain activities, etc.). The external acquirer may prefer ambiguity to clarifying elements of the project to avoid the short-term deterioration of the social climate and the internal emergence of disputes (Table 3, error#3, item 2). Nevertheless, this (understandable) behavior can prove to be particularly dangerous once the operation is realized by obliging the parties to clarify the potential sources of significant conflicts that might resurface in an amplified way during the implementation phase.

*Confusing commitment and haste*

By haste, we understand a process that leads an acquirer who has long been involved in conducting a takeover project to lose his ability to analyze and reflect by rushing to the conclusion of the agreement despite lacking objective reasons for haste (Haspeslagh & Jemison, 1991). In this type of situation, the acquirer can in fact be inclined to opt for selective attention by favoring confirmatory information. In this way, information will only be retained if it corroborates the hypotheses contained in the individuals' cognitive schemas. If this is not the case, this information will be rejected or transformed to make it compatible with the analysis framework. When the decision-making process is characterized by a high level of stress and a significant mobilization of energy over a long period, the acquirer may accelerate the course of events toward the end of the process (close to the due date of completion) (Table 3, error#4, item 1).

Consequently, this haste phenomenon may cause the last phases of the decision-making process to be neglected or obscured. Haste can also lead the acquirer and his team of negotiators to focus on the terms of the agreement rather than on the cultural, political, organizational or social problems of the takeover (Jemison & Sitkin, 1986), making later relationships between the acquirer and the actors of the target company uncertain at a time when these delicate questions ought to have been addressed. This situation can be compared with the concept of the escalation of commitment, in which the management of a project is strengthened following negative signs (Coulon & Wolf, 1980; Staw, 1976; Staw & Ross, 1978; Whyte, 1986). In the case of a company takeover (as in other operations of the same type), the escalation of commitment occurs during the later stages of negotiation if the director consistently receives only pessimistic information over a period of time, which has the effect of strengthening his involvement in the project (Duhaime & Grant, 1984). From the point of view of the acquirer, his efforts (in terms of the resources implicated), commitment and time spent make it difficult to recognize the project's lack of concretization (Caldwell & O'Reilly, 1982; Staw & Ross, 1978) (Table 3, error#4, item 2).

*Considering the job done upon signature of the contract*

The days following the signing of the contract are difficult psychologically; for a time, the acquirer often feels a sense of accomplishment. The energy spent during the preparatory phase leads to a tendency to ease off and to become apathetic (Rollin, 2006). For that matter, it is not uncommon for the acquirer to be highly enthusiastic and then to lose focus once the bill of sale has been signed, when, on the contrary, this is the moment when things should become more serious (Table 3, error#5, item 1). However, at this point in the takeover, the acquirer is indeed the owner but not yet the effective director of the company. Worse still, he can feel isolated and suffer from loneliness at this time, finding himself in a transitory and unstable position. The acquirer no longer has advisors around him; he is alone despite having been surrounded by a specialist board in company takeovers, his lawyer, an insurance agent, an accountant, a group of former classmates he had regained contact with from his business school, and company takeover candidates, for example. In addition, he enters a company that is not expecting him and with which he is unfamiliar. He must also contend provisionally with the seller during the transition phase and with the company and its partners in the long term. It is at this precise moment that the acquirer/seller relationship is really put to the test, when the two are operating (albeit temporarily) side-by-side during the transition period (Tariant, 2002). However, keeping the former director in place in whatever role it may be or interest it may serve may engender conflicts of

authority and leadership rivalry, which may deteriorate during the post-takeover period. Although the transition is useful, the fact remains that it conceals some undesirable realities, very often putting an immediate and definitive end to the collaboration for various reasons. These reasons include, for example, the seller's difficulty in detaching himself from his company, the ever-present strong personality of the former director that can weaken the acquirer's credibility, opposing styles of management or at times divergent strategies or "visions," or even the risk of discovering hitherto hidden elements.

## Discussion

The takeover of a family firm by an external acquirer constitutes a period of radical rupture for the firm, the family, the incumbent CEO and the acquirer. An understanding of the psychological context of the operation and the underlying behavioral logic constitute a means to better grasp the risks of the transfer beyond the economic and legal aspects.

### *Failures in external party takeovers: the impact of biases and symptoms*

For the acquirer, assessing these risks presupposes a good understanding of the context and nature of the relationship with the seller to avoid misunderstandings and resistance, the effects of which may be felt well after the transfer. This aspect is all the more delicate and strategic in that the irrationality that surrounds the transfer of a private family business and the transferor's ambivalence during the "side by side" period does not always allow for a clear assessment of the risks by the external acquirer. Our study is related to research on family business succession, which has identified several factors of failure: ineffective succession plans, unprepared successors, or family rivalries, among others (Parker & Van Praag, 2012). Our results bring some new insight into the existence of acquirers' cognitive biases during the takeover process. However, our results are very much contextualized, as they only address external party takeovers where the level of information asymmetry is at its highest. Our work also adds to the existing family business literature by the use of narrative techniques, which allow us to take into account both the point of view of the seller and that of the acquirer (even if our focus is on the acquirer's point of view). Finally, we have tried to transfer some existing results from the field of psychology (cognitive biases) to the family business field to better understand some key factors of failure in family business succession. Table 4 summarizes the primary managerial errors of the acquirer identified in our interviews. Moreover, we identify some symptoms that can help to identify the presence of cognitive biases in the relationship between the acquirer and the seller. Symptoms are identified in the third step of data coding once the main managerial errors associated with cognitive biases have been identified. Table 4 shows that during the preparation and negotiation phases, some common managerial errors can be identified. These managerial errors may be part of the reason for the failure of the five takeovers in our sample.

Our results lead us to formalize five research propositions that could be tested in future research:

Proposition 1: The more formal and planned the relationship is in the preparation phase, the more likely the acquirer will be to minimize the psychological and emotional context associated with the family business target (anchoring bias).
Proposition 2: The more emphasis is put on his/her past managerial successes in the preparation phase (of the acquisition), the more likely the acquirer will be to underestimate the importance of the incumbent family resources in the firm performance (the illusion of control).
Proposition 3: The more emphasis is put on economic and technical issues in the negotiation phase, the more likely the acquirer will be to have to face cultural and relational conflicts during the implementation phase (political ambiguity).
Proposition 4: The more emphasis is put on maintaining a strict application of the initial plan and timing, the more likely the acquirer will be to opt for selective attention by focusing on confirmatory information only (escalation of commitment).
Proposition 5: The fewer conflicts and tensions the parties have at the end of the negotiation phase, the more likely the incumbent-acquirer relationship will be to have a tendency to ease off in the implementation phase (apathy bias).

In this perspective, the external acquirer, faced with a company with which he is externally but not internally familiar, must then remain vigilant and prudent with regard to the seller's involvement in the entire takeover process. He must also avoid a withering attitude toward the former director. To favor complete clarity in terms of the power exerted in the company and in this way avoid all relational difficulties, an accompaniment must be negotiated, prepared and organized. Consequently, the daily functioning norms must be governed during the negotiation phase. In particular, it is important to define every person's role well, to provide clear objectives to the seller, to initially outline the new responsibilities of

**Table 4**
Managerial errors of the external acquirer associated with cognitive biases.

| Phases | Managerial errors | Associated cognitive biases | Symptoms |
|---|---|---|---|
| Preparation | Disregarding the psychological and emotional context of the relationship | Anchoring bias | • Proactive and committed speech<br>• Formal relationship |
| | Relying above all else on one's managerial and relational abilities | Illusion of control | • Over-confidence<br>• Haughty behavior |
| Negotiation | Pleasing rather than convincing the transferor | Political ambiguity or relational bias | • Refusal to directly address social or cultural issues<br>• Confusion of his own business strategy and its qualities with those of his interlocutor |
| | Confusing commitment and haste | Escalation of commitment bias | • Low self-questioning<br>• Strict application of the initial plan<br>• Restlessness<br>• Desire to quickly conclude |
| | Considering the job done upon the signature of the contract | Easing off of effort, apathy bias | • Fake satisfaction<br>• Loosening attention<br>• Excessive enthusiasm |

the acquirer and to operate his new legitimacy. Nevertheless, caution must be taken to avoid assigning the seller a non-motivational, representative role that is demeaning (Deschamps & Paturel, 2001). As a result, the transition must be based on a mutual commitment and be accepted by everyone. Finally, it is also prudent to minimize the transition period in the interest of the company. Therefore, the most difficult thing is to find the proper equilibrium between self-assertion and remaining open and a subtle measure between diplomacy and steadfastness and between proximity and authority, while remaining authentic and true to oneself.

*Contextual factors and the occurrence of managerial errors due to cognitive biases*

We show that, at the acquirer level, cognitive bias could lead to observable managerial errors during the external party takeover process. Indeed, due the ambiguity, complexity and uncertainty associated with family firms, external party takeovers are conducive to cognitive biases, which could lead to managerial errors. However, there are strong differences across external party takeovers both from the seller's side (the life cycle of the firm and the family, complexity and situation of the firm) and the acquirer' side (the life cycle of the acquirer, previous experiences, and personal background, etc.). Contextual factors may play an important role in enhancing or inhibiting cognitive biases or increasing/decreasing the effect of these biases on the occurrence of managerial errors. In this section, we discuss how these factors could affect the occurrence of cognitive biases. We use useful insights drawn from our data to discuss two important contextual drivers: the acquirer/seller relationship and the role of external stakeholders in the takeover process.

*The acquirer/seller relationship*

We identified four dimensions associated with personal (legitimacy and credibility) or interpersonal factors (perceived cultural distance and prior relationship) that could affect the relationship between the seller and the acquirer and then the greatest probability of the occurrence of managerial errors due to cognitive biases (Table 5). For example, a strong credibility assessment could cause the acquirer to develop an apathy bias after the negotiation phase. Personal factors do not create cognitive biases but could increase their effect and encourage the managerial errors associated with them. In the same way, our data indicate that it seems crucial for an external acquirer to be able to demonstrate his aptitude for managing the purchased business. The acquirer must respond to implicit questions from the former director. Does he know the sector (that is to say the political, institutional and competitive environment)? Does he have a command and precise knowledge of the job and know-how? Is he capable of managing people and assuming managerial responsibilities? The perception by the incumbent of the individual characteristics/professional qualities of the future acquirer can reinforce the acquirers' anchoring biases by focusing on formal or rational dimensions of his relationship with the incumbent. In the same way, the level of legitimacy can reinforce relational ambiguity between the two actors. The incumbent may also look for elements of connection, aiming to find points in common, affinities upon which he will be able to demonstrate that he represents an element of continuity (Duchénaut, 1996). Interpersonal factors are strongly imbued with the personal wishes and motivations of the seller, the strongest of which is the desire to enable his values and permanent mark to remain with the organization. The former owner may ultimately allow differences with his successor and even desire them in some cases. However, he will often be sensitive to any similarities in the way that the external acquirer perceives the job (his vision) and how he intends to develop the company (his mission), for fear that the takeover will be synonymous with a loss of identity or a questioning of the transferor at a personal or professional level. This sensitivity explains why the external acquirer must avoid radical changes and favor bridges between the present and the future, being careful not to clash with the founder's beliefs and values.

*The role of external stakeholders in the takeover process*

Time pressure that may be exercised by outside stakeholders such as business partners, bankers or external advisers may

**Table 5**
Examples of contextual factors affecting the occurrence of cognitive biases (sample quotes).

| | Personal factors | | Interpersonal factors | |
|---|---|---|---|---|
| | Legitimacy (insertion of the external acquirer in his new environment) | Credibility (acquirer's capacity to manage a business) | Perceived cultural distance | Nature and intensity of the prior relationship |
| Takeover n°1 | "*I believe very much in precedence relationships*" (I1) | | | "*I would have preferred someone from my company or possibly from my family*" (I1) |
| Takeover n°2 | "*He didn't inspire me with confidence. I hadn't heard of him*" (I2)<br>"*At first, I felt a bit like a stranger*" (A2) | "*I think that in spite of his qualities, this manager will have problems. Execution and management are not quite the same thing, regardless of the difficulty of the task*" (I2) | "*He has quite different training. Too technical in my opinion*" (I2) | "*He wasn't from our sphere*" (I2) |
| Takeover n°3 | | "*To his credit, he has already managed companies, which is a positive point*" (I3) | "*It's a path quite close to mine, though I think...*" (I3) | |
| Takeover n°4 | "*I had an image of an economist that was a bit in contrast with the man of action*" (A4) | "*He's an economist. He doesn't know the field*" (I4) | "*He should have sought responsibilities in the commercial sector like I did at the beginning of my career*" (I4) | "*Given the choice, I would even have accepted my rival more easily because I'm aware of his abilities. Now, it's a case of the unknown*" (I4) |
| Takeover n°5 | | | "*I think I have given my successor the main rules that need to be learned*" (I5) | "*I knew him through professional networks. That helps things*" (I5) |

influence the transmission process. External acquirers may therefore be inclined to act quickly and urgently. Time pressure may thus lead to precipitating the acquisition process and to minimizing difficulties, thereby enhancing the occurrence of the escalation of commitment bias. Haspeslagh and Jemison (1991) note the role of experts in the acquisition process. The main reason why an acquirer may call upon experts is to obtain professional analysis based on accurate and reliable information. Experts may then create a feeling of security and engage the acquirer in a transaction with too much confidence leading to an illusion of control bias. The homogeneity of experts surrounding the acquirer can also increase the occurrence of cognitive biases. The homogeneity of the expert team may standardize the ex ante views of the acquirer, leading to a risk of excessive attachment to the prior analytical framework.

### *Limitations*

We recognize several limitations to our study. First, the sampling strategy does not allow us to generalize our results. Nonetheless, we tried to carefully construct a sample based on different types of family firms from very small-sized to medium-sized companies. We also tried to study firms in different industrial sectors. Even if our objective is not to make a comparison between several institutional contexts, this procedure allowed us to study a large panorama of firms covering several types of situations. In addition, we tried to gather a sample in which the external acquirers had a wide range of personal and professional histories to offer a broad view of potential attitudes and behaviors. Second, one of the recurrent criticisms when using narrative approach is the fact that it primarily relies on self-reported methods, exposing the so-called recall bias (Cope, 2011). We tried to control for this bias by ensuring that none of the interviews occurred more than 3 years after the close of a deal. Third, our results are exposed to several sources of method biases that result from consistency biases and social desirability (Podsakoff et al., 2003). A consistency bias appears when the respondent tries to appear consistent and rational in his response. According to Salancik and Pfeffer (1977), this bias is likely to be severe in retrospective accounts. Social desirability refers to a tendency for individuals to present themselves in the best appearance regardless of the reality of their role or reaction. We tried to control these biases by our research design. Specifically, we interviewed both the seller and the acquirer and proceeded to the validation of our findings by both the seller and the acquirer (Table 3). Fourth, we focused our attention on the individual level and the binomial relationship without considering the social context of the deal and the existence of a multi-level relationship including, for example, other family members from the selling point of view or spouses, advisors or the financial partners of the acquirers. This point was nevertheless partially controlled for by the fact that we focused on small/medium firms in which the CEOs are the focal individuals. We believe that this point should nonetheless be integrated in future research.

Our study suffers from some more specific limitations. First, we only address small- and medium-sized companies for which the incumbent CEO is at the same time the main shareholder and the CEO. In terms of decision-making, the incumbent CEO is the central/unique actor creating a simple dyadic relationship between the seller and the acquirer. We can then wonder if our results could be generalized to other types of family firms. Second, we were not able to identified formal/causal links between cognitive biases, managerial errors and failure but rather rely on interpretation and plausibility (Dawson and Hjorth, 2012).

## Conclusion and suggestions for future research

Cognitive bias is quite a new concept in the family business literature (Camblanne, 2013), which may explain the complex relationship between the buyer and the seller as well as the risk of failure for this type of transaction. As ambiguity, complexity and uncertainty are the main common circumstances that can generate cognitive biases, family firms should be concerned with the latter due to their specific organizational ambiguity (Davel, 2006). From this perspective, our study demonstrates that cognitive biases could help us to strengthen our understanding of managerial errors in family firms. Our study identifies five common managerial errors that are associated with external acquirers' cognitive biases and leads us to five research propositions. Future research should be focused on expanding our findings to gain in generalization and to determine if specific configurations of external party takeovers tend to generate specific types of cognitive biases. We suggest that our propositions should be tested by different data collection methods such as a questionnaire and/or a participant observation (De Massis & Kotlar, 2014). However, researchers should be aware of several limitations when dealing with failed external takeovers and cognitive biases. Firstly, usually both the seller and the acquirer are reluctant to talk about a failed takeover. Consequently, this has strong implications for the sampling strategy. Secondly, cognitive biases cannot be directly observed, which could lead to strong risks of measurement errors that must be controlled accordingly (Podsakoff et al., 2003; Wilson et al., 2014). In the same way, future research should consider the roles of other actors in enhancing and limiting cognitive biases. In particular, the family system of both the acquirer and the incumbent CEO should be taken into account to understand their potential effect on cognitive biases. Future studies could then focus on both the family system of the incumbent and the family system of the new acquirer. To gain greater insight into the mechanisms that link cognitive biases to managerial errors, future research may also focus on the relationship between the seller and the acquirer throughout the takeover process by using participant observation methods.

Our findings in this study allow us to draw some conclusions. Above all, the external acquirer must realize that he is not just buying a company. He is taking over, first and foremost, a history and a system of strong ties between individuals who have shared an experience that very often goes beyond the professional domain. Emotional ties of respect and trust are created over time, outside of economic and professional considerations. In this way, more so than with any other type of company, the external acquirer cannot simply behave as a rational economic actor but must accept the social, cultural, and emotional realities that exist in the company, even if he must assume his own specific culture and develop his own personality. Consequently, this process requires a great deal of tact and many precautions, particularly with regard to the symbolic elements (respect of usage) and the management of the relationship with the transferor and the ''people who count in the organization.'' The primary consequence of this situation is that the takeover of a family business by a third party is a long process and must not be limited to a simple signature. It is a relational process based on trust, where the acquirer must establish his approach for the long term, refusing all ''coup'' logic, at the risk of losing some time during negotiations and in the management of his future activities. Not considering the emotional and psychological context, this type of situation may prove to be a major strategic error in the short term to the detriment of the new organization's staff and its development.

## References


Abdellatif, M., Amann, B., & Jaussaud, J. (2010). Family versus non-family business: A comparison of international strategies. *Journal of Family Business Strategy, 1*(2), 108–116.

Astrachan, J. H. (2010). Strategy in family business: Toward a multidimensional research agenda. *Journal of Family Business Strategy, 1*, 6–14.

Bah, T. (2009). La transition cédant-repreneur. Une approche par la théorie du deuil. *Revue Française de Gestion, 194*, 123–148.

Barnes, J. H., Jr. (1984). Cognitive biases and their impact on strategic planning. *Strategic Management Journal, 5*, 129–137.

Basco, R., & Pérez Rodríguez, M. J. (2009). Studying the family enterprise holistically: Evidence for integrated family and business systems. *Family Business Review, 22*, 82–95.

Bazerman, M. H. (1998). *Judgement in managerial decision making* (4th ed.). New-York: Wiley.

Bennedsen, M., Nielsen, K. M., Perez-Gonzalez, F., & Wolfenzon, D. (2006). Inside the family firm: The role of families in succession decisions and performance. *Quarterly Journal of Economics, 122*(2), 647–691.

Berglund, H. (2007). Researching entrepreneurship as lived experience. In H. Neergaard & J. P. Ulhøi (Eds.), *Handbook of qualitative research methods in entrepreneurship*. Cheltenham: Edward Elgar.

Bettis, R. A. (1981). Performance differences in related and unrelated diversified firms. *Strategic Management Journal, 2*, 379–394.

Bjursell, C. (2011). Cultural divergence in merging family businesses. *Journal of Family Business Strategy, 2*, 69–77.

Bower, J. L. (1970). *Managing the resource allocation process*. Boston: Harvard Business School Press.

Bracci, E., & Vagnoni, E. (2011). Understanding small family business succession in a knowledge management perspective. *IUP Journal of KM, 9*(1), 7–37.

Burkart, M., Panunzi, F., & Shleifer, A. (2003). Family firms. *Journal of Finance, 58*, 2167–2201.

Cadieux, L. (2004). *La succession dans les entreprises familiales: une étude de cas surle désengagement du prédécesseur* (Thèse de doctorat) Trois-Rivières: Université du Québec.

Caldwell, D. F., & O'Reilly, C. A. (1982). Responses to failures: The effects of choice and responsibility on impression management. *Academy of Management Journal, 25*, 121–136.

Camblanne, L. (2013). Family vision and cognition: An illustration through forest owners' harvesting decisions. *Journal of Family Business Strategy, 4*, 245–259.

Churchill, N. C., & Hatten, K. J. (1987). Non-market-based transfers of wealth and power: A research framework for family businesses. *American Journal of Small Business, 11*(3), 51–64.

Commission Européenne (2009). Overview of family-business-relevant issues: Research, networks. In *Policy measures and existing studies*. Bruxelles: European Commision.

Cope, J. (2011). Entrepreneurial learning from failures: An interpretative phenomenological analysis. *Journal of Business Venturing, 26*(6), 604–623.

Coulon, E. J., & Wolf, G. (1980). The moderating effects of strategy. An extension of Staw's escalation paradigm. *Organisational Behavior and Human Performance, 26*, 172–192.

Das, T. K., & Teng, B. S. (1999). Cognitive biases and strategic decision processes: An integrative perspective. *Journal of Management Studies, 36*(6), 757–777.

Datta, D. K. (1991). Organizational fit and acquisition performance: Effects of post-acquisition integration. *Strategic Management Journal, 12*, 281–297.

Davel, E. (2006). *Organisation et culture en context familial: l'ambivalence comme enjeu de gestion* (Thèse de Doctorat) Université de Montréal.

Dawson, A., & Hjorth, D. (2012). Advancing family business research through narrative analysis. *Family Business Review, 25*(3), 339–355.

De Massis, A., & Kotlar, J. (2014). The case study method in family business research: Guidelines for qualitative scholarship. *Journal of Family Business Strategy, 5*, 15–29.

Deschamps, B., & Geindre, S. (2011). Les effets perturbateurs des biais cognitifs et affectifs dans le processus de décision de reprendre une PME. *Management & Avenir, 7*(47), 15–34.

Deschamps, B., & Paturel, R. (2001). *Reprendre une entreprise saine ou en difficulté*. Paris: Dunod.

Down, S., & Warren, L. (2008). Constructing narratives of enterprise: cliche' and entrepreneurial self-identity. *International Journal of Entrepreneurial Behaviour & Research, 14*(1), 4–23.

Duchénaut, B. (1996). *Les dirigeants de PME*. Paris: Maxima Laurent de Mesnil Editeur.

Duhaime, I. M., & Grant, J. H. (1984). Factors influencing disvestment decision-making: Evidence from a field study. *Strategic Management Journal, 5*, 301–318.

Duhaime, I. M., & Schwenk, C. R. (1985). Conjectures on cognitive simplification in acquisition and divestment decision making. *Academy of Management Review, 10*, 287–295.

Evans, J., & Lynch, J. S. (1973). Matching bias in the selection task. *British Journal of Psychology, 64*, 391–397.

Gerpott, P. (1995). Successful integration of R&D functions after acquisitions: A explory empirical study. *R&D Management, 25*(2), 161–178.

Ghiglione, R., & Richard, J. F. (1999). *Cours de psychologie: Bases, méthodes et épistémologie* (3ème ed.). Dunod-CNED.

Goldstein, W. M., & Hogarth, R. M. (1997). *Research on judgment and decision making. Currents, connections and controversies*. Cambridge University Press.

Grundström, C., Öberg, C., & Öhrnwall Rönnbäck, A. (2012). Family-owned manufacturing SMEs and innovativeness: A comparison between within-family successions and external takeovers. *Journal of Family Business Strategy, 3*, 162–173.

Guieu, G. (1994). *Hybridité stratégique et apprentissage organisationnel dans les prises de contrôle d'entreprise* (Thèse de Doctorat en Sciences de Gestion) Université Grenoble II.

Guieu, G. (2010). Négocier le virage de la cession d'entreprise. Enjeux non monétaires et processus émotionnels. In Gundolf (Ed.), *Négociations et stratégies d'entreprises*. Paris: L'harmattan.

Handler, W. (1990). Succession in family firms. *Entrepreneurship Theory and Practice, 15*(1), 37–51.

Handler, W. C. (1994). Succession in family business: A review of the research. *Family Business Review, 7*(2), 133–157.

Haspeslagh, P. C., & Jemison, D. B. (1991). *Managing acquisitions – Creating value through corporate renewal*. New-York: The Free Press.

Hayward, M., & Hambrick, D. (1997). Explaining the premiums paid for large acquisitions: Evidence of CEO Hubris. *Administrative Science Quarterly, 42*, 103–127.

Hogarth, R. M. (1980). *Judgment and choice: The psychology of decision*. New-York: John Wiley.

Hunt, J. W. (1990). Changing pattern of acquisition behaviour in takeovers and the consequences for acquisition processes. *Strategic Management Journal, 11*, 69–77.

Jemison, D. B., & Sitkin, S. B. (1986). Corporate acquisitions: A process perspective. *Academy of Management Review, 11*(1), 145–163.

Kahneman, D., Slovic, P., & Tversky, A. (1982). *Judgement under uncertainty: Heuristic and biases*. Cambridge: Cambridge University Press.

Lambrecht, J. (2005). Multigenerational transition in family businesses: A new explanatory model. *Family Business Review, 18*(4), 267–282.

Langer, E. J. (1975). Illusion of control. *Journal of Personality and Social Psychology, 32*, 311–328.

Lansberg, I. (1988). The succession conspiracy. *Family Business Review, 1*(2), 119–143.

Le Breton-Miller, I., Miller, D., & Steier, L. P. (2004). Toward an integrative model of effective FOB succession. *Entrepreneurship Theory and Practice*, (Summer), 305–328.

Le Ny, J.-F. (1999). *Biais*. Larousse: Grand dictionnaire de la psychologie.

Lee, R. (1993). *Doing research on sensitive topics*. Thousand Oaks, CA: Sage.

Lefcourt, H. M. (1973). The function of the illusions of control and freedom. *American Psychologist, 28*, 417–425.

Meier, O., & Barabel, M. (2002). Biais cognitifs du dirigeant, conséquences et facteurs de renforcement lors de fusions-acquisitions: synthèse et illustrations. *Finance Contrôle Stratégie, 15*(1), 5–42.

Meier, O., & Schier, G. (2008). *Transmettre ou reprendre une entreprise*. Edition Dunod.

Miles, M. B., & Huberman, A. M. (2003). *Analyse des données qualitatives* (2nd ed.). Paris: De Boeck.

Miller, D. T., & Ross, M. (1975). Self-serving biases in the attribution of causality. Fact or fiction? *Psychological Bulletin, 82*, 213–225.

Olie, R. (1994). Shades of culture and institutions in international mergers. *Organization Studies, 15*(3), 381–405.

Page, B. (1976). The theory of political ambiguity. *American Political Science Review, 70*, 742–752.

Parker, S. C., & Van Praag, C. M. (2012). The entrepreneur's mode of entry: Business takeover or new venture start? *Journal of Business Venturing, 27*(1), 31–46.

Pearson, A. W., Carr, J. C., & Shaw, J. C. (2008). Toward a theory of *familiness*: A social capital perspective. *Entrepreneurship Theory and Practice, 32*, 949–969.

Pieper, T. M. (2010). Non solus: Toward a psychology of family business. *Journal of Family Business Strategy, 1*, 26–39.

Podsakoff, P. M., MacKenzie, S. B., Lee, J-Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology, 88*, 879–903.

Rae, D. (2000). Understanding entrepreneurial learning: A question of how? *International Journal of Entrepreneurial Behaviour and Research, 6*(3), 145–159.

Rollin, M. (2006). *Reprise/rachat d'entreprise: les 100 premiers jours. Comment les réussir?* Paris: Maxima.

Russo, J. E., & Shoemaker, P. J. H. (1989). *Decision Traps*. New-York: Fireside Book, Simon and Schuster.

Salancik, G. R., & Pfeffer, J. (1977). An examination of the need-satisfaction models of job attitudes. *Administrative Science Quaterly, 22*, 427–456.

Salter, M. S., & Weinhold, W. S. (1979). Diversification via acquisition: Creating value. *Harvard Business Review, 56*(July–August), 166–176.

Schwenk, C. R. (1985). Management illusions and biases: Their impact on strategic decision. *Long Range Planning, 18*(5), 74–80.

Schwenk, C. R. (1995). Strategic decision making. *Journal of Management, 21*, 471–493.

Searby, F. W. (1969). Control postmerger change. *Harvard Business Review, 47*(5), 68–89.

Shapira, Z. (1995). *Risk taking: A managerial perspective*. New-York: Russel Sage Foundation.

Sharma, P., Chua, J., & Chrisman, J. (2000). Perceptions about the extent of succession planning in Canadian family firms. *Canadian Journal of Administrative Sciences, 17*(3), 233–244.

Shrallow, D. A. (1985). Managing the integration of acquired operations. *Journal of Business Strategy, 6*(1), 30–36.

Shrivastava, P. (1986). Post-merger integration. *Journal of Business Strategy, 7*(1), 65–76.

Simon, H. A. (1959). Theories of decision-making in economics and behavioral science. *American Economic Review, 49*(1), 253–283.

Slovic, P., Fischhoff, B., & Lichtenstein, S. (1977). Behavioral decision theory. *Annual Review of Psychology, 28*, 1–39.

Staw, B. M. (1976). Study of escalating commitment to chosen course of action. *Organizational Behavior and Human Performance, 16*, 27–44.

Staw, B. M., & Ross, J. (1978). Commitment to a policy decision. *Administrative Science Quarterly, 23*, 40–63.

Tariant, J. M. (2002). *Guide pour reprendre une entreprise – Validation du projet, montage juridique, fiscal et financier*. Paris: Editions d'Organisation.

Tversky, A., & Kahneman, D. (1974). Judgement under uncertainty: Heuristics and biases. *Management Science, 185*, 1124–1131.

Vlek, C., & Stallen, P. J. (1980). Rational and personal aspects of risk. *Acta Psychologica, 44*, 273–300.

Wacheux, F. (1996). *Méthodes qualitatives de recherche en gestion*. Paris: Economica.

Ward, J. L. (1987). *Keeping the family business healthy: How to plan for continuing growth, profitability, and family leadership*. San Francisco, CA: Jossey-Bass.

Weber, Y., & Schweiger, D. (1989). Strategies for managing human resources during mergers and acquisitions: An empirical investigation. *Human Resource Planning Journal, 12*(2), 69–86.

Whyte, G. (1986). Escalating commitment to a course of action: A reinterpretation. *Academy of Management Review, 11*, 311–332.

Wilson, S. R., Whitmoyer, J. G., Pieper, T. M., Astrachan, J. H., Hair, J. F., & Sarstedt, M. (2014). Method trends and method needs: Examining methods needed for accelerating the field. *Journal of Family Business Strategy, 5*, 4–14.

Woods, J. A., Dalziel, T., & Barton, S. L. (2012). Escalation of commitment in private family businesses: The influence of outside board members. *Journal of Family Business Strategy, 3*, 18–27.

Wrigth, M., & Kellermanns, F. W. (2011). Family firms: A research agenda and publication guide. *Journal of Family Business Strategy, 2*, 187–198.

Yin, R. K. (1994). Case study research. Design and methods. *Applied social research methods series* (2nd ed.). ). Sage Publications.

Zahra, S. A., Hayton, J. C., Neubaum, D. O., Dibrell, C., & Craig, J. (2008). Culture of family commitment and strategicflexibility: The moderating effect of stewardship. *Entrepreneurship Theory and Practice, 32*, 1035–1054.