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Succession Process in a Large Canadian Family Business: A Longitudinal
Case Study of the Molson Family Business: 1786-2007

Jose Lam

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In the
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ABSTRACT

Succession Process in a Large Canadian Family Business: A Longitudinal Case Study of the Molson Family Business: 1786-2007

Jose Lam, Ph.D.
Concordia University, 2009

This study explores and examines the succession process in the Molson family business. The major goal of the research is to examine the characteristics of effective multi-generational successions in this particular family business. Family businesses represent the most prevalent type of business in North America; and succession in family firms is an emerging area of study within family business research because of demographic and social trends, combined with the high probability of succession failure. This research identified and evaluated the critical events and processes that have led to several family business successions in the Molson family business. The research design involved qualitative methodology. A single in-depth longitudinal case study created a narrative of the Molson family business, from the founder to the current sixth generation leader.

The findings revealed that by ensuring grooming of the offspring, a mutual role adjustment between the older and younger generations, and selection of next-generation leader based on abilities and competencies, the Molson family business survived for over 220 years. Effective succession planning in this family business also involved minimizing conflicts and being able to separate the family and business systems.

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Chapter 1: Introduction

Background

Over 90% of all businesses in North America are family firms. These family businesses come in all sizes and shapes, from the typical 'mom and pop' restaurant to the large multinationals. Family businesses not only represent the most prevalent type of business in North America, but also play an important role in the global economy. Some family businesses have grown to become large corporations that have an influential role in particular industries; for example, IKEA (furniture), Ford (car manufacturing), Michelin (tire manufacturing), Cargill (commodities), Molson (beer), Bombardier (transportation), and others. Also, family businesses are not just small closely held private firms. It is estimated that about one-third of Fortune 500 companies are considered family businesses (Ibrahim and Ellis, 2004; Stein, 2001; Lank, Owens, Martinez, Reidel, de Visscher and Bruel, 1994; Rosenblatt, de Mik, Anderson and Johnson, 1985). Astrachan and Shanker (2003) reported that family businesses employ between 27%-62% of the US workforce and account for between 29%-59% of the US Gross Domestic Product (GDP). According to Ibrahim and Ellis (1994), family businesses in Canada employ approximately 48% of the workforce and represent nearly 50% of Canada's gross domestic product.

Despite the importance of family businesses in a nation's economy, relatively little attention has been devoted in management research to the family

firm's unique and complex issues (Litz, 1997; Hoy and Verser, 1994; Brockhaus, 1994). According to family business expert, Leon Danco:

The family-owned business is so much more than a business. It's a boiling pot of human concerns, a stew of family relationships, both of love and resentment- of opportunity and entitlement- all masked by the more obvious ingredients of jobs, money, taxes, products, markets, and benefits. No wonder it has a tendency to boil over.¹

Family business research is an emerging academic field (Astrachan, 2003). Early research focused on the identity of a family business and its characteristics vis-à-vis non-family businesses. However, recent trends point towards conceptual frameworks and theory building not only within the family business field, but also in relation to other fields (Ibrahim and Ellis, 2004; Zahra and Sharma, 2004; Chrisman, Chua and Litz, 2003; Chrisman, Chua and Steier, 2003; Wortman, 1994). Dyer Jr. and Sanchez (1998) reported that during the 1990's researchers focused on the following topics: interpersonal family dynamics, succession, business performance, and consulting to family firms. Other topics covered were gender and ethnicity studies, legal and fiscal issues, estate issues, organizational change, as well as governance. Aronoff (1998) stressed the importance of studying the succession process from a multigenerational transition point of view, rather than just focusing on the

¹ L. Danco, "Inside the Family Business," *Agency Sales Magazine*, August, 1993, p. 51.

succession-planning event. Aronoff also highlighted leadership and ownership issues that can help in understanding family businesses.

Bird, Welsch, Astrachan and Pistrui (2003) noted that major topics on family business issues that have been covered by researchers are: succession, distinctiveness of family business, conflict, management/ strategy, helping family business, and macro issues (economics, policy). Sharma (2004) noted in her review of the literature that the field is still in a preparadigmatic stage, where research has been undertaken at four different levels of analysis: individual (founders, next-generation, women, and/or non-family employees); interpersonal/group (agency theory, stewardship theory, interpersonal conflicts, and/or intergeneration transition); organizational (governance, strategic management, strategic decision-making, performance, and/or resource based view); and societal (macro-economic and/or environmental).

The literature review in Chapter 2 starts with a general broad picture of the state of the art in family business research in order to help us understand this emerging field of research. This is followed by a review of the literature of succession in family business. Succession has been and still is one of the most important events and processes in a family business. It is a topic that is widely reported in the popular media, as well as researched in the field, as noted by the scholarly attention described above. Family business succession is expected to become a major issue over the next 20 years. It is estimated that over \$15 trillion in assets will pass from one generation to the next, as baby boomers who own family businesses reach retirement age (Zaudtke and Ammerman, 1997).

Research also shows that only 30% of these family businesses will be successfully transferred to the next generation, 12% will be successfully transferred to the third generation, and only about 3% survive to the fourth generation and beyond (Astrachan and Shanker, 2003; Kets de Vries, 1993; Ward, 1987; Birley, 1986; Dyer, 1986; Beckhard and Dyer, 1983a & b). Ibrahim and Ellis (1994) noted that the transference of leadership from one generation to the next represents one of the most critical issues facing large family firms; and that the failure of family businesses can result in loss of assets, jobs, and family relationships.

There has been an increased interest in learning more about family businesses, not just from a general social point of view, but also from a scholarly perspective. Litz (1997) addressed the issue of the lack of research on family business in business schools and pointed out the opportunities that exist in exploring this new field. The use of qualitative studies (such as case studies) can be used to build further understanding of family firms (Bird, Welsch, Astrachan and Pistrui, 2003; Ibrahim and Ellis, 2004; Ibrahim, Soufani and McGuire, in press). Litz (1997) also recommended the use of methodologies that "nurture long-term, mutually beneficial linkages with family firms that might facilitate in-depth longitudinal analysis."² Murray (2003) used this longitudinal case method analysis to describe the succession transition process as a journey that may be categorized as evolutionary or revolutionary, depending on the business structure and ownership in place in the family business. Goffee (1996)

recommended the use of longitudinal case method analysis to explore and study in greater depth the complex relationships between ownership and managerial control in family businesses.

Purpose of the Study

The purpose of this study is to explore and examine the succession process in the Molson family business. The major goal of the research is to examine the characteristics of effective multi-generational successions in this particular family business. The theoretical approaches used to explain family business succession and selection of successor in family businesses were reviewed first, followed by a historical description from John Molson & Sons Ltd. to the current reincarnation of the business as Molson-Coors Brewing Company. This research uses qualitative methodologies that have been previously used by researchers in the field. The data collected was simultaneously triangulated to build an exploratory longitudinal case study.

The author's past research involved developing case studies on family firms such as Quebecor (Ibrahim, Soufani, and Lam, 2001) and Artelite (Ibrahim, Lam, Soufani, and Poutziouris, 2004). These cases explored and described the role of business founders and their offspring within the context of family-owned firms. While, the Quebecor case dealt with succession from the founder to the next generation, a subsequent study on the T. Eaton Co. tracked the transfer of leadership through five generations, from its inception by its founder, Timothy

² R. Litz, "The Family firm's exclusion from business school research: Explaining the

Eaton in 1869, until the company's demise in 1999 (Ibrahim, Soufani, Lam, and Poutziouris, 2004). This study shed some light on critical issues facing family firms such as succession planning, offspring's level of involvement in the business, the importance of grooming offspring and successor selection.

Significance of the Study

Succession in family firms is an emerging area of study within the field of family business research because of demographic and social trends, combined with the high probability of succession failure. Moreover, research in family business is challenging because of the overlap between two distinct fields, the business side characterized by objectivity and the family side characterized by emotions. A longitudinal case study analysis of the Molson family business' successions may shed knowledge on how the company has successfully undergone five leadership transitions. The significance of this research will further augment our understanding of succession in family firms and provide a basis for further research on multi-generational transitions in family business dynasties.

Chapter 2: Review of the Literature

Literature Review of Family Business Research

Although family businesses have been in existence for thousands of years, it was only in the past forty years that researchers have become interested in family business as a separate discipline and a topic of scholarly inquiry. From a research perspective, very little research on family business exists prior to the 1970's. In 1954, Schwartz published a conceptual article dealing with succession documentation and in 1961, Trow used empirical methods to study the performance of succession planning and found that succession is delayed when there is a perception of incompetence in the son. In 1964, Donnelley studied the uniqueness of the family business and the challenges of these firms, including nepotism and lack of managerial talent. Davis in 1968 empirically studied the relationship of a strong father-weak son and conservative father-progressive son. The research of Davis was significant in that it contributed knowledge about the types of conflicts that exist in family businesses.

During the late 1970's and early 1980's, much of the family business research focused on the owner-founder, ownership, definition, and comparative studies distinguishing family businesses from non-family businesses. Many of these studies were descriptive in nature and used qualitative analysis, including ethnographic studies and case studies. Also, it is important to note that many of the earlier studies were from researchers in other disciplines who studied family business with the goal toward developing prescriptive remedies to family

business problems observed through management and consulting practice.

Several key researchers stand out.

Levinson in 1971 built on the work of Davis. He looked at father-son, as well as sibling conflicts; and in 1974 he published a conceptual research describing the advantages of family business and father-son relationships. In 1976, the empirical work of Barnes and Hershon advanced the field further. According to these two researchers, the succession issue is a non-market based transfer of power, where the company undergoes a process from an entrepreneurial to specialized function, to divisional operations. The seminal work of Barnes and Hershon laid out the foundations for the emergence of a family business paradigm. In addition, Longenecker and Schoen in 1978 suggested in a conceptual paper that succession was a process rather than an event and that successors need to be prepared to take over the leadership of the business.

Alcorn (1982) used case study methodology to study success and survival in small and medium sized family businesses in the United States. Alcorn observed that family businesses were the most prevalent type of businesses, yet the problems and issues associated with these businesses received little attention from academics and government. Alcorn's study raised many of the issues characteristic of family businesses, such as succession, which after twenty-five years, still dominates research in the family business field. However, while succession is indeed one of the key issues in family business research, given that statistics show that many family businesses do not survive into the second generation, Alcorn's study also explored other important issues that

would build some of the assumptions of the emerging paradigms in family business.

Some of the topics of interest to researchers are the characteristics of the founder-entrepreneur, the role of the family on the business, the involvement of children in the business, the overpowering father, the underachieving, as well as the overachieving son, the role of the daughter, conflicts between members of the family, social and ownership structure of the family business, culture and vision of the founder, governance, succession planning, leadership transfer, reluctance to let go of the business, non-family executives, and others. Alcorn's contribution to the research on succession is the construct of 'letting the son shine in' after waiting patiently for his turn to run the business. According to Alcorn, collaborative management between the father and the son is the key to the succession process; however, as time goes by, the degree of this collaborative relationship deteriorates and leads to a crossroads where either the relationship improves or the relationship is characterized by total conflict and irreconcilable differences.

Beckhard and Dyer (1983a) looked at the key steps that need to be considered during succession and Beckhard and Dyer (1983b) studied the dynamics of family businesses, as well as the founder's priorities when managing continuity of the firm. Two other notable researchers were Davis (1983) who studied the types of families and their businesses and Lansberg (1983) who suggested that the succession process should also involve professional non-family members and that succession involves both economic and emotional

issues. Barach (1984) found that key members of the Board play an important role in the succession process; however, when the process is paralyzed by conflicts, the end result may be one group of the family buying the other group out or the firm undergoes a restructuring process to solve the problem.

Rosenblatt, de Mik, Anderson and Johnson (1985), brought a more systematic approach towards family business research. The backgrounds of these researchers were in psychology and social family science. In their study, they obtained a random sample of family business listed in the yellow pages, followed by structured interviews. The results of their conceptual research suggested the foundation of the family business paradigm; that is, that family business is a result of the overlap of two systems: the family and the business system.

Dyer Jr. (1986) built upon the previous studies of researchers (such as Hershon) that had looked at the life cycle of the business to suggest a conceptual framework to explain the nature of family business. The life cycle approach suggests that family business goes through four stages:

Stage 1 the entrepreneur founds the business and is the dominant character. The founder's vision and philosophy drive the business.

In Stage 2, the firm experience growth and development and conflicts appear associated with ownership, control issues, and the advancement of family members.

Stage 3 is characterized by succession to the next generation. Typically, the business is handed down to the primogeniture and/or to the son.

Stage 4 is characterized by familial or external negative events that affect the performance of the firm, resulting in public ownership and the hiring of outside professionals to manage the business.

Scholars such as Dyer Jr. (1986 & 1988) were driven by the goal to explore and understand the nature of family business; and in particular to answer the question 'Why do some family businesses succeed, and others fail?' Dyer Jr.'s conceptual framework proposed that interactions among the family, the business and the governing board provided the culture that could help the family business manage change. According to Dyer Jr. (1988) the culture of the family business often prevents the business from adapting to changes in the environment. However, family businesses where leaders have the ability to adapt to changes have a greater likelihood to survive and succeed into the next generation.

Dyer Jr. (1986) developed basic assumptions for each of the three cultural components and the combinations of the patterns of the family, the business, and governance culture may lead to a particular type of leadership that result in continuity or failure of the family firm. The business culture may be characterized by paternalistic, laissez-faire, participative or professional patterns, the family culture may be patriarchal, collaborative or conflicted, and the governance culture follows a four-stage evolution. In the first stage, the family business is governed by a paper board made up of family members to meet the requirements of the law. In the second stage, the 'rubber-stamp board' is made

up of family members and friends who basically support the decisions of the family. The third stage, the 'advisory board', occurs after the business goes public. Here outside directors have more influence on the decisions and their responsibility is to help protect the interests of shareholders. The last stage is the 'overseer board' where strategic decisions are made by the board and the family does not have majority control of the shares.

Even though family businesses are the most prevalent type of businesses in North America, only few of them survive into the next generation. Birley (1986) and Ward (1987) reported that 30% of family businesses survive to the second generation and only 10-15% made it to the third generation. While many family businesses fail because of marketing, financing, and/or other reasons associated with small and medium-sized businesses, family firms have also have a unique characteristic- the family, and they fail because of problems in succession planning (Lansberg, 1988). According to Ward (1987) the strategic planning process should ensure that the interests of the family are taken into consideration, as well as the financial situation of the business. While the main goal of the strategic planning is to ensure that the business maintains and continues to be competitive, it should also ensure a smooth transition of leadership to the next generation. Churchill and Hatten (1987) proposed that the family business goes through four transitional stages (owner-manager, training and development of the new generation, partnership between generations, and actual transfer of power).

Operational Definition of Family Business

A major issue in the field has been the lack of consensus among scholars to establish a clear conceptual and operational definition of a family business that can assist in theoretical advancement. There have been attempts by various scholars (Chua, Chrisman and Sharma, 1999; Litz, 1995; Handler, 1989b) to develop a consensus on definition; however, this area has been characterized often by conflicts and disagreements.

There are various definitions of family business used by social science researchers. Handler (1990) defines it broadly as a business run by at least one family member, while Churchill and Hatten (1987) added another operationalization, the anticipation of succession. According to these researchers, a family business is a founder-operated business where there is anticipation that the business will be passed to the next generation. However, this definition limits family businesses to firms that were started by entrepreneurs and excludes firms that were acquired by entrepreneurs. According to Ibrahim and Ellis (1994, 2004), a family business is defined as one "in which at least 51 percent of the business is owned by a single family; and at least two family members are involved in the management of the business. In addition, transfer of leadership to the next generation is anticipated."³

In spite of the recent focus towards reaching an operational and theoretical definition of family business (Chua, Chrisman and Sharma, 1999;

³ A. B. Ibrahim and W. H. Ellis, *Family Business Management: Concepts and Practice*, 2nd ed. (Iowa: Kendall/Hunt, 2004) p. 5.

Westhead and Cowling, 1998; Litz, 1997, 1995; Brockhaus, 1994), Rosenblatt's definition is one that has been generally accepted. Rosenblatt defined a family business as one where the family has majority ownership in the firm and where one or more than one family member is involved in the management (Rosenblatt, de Mik, Anderson and Johnson, 1985). Furthermore, this definition also implies that a family business is one that is perpetuated from one generation to the next; in other words, a succession process is anticipated.

The Dual Identity of Family Firms

Family businesses are characterized by an overlap between the family (emotional) and business (rational) systems. This dual identity refers to a reciprocal relationship between the social system (family) and the business system (family business) and differentiates a family business from a non-family business (Figure 1). The simultaneous interaction between the family and the business systems creates many competitive advantages that are usually intangible and unique such as the high level of employee commitment and motivation, flexible, informal, faster decision making process, and a common goal (Ibrahim and Ellis, 2004). Nonetheless, there is relative agreement amongst scholars of the view that the family business is further characterized by an overlap of three subsystems: ownership, management and family as seen in Figure 2 (Tagiuri and Davis, 1996) and the presence of a dual identity that creates a unique type of organization (Ibrahim and Ellis, 2004, 1994).

Figure 1. Dual Identity of Family and Business According to Ibrahim and Ellis (1994)

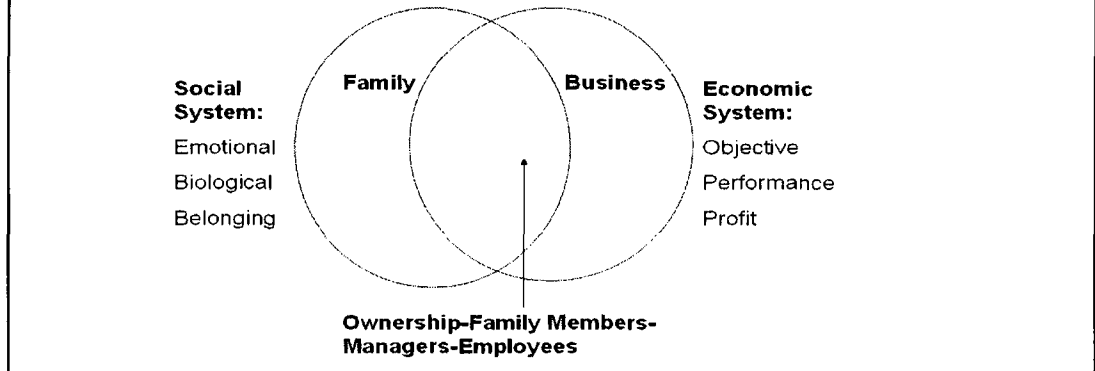
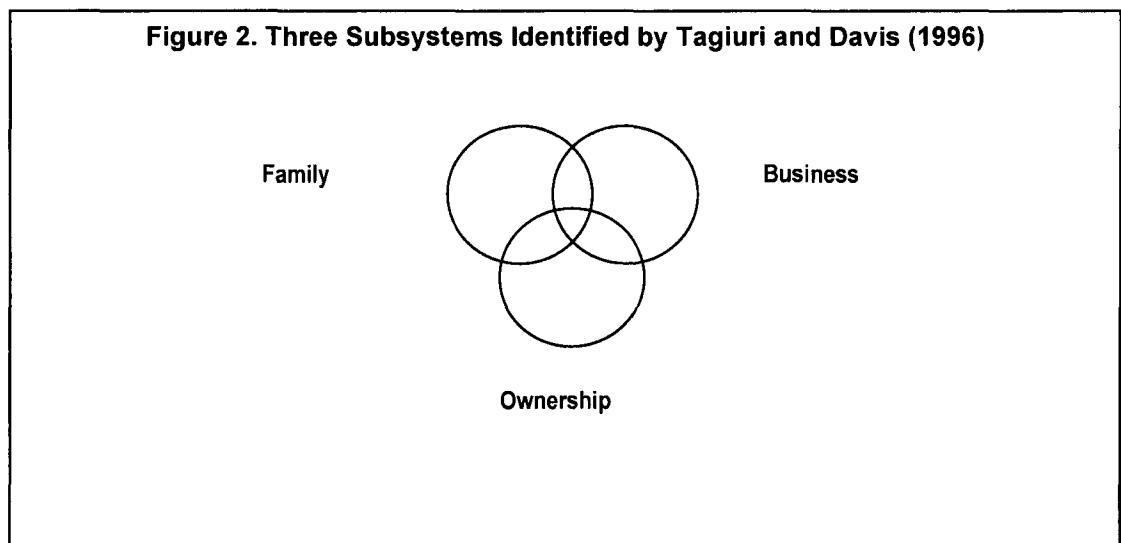


Figure 2. Three Subsystems Identified by Tagiuri and Davis (1996)



Churchill and Hatten (1987) argue that it is this social dimension - involvement of family members in the business, as well as non-market based transfer of power and leadership from one generation to the next- that gives family businesses its distinctiveness. For instance, Aldrich and Cliff (2003) have noted the importance of the effects of the family system on the business system.

They also suggest that family dimensions play an important role in entrepreneurial processes.

Chrisman, Chua and Sharma (2003) note the idea that the family is the critical variable in the study of family business. Some scholars suggest that family businesses' competitive advantage resides in the combination of the business's traditional physical and human resources, as well as the family's unique identity (Habbershorn and Williams, 1999). According to Habbershorn, Williams and McMillan (2003), the family business system consists of the interactions of the family unit, the business unit, and the individual family members. Zahra (2003) argue that it is the family's impact on the business that provides the advantage.

The Succession Process: Conceptual Background

A major area of research in the field during the past twenty years has been and still is the issue of succession in family businesses. Succession –or passing the baton to the next generation- is one of the main characteristics that distinguish family from non-family firms and can be viewed as a process that involves many factors and evolves over a period of time (Ibrahim and Ellis, 2004; Chrisman, Chua and Sharma, 1998; Gallo, 1995). The research by Handler (1989a, 1990, 1992) contributed further knowledge to our understanding of the succession process. According to Handler, the quality of the succession is affected by the individual and relational influences, and the succession process requires a mutual role adjustment between the father and the son.

There is general consensus amongst researchers that succession is a process (Davis and Harveston, 1998; Rubenson and Gupta, 1996; Handler, 1990; Friedman and Singh, 1989). In a recent study, Davis and Harveston (1998) concluded that first-generation owners play an important influence in succession issues. On the other hand, the family exerted a greater influence on succession issues when the business has already passed through a succession process, although the influence of the family is not evenly distributed across generations. The authors suggested further areas of research, notably that "a developed conception of the structure of family relationships may provide a useful point of departure for future explorations."⁴

Issues that affect the succession process include lack of a succession plan, lack of interest from the offspring in taking over the business, family feud, and successors that lack skills and qualifications (Zaudtke and Ammerman, 1997). Even though succession is such a critical issue in family firms, founders tend to neglect or brush off the issue. According to Manfred Kets de Vries, "Raising that topic [succession] would be a hostile act, one potentially interpreted by the man in charge as a wish to have him dead."⁵

A review of the literature on family business succession has identified several factors that influence the succession process. These factors include the structure of the family, interpersonal family relationships, the role of the founders

⁴ P. S. Davis, and P. D. Harveston, "The influence of family on the family business succession process: A multi-generational perspective," *Entrepreneurship Theory and Practice* (Spring, 1998): 31-49.

⁵ M. R. Kets de Vries, *Family Business: Human Dilemmas in the Family Firm*, (London: Thomson Business Press, 1996), p. 65.

and offspring, life-stage of the founders and offspring, birth order, gender and culture (Ibrahim and Ellis, 1994).

Davis and Tagiuri (1989) empirical work found that the quality of the father-son work relationship is affected by their respective life stages. According to Davis and Tagiuri, the father should gradually relinquish some control to the son, while the sons should be given increasing responsibilities in the company. Ward (1990) suggested that the succession planning is a long-term process (15-20 years) and that the founder should prepare the successor gradually through teaching and mentorship. The term 'corporeuthanasia' has been suggested to highlight the difficulty that many family firms face in the succession process (Danco, 1992) .

Dumas (1989) studied the differences in problems faced between male and female inheritors and suggested that sons have a desire for autonomy which can lead to conflicts, while daughters were more submissive and relatively conflict-free. Owner-managers see daughters as 'daddy's little girl', which influences their decision not to consider the daughter as a potential successor (Ibrahim and Ellis, 1994). Other researchers have continued to explore the role of daughters and women in family firms (Upton and Sexton, 1987; Salganicoff, 1990).

Structure and Relationships

Although researchers have studied the role of family members in a family firm (Dyer and Handler, 1994; Freudenberger, Freeheim and Kurtz, 1989; Dyer,

1986), relatively few studies have looked at the influences of family structure and relationships on succession. Davis and Harveston (1998) noted that measuring family (group-level) influence has been difficult because of the lack of widely accepted scales to measure the effects. Nonetheless, some researchers have looked at the issue. Gundry and Welsch (1994) found that increasing the number of family members in the business could play an influential role in the decision-making processes of the family firm, while Astrachan (1988) and Dyer (1986) argued that family members, just because they have high power, do not necessarily influence decision-making.

Cole (2000) studied the family business as a unit of analysis; that is, all family members were present during the interview. Cole concluded that family business expectation from family members, from outsiders, and from key employees seemed to be an important variable. Although not directly dealt with, the issue of succession may be affected by the expectations from these groups.

Founder's Reluctance to Let Go

According to Ibrahim and Ellis (1994), the founder's reluctance to plan for a succession has been attributed to a number of factors including: the founder's strong sense of attachment to the business, fear of retirement and death, and lack of other interests (Rubenson and Gupta, 1996; Seymour, 1993; Handler, 1990; Lansberg, 1988; Jacobs, 1986; Dyer, 1986; Zaleznik and Kets de Vries, 1985; Alcorn, 1982; Barnes and Hershon, 1976; Levinson, 1971). Furthermore, the founder's reluctance to let go may discourage the offspring from joining in

and taking over the leadership role in the family firm (Stavrou, 1999; Handler, 1989a; Lansberg, 1988).

Using Sonnenfeld (1988)'s typology of retiring CEOs, Lansberg (1999) noted that when preparing to let go, leaders fall under four types of exit strategies: monarchs, generals, ambassadors, and governors. Both monarchs and generals have similar styles in that they are reluctant to let go (retire), and both tend to have autocratic leadership styles to help them stay in control for as long as possible. Moreover, monarchs and generals may pick weak successors in order to create an environment of dependency. One difference between the monarch and the general is that the monarch remains in power until his/her death, while the general may use subtle ploys with the intention to come back and regain power and the leadership position. Ambassadors and governors, on the other hand, nurture and groom successors, and may use a consultative approach to select the most capable successor. After retirement, ambassadors remain in the firm as consultants, while governors leave the firm to pursue other interests.

Birth Order Factors and Life Stage

Handler (1990) describes the succession process as a 'mutual role adjustment' between the older and younger generations. Handler suggested a gradual role adjustment divided into four phases. In the first phase, the entrepreneur is the sole operator of the business. In the second phase, the younger generation enters the business and helps the founder, whose role is that

of a monarch. In the third phase, the younger generation become managers, while the founder becomes an overseer/delegator. In the fourth phase, the next-generation successor becomes the leader, while the founder remains in the family business as a consultant. Hunt and Handler (1999), Rubenson and Gupta (1996) and Seymour (1993) have studied the role of the founder on the succession process. Research also suggests that an offspring's competence (Lansberg and Astrachan, 1994; Osborne, 1991; Barnes, 1988; Danco, 1982), as well as their personality traits (Goldberg and Wooldridge, 1993; Malone and Jenster, 1992; Levinson, 1971) are critical attributes that influence the choice of a successor in family firms.

Other research has also examined a number of factors related to the offspring's intention to join and take over the leadership role in family firm. These factors include offspring life-stage (Davis and Tagiuri, 1989; Ward, 1987; Davis, 1968), and their gender and birth order (Goldberg and Wooldridge, 1993; Handler, 1991; Lansberg, 1988; Alcorn, 1982). Moreover, family firms may be compared to monarchies in which the eldest son becomes the uncontested successor (Alcorn, 1982).

Gender Factors

An emerging area of research has been to examine the influence of gender factors on the choice of the successor. A study by Kuratko, Hornsby and Montagno (1993) revealed that the majority of family business owners chose their sons over their daughters, as potential successors, even though as Ayres

(1990) suggested, the daughter may be more suitable. Moreover, Stavrou (1999) summarized in her paper previous studies which found that when the business owner is male, he would not include the daughter in major business decisions, such as succession issues, even if the daughter were capable of running the business. Other researchers have looked at the issue of integrating the daughter and women into the family business (Cole, 1997; Dumas, 1992; Hollander and Bukowitz, 1990; Salganicoff, 1990).

Family Size

A neglected area in the family business succession field is the lack of studies on the factors influencing the succession process in family firms characterized by large families, as well as by extended family members. Danco (1991) used the term 'machtetunim' to describe the extended family, the daughters-in-law, the sons-in-law, grandchildren, children from second or third marriages, and other in-laws. Davis and Harveston (1998) examined the relationship between large family businesses and the succession process. The authors found that there was no support for the claim that the larger the family business, the more extensive the succession planning process. Nonetheless, this study was unique because the researchers noted the lack of studies focusing on the family (group-level) as a variable.

Succession Planning

Research studies have often noted the importance of succession planning in family businesses (Kets de Vries, 1993; Handler, 1990; Ward, 1987). A survey conducted by the Canadian Imperial Bank of Commerce (CIBC) in 2005 reported that about one fifth of Canadian small business owners (more than 500,000 entrepreneurs) are ready to retire by 2010 and another 30% will retire by 2020 (Tal, 2005). According to this survey, more than \$1.2 trillion will be passed from one generation to the next, yet only 7% of these businesses have a formal succession plan. Handler (1990) cited lack of succession planning as the major reason for the high mortality in family firms. The lack of succession planning can be attributed to factors related to the founder (Kets de Vries, 1993) and offsprings' competence (Astrachan and Kolenko, 1994; Handler, 1989a; Rosenblatt, de Mik, Anderson and Johnson, 1985; Davis, 1968).

Ibrahim and Ellis (2004) and Gallo (1995) noted that succession is a complex process involving many factors and evolving over a long period of time. Research on succession in family firms has widely acknowledged the importance of succession planning to the survival of family firms (Ibrahim, Soufani and Lam, 2001; Wortman, 1994; Kets de Vries, 1993; Handler, 1992, 1990).

Several studies suggest that family businesses that have undergone a succession process are better prepared for future family succession transfers (Handler, 1992; Levinson, 1971) and that the succession process should be initiated very early in the offspring's life (Stavrou, 1999; Ward 1987; Davis, 1968). Ibrahim, McGuire, Ismail and Dumas (1999) and Ward (1987) have argued that a

proper succession process allows family firms the opportunity to select effective leaders who are capable of managing the business after the retirement of the founder. Lansberg (1999) suggested that succession in the family business may follow an evolutionary path going from a owner-controlled firm to a sibling partnership in the second generation, and to a cousin consortium in the third generation. In other cases, devolutionary succession may also occur; for example, going from a sibling partnership to an owner-controlled firm or from a cousin consortium to a family branch or to an owner-controlled firm, although according to Lansberg (1999) these cases are rare.

Scholars have suggested that the succession process involves three important steps. First, the offspring is prepared for leadership roles at an early age before joining the family business, next the offspring is integrated into various positions within the business, and the last step is the transfer of the leadership role in the firm (Ibrahim and Ellis, 2004; Stavrou, 1999; Handler, 1994, 1990, 1989a; Churchill and Hatten, 1987; Ibrahim, Soufani, Poutziouris, and Lam, 2004; Fox, Nikalant and Hamilton, 1986).

Effective Leadership

Studies have shown that leadership is the most important element in the success or failure of organizations and that leadership is a process that involves creating visions, articulating those visions as goals and objectives, and transforming followers so that those goals and objectives are attained (Bass, 1990; Bass, 1985). Maccoby (1979) noted that effective leadership is critical to

organizations' ability to respond competitively to changing environments. Drucker stated that:

What distinguishes the leader from the misleader are his goals. Whether the compromise he makes with constraints of reality- which may involve political, economic, financial or people problems- are compatible with his mission and goals or lead away from them determines whether he is an effective leader. And whether he holds fast to a few basic standards (exemplifying them in his own conduct), or whether "standards" for him are what he can get away with it, determines whether the leader has followers or only hypocritical time-servers.⁶

In the family business field, research on leadership has mainly focused on the founder-entrepreneur. Hoy and Verser (1994) note that effective leadership involves communicating the vision by the founder to other members of the business, including family members and that leadership and culture are interrelated (Ward, 1987).

Hunt and Handler (1999) found that effective family firm leaders are motivated by a need for achievement and need for affiliation. In addition, as the business goes from one stage of development to the next, effective leadership requires different management styles and practices. Some studies show that family business leaders have a longer tenure than leaders in non-family firms;

and this may be explained by a combination of individual traits, family structure and vision, as well as other internal and external factors (Sharma, 2004; Gomez-Mejia, Nunez-Nickel and Gutierrez, 2001; Keynon-Rouvinez, 2001; McConaughy, 2000; Sharma, Chrisman and Chua, 1997).

Multigenerational Survival

Recently, there has been an increased interest amongst family business scholars to study and learn more about long-lived family business “dynasties” and their intergenerational transfer (Miller and Le Breton-Miller, 2005; Jaffe and Lane, 2004; Miller, Steier and Le Breton-Miller, 2003). This interest in family firms’ longevity not only focuses on large companies, but also small ones. For example, Ibrahim, Mcguire, and Soufani (2008) explored factors that contribute to the longevity of small family firms.

According to Jaffe and Lane (2004), global family business dynasties control a major share of the world’s wealth and serve as the backbone of economies in many developing countries and they exercise influence over large public corporations. A family business dynasty is one where the multi-generation family keeps its family fortune together within a single business or jointly owned investment (Hutcheson, Lane, and Jaffe, 2003). Landes (2006) defines a family business dynasty as one that has undergone at least three successive generations of family control and characterized by continuity of identity and interest.

⁶ P. Drucker, *Managing for the future: The 1990's and Beyond* (New York, NY: Truman

Gersick, Davis, Hampton, and Lansberg (1997) suggested that the complexity in the family business increases as the business evolves from an owner-operated venture to a cousin consortium. Moreover, these authors noted that ownership gets diluted as the family business undergoes multigenerational transitions and that by the third generation, the family business may be ruled by one branch of the family (management control) while other branches play an allied role to the ruling branch. However, as the number of family branches increases in multigenerational family firms, the emotional side of the family subsystem manifests itself in family conflicts, feuds and rivalries that may have been carried over from previous generations.

As stated previously, only about 10-15% of family businesses make it to the third generation (Ward, 1987); and in countries such as the United Kingdom, family business dynasties are a dying breed (Moules, 2004). The popular American expression 'from shirtsleeves to shirtsleeves in three generations' symbolizes the challenge of family businesses surviving beyond the third generation. This expression referred to entrepreneurs who became very successful and wealthy in the United States in the late 1800's. When the business and wealth was passed down to the next generation- usually sons- they squandered most of their money so that their grandsons had to work in shirtsleeves again.

In some cases, a family business ends because of lack of biological continuity. The Guggenheim family business, started by Meyer Guggenheim in the United States, did not go beyond the third generation because his five sons

did not produce enough capable heirs (Simpson, 1980; Holbrook, 1954). The same fate struck the Astor family business when sixth generation Vincent Astor died childless in 1959 (Otten, 1980).

By the time the family business reaches the third generation, the children prefer to enjoy the wealth, rather than continue working in the business. In addition, when the family business has investors or is a public company, the control of the business is diluted with each generation, as the family sells greater control of the company in order to pay inheritance taxes (Otten, 1980). There could also be a cultural variable that discourages the continuity of family businesses in the United States, and encourages individual success. Robert Sobol, Professor of business history at Hofstra University in Hempstead, New York stated that, "The old line, 'Son, some day all this will be yours,' is more European than American. The wealthy American father tells his son that someday he will be able to do whatever he wants."⁷

When a cousin consortium of the Du Pont family business took the company public, this also marked the first time that the company incorporated formal organizational management structures and hired professional managers to run the company's operations. Beforehand, the top leader seldom disclosed any financial information about the business, but with the new structure, the company set up a Board that included family and non-family members, as well as an Executive Committee to oversee strategic direction and a Financial Board that had veto powers over management decisions (Dutton, 1942). Family leadership

⁷ Frederick C. Klein, "The Sears," in *American Dynasties Today*, The Wall Street Journal, ed. (New York, NY: Dow Jones-Irwin Inc., 1980), p. 47.

at Du Pont ended in 1971 when Lammont Du Pont Copeland resigned the chairmanship; and with the resignation of senior Vice President Irene Du Pont Jr. in 1978, the company did not have any more Du Ponts in their top management ranks (Machalaba and Martin, 1980).

Compared to the United States, Canada has few family business dynasties. The Molsons (described in Chapter 4) has been referred to as Canada's 'first family' and is considered the oldest family controlled business and the third oldest company in Canada (O'Hara, 2004). In addition to the Molsons, The Eaton's family business dynasty was once labelled Canada's "Royal Family" (McQueen, 1999). Timothy Eaton, an Irish immigrant who came to Canada in the 1850's founded the T. Eaton & Co retail shop in 1869. He built it into a Canadian retail icon that helped shaped the image of the young nation.

The demise in 1999 of Eaton's highlighted a common factor that affects family business: the lack of appropriate governance systems and lack of strategic and succession planning (Ibrahim, Soufani, Lam, and Poutziouris, 2004). John Davidson Eaton, the third generation heir who took over the company in 1942, lacked the vision and commitment to run the company and only assumed the leadership reluctantly. When he died in 1969, he did not name a successor amongst his five sons, who decided to run the company by committee and mismanaged the business into bankruptcy.

There is some similarity between the Du Ponts and the Eatons. Both companies were started by European immigrants where a common theme, the concept of the monarchy, runs in many family dynasties. In private family owned

firms, the succession process is often a reflection of family governance that dictates that the business is a patrimony that serves the family; thus it should be handed down to one successor. This type of governance is typical of the old European feudal system, and partially explains the reason for the greater number of successful family business dynasties that exist in Europe. For example, one of the oldest Italian family firms is Marchesi Antinori SrLb headed by Piero Antinori of the 25th generation. Family business succession in this particular business, like in other private family businesses, follows primogeniture. The eldest son has always been in charge of the business, while other sons or daughters are given assistance to pursue their own interests (O'Hara, 2004).

The previous examples of failure and success in long-lived family firms highlighted some factors that may have contributed to the firms' longevity. Jaffe and Lane (2004) discussed in their study key issues that multigenerational dynasties face and proposed a governance infrastructure that could assist these family firms in dealing with the firm's internal and external environments, as well stakeholders, in order to ensure the continuity of the family business.

Moreover, Le Breton-Miller, Miller, and Steier (2004) and Lambrecht (2005) proposed succession models that could explain multigenerational transition in family firms. According to Lambrecht, survival of multigenerational family firms may depend on sound governance as the fundamental principle. Lansberg (1999) suggested also that the longevity of the family firm depends not only on governance structures and processes, but also on the vision or shared dream that keeps the family focused on its values and aspirations. Miller and Le

Breton-Miller (2005) added that longevity of multigenerational family firms may also be explained by the family adherence to a long-term vision and the establishment of a clanlike organizational culture that motivates both family and non-family members towards the embracement and pursuit of strong values.

Chapter 3: Methodology

Qualitative Methodology

The design of a study starts with the selection of a topic and paradigm. In the social sciences, paradigms help us understand phenomena by advancing assumptions about the social world, how scientific research should be conducted, and what constitutes problems, solutions and criteria of proof (Creswell, 1998). Paradigms cover both theories and methods; and the two most common paradigms are the quantitative and the qualitative. A qualitative paradigm is an inquiry process of understanding a social or human problem based on building a complex picture, formed with words, reporting detailed views of informants, and conducted in a natural setting. On the other hand, the quantitative paradigm is an inquiry into a social or human problem, based on testing a theory, using variables, measured with numbers, analyzed with statistical procedures, in order to determine whether the predictive generalizations of the theory hold true. In quantitative research, reality is treated as objective, while in qualitative research, it is treated as subjective and multiple as seen by the participants in the study.

The present study uses a qualitative paradigm and interpretive approach as an exploratory inquiry process to understanding a sociological and organizational phenomenon- succession process in a family business over several generations. The paradigm in the present qualitative research is referred to as constructivist, naturalistic, and interpretive approach. In other words, qualitative methods use inductive logic, where categories emerge from

informants leading to patterns or theories that help explain a phenomenon (Burrell and Morgan, 1979).

In qualitative research, there are several strategies available to the researcher. These research strategies include case study, phenomenology, ethnography, grounded theory, biographical research, historical research, participatory and clinical research (Denzin and Lincoln, 2005). Moreover, the qualitative researcher may use a variety of methods such as interviews, focus groups, observation, and analysis of documents to collect and analyze the data (Denzin and Lincoln, 2005).

Goffee (1996) has suggested that qualitative research is an appropriate method of inquiry to study family businesses because of the complex relationship that exists between family and management. Moreover, Goffee suggests that the use of case study, including participant and non-participant observation, provides an advantage over surveys in order to study these complex relationships between family and the business system.

Grounded theory has also been used a qualitative research strategy, together with case studies and ethnographic studies to study sociological phenomena. Glaser and Strauss (1967) proposed the use of grounded theory as an approach in generating theory. According to Glaser and Strauss, the researcher does not test à priori theories and/or assumptions, but instead using comparative studies, the researcher uses the data (and not assumptions) simultaneously and continuously to generate theory through a process of induction. For example in the case of using a one-case study, Glaser and

Strauss, suggests that comparison of data starts with specifying the unit of analysis and that “this is done by specifying the dimensions of the concept designating the unit. To make certain the reader understands what a given monograph will be about, in comparison with seemingly similar units, the author compares his unit of analysis with these other units. His comparison brings out the distinctive elements or nature of the case he has studied.”⁸

Case study research has been used to study the characteristics of family firms; for example, Alcorn (1982) used case studies to study key issues facing small and medium-sized family firms in America. Dunn (1995) studied relationships amongst family members in Scottish family firms and Santiago (2000) studied the experiences of successors in Philippine family firms. Tsang (2001) used a single case to study internationalization issues in a Chinese firm, as well as comparative case studies to study the organizational learning experience in overseas Chinese family firms (Tsang, 2002). Abetti and Phan (2004) used case study to track the growth of a single firm over a 83-year period (from 1919 to 2001) by studying critical events during the evolution of the firm, including succession issues. In effect, case study research has also been used to study family business succession. Barach and Ganitsky (1995) used case study research to study a successful succession in one Canadian retail firm, Dyck, Mauws, Starke, and Mischke (2002) studied the succession process in one American manufacturing firm, Murray (2003) used longitudinal case study to study the succession process in five American family firms, and Miller, Steier,

⁸ Barney G. Glaser and Anselm L. Strauss, *The Discovery of Grounded Theory: Strategies for Qualitative Research*, (Chicago, Aldine Publishing Co., 1967), p. 25.

and Le Breton-Miller (2003) studied intergenerational succession and failure in family business successions.

The use of case studies have also been used in dissertations focused on family business issues; for example Hershon (1975) used comparative case studies to explore the difficulties encountered in family business succession. Holland's dissertation (1981) used cross-case study to explore strategic management in family firms. Hollander's dissertation (1983) used case study research to study family business as a system and Legler's dissertation (1988) used case study to develop a framework to evaluate family business planning. More recently, Cater III's dissertation (2006) used a cross-case study to study the leadership qualities of successors and Hunt's dissertation (2006) used case study to study the factors that affect succession in African American family-owned businesses.

Case Study Research

Case study research is a common type of qualitative method used in the social sciences. Stake (2005) stated that the "case study is not a methodological choice, but a choice of what is to be studied".⁹ In other words, the researcher uses the case study method because of an interest in an individual case (and what can be learned from this particular case), rather than being interested in a particular method of inquiry. Here the researcher chooses a single case for study

⁹ Robert E. Stake. *Qualitative Case Studies*. In: *The Sage Handbook of Qualitative Research*, 3rd Edition. Norman K. Denzin and Yvonna S. Lincoln, Editors (Thousand Oaks, California, 2005), p. 443.

and is driven by the epistemological question, “what can be learned from the single case”? The advantage of the case study method is that it allows the researcher to optimize understanding of the research question(s). Case studies can be exploratory, descriptive, and/or explanatory in nature.

Gerring (2007) defines case study research as an intensive study of a single case where “the purpose of the study is- at least in part- to shed light on a larger class of cases (a population).”¹⁰ Gerring suggests that case study research may involve a sample of one or few cases (classified as a case study) or a sample of many cases or multiple cases (classified as a cross-case study). Gerring also argues that there is “a movement in the social sciences away from a variable-centered approach to causality and towards a case-based approach.”¹¹

Yin (1994, 1984) analyzed and evaluated case studies and found that this method offers researchers results that may be obtained from qualitative studies and used to bring expert knowledge of the phenomena studied, round up relevant data, and ponder and probe the degree to which the findings have implications elsewhere. Furthermore, case study research allows an investigation that retains holistic and meaningful characteristics of real-life events such as life cycles, organizational and managerial processes, international relations, and maturation of industries.

Case study research can be used as an exploration that can lead to generalization-producing studies, or even as an occasional early step towards

¹⁰ J. Gerring, *Case Study Research: Principles and Practices*, (New York: Cambridge University Press, 2007), p. 20.

¹¹ Ibid, p. 3.

theory building (Stake, 2005, 1994). Vaughan (1992) has argued that an intrinsic case study can be seen as a small step toward grand generalization, though generalization should not be seen as the emphasis of the case study research method because it may draw the researcher away from features that are important about the case study, and according to Stake (1994), not everything about a case can be understood. Flyvbjerg (2006) further argued that “formal generalization is only one of many ways by which people gain and accumulate knowledge. That knowledge cannot be formally generalized does not mean that it cannot enter into the collective process of knowledge accumulation in a given field or in a society.”¹² Eisenhardt (1989) suggests that case studies may be used to provide description, to test theory, and/or generate theory.

According to Yin (1994), there has been confusion as to the strengths of the case study method. He suggested that some common flaws were to treat case study as an exploratory research strategy, often being confused with ethnographic and participant-observer methods. Yin argues that the case study is an empirical study that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used. According to Yin, “case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes.”¹³ Yin (1984) argues that the strengths and weaknesses of the case study method have been misunderstood by researchers.

¹² B. Flyvbjerg, “Five Misunderstandings About Case-Study Research,” *Qualitative Inquiry*, (April, 2006): p. 227.

The continued use of case study as a research strategy in the social sciences (sociology, business, psychology, etc) suggests that this method has merits.

Eisenhardt (1989) proposed a process to build theories from case studies. This process uses inductive logic to analyze data and build theories from the case study. According to Eisenhardt, the research process includes the use of grounded theory (Glaser and Strauss, 1967), case research design (Yin, 1984), and data codification (Miles and Huberman, 1984). Gerring (2007) suggests that the case under study always provides at least two observations for analysis. For example, in the case of a family business succession, a researcher may observe changes over time, or focus on variables before and after the succession has taken place. In a cross-case study, the researcher may study one variable across several cases. Thus in a study of a single or few cases (a sample), the researcher focuses on within-case variations, while in a cross-study sample, the researcher focuses on cross-case variation. Moreover, a research design that focuses on one case implies an intensive study of the phenomenon. Conversely, a research design that incorporates the analysis of several cases suggests a less intensive study of each case. According to Gerring, a study that consists of multiple cases may provide more confidence in some broader aspect of the population; however, "the sample of cases (large or small) rests within a population of cases to which a given proposition refers."¹⁴ Nonetheless, a

¹³ R. K. Yin, *Case Study Research: Design and Methods*, 2nd ed., (Beverly Hills: Sage, 1994), p. 10.

¹⁴ Gerring, p. 22.

research design may focus on a single case or on multiple cases, depending on the purpose of the study.

Gerring (2007) has proposed that case study research design can be classified according to "(a) the number of cases that they encompass (one, several, or many), (b) the kind of X/Y variation that they exploit (spatial or temporal), and (c) the location of that variation (cross-case or within-case)."¹⁵

Table 1 shows Gerring's case research design typology. According to Gerring, there are ten possible case research designs, of which five types (type 2 to type 6) can be applied to case study and the other possibilities to cross-case study. Type 2, 3, and 4 are of special interest to the present study. Type 2 refers to a single case study with variation over time (diachronic), type 3 is a single case study with within-variation at a single point of time (synchronic), and type 4 is a combination of both diachronic and synchronic analysis.

Table 1. Research Designs: A Covariational Typology¹⁶

Cases	Spatial Variation	Temporal Variation	
		No	Yes
One	None	1. [Logically impossible]	2. Single-case study (diachronic)
	Within-case	3. Single-case study (synchronic)	4. Single-case study Synchronic + diachronic)
Several	Cross-case & within-case	5. Comparative method	6. Comparative-historical
Many	Cross-case	7. Cross-sectional	8. Time-series cross-sectional
	Cross-case & within-case	9. Hierarchical	10. Hierarchical time-series

¹⁵ Gerring, p. 27.

A weakness of case study research has been the issue of accuracy and precision of the information and the validity of the results. Stake (2005, 1994) and Yin (1994, 1984) suggest that to reduce bias and misinterpretation, information can be verified with informants or by triangulation of the information from different sources of data. Triangulation may be seen as a process of verifying the repeatability of an observation or interpretation by using multiple perceptions to clarify the meaning.

The issue of validity is important in research. Yin (1994) argues that case study researchers can use several tactics to enhance the validity of their research. The case study tactics are: construct validity (use triangulation in data collection), internal validity (used for explanatory studies by showing causal relationship), external validity (use analytic generalization to determine whether findings are generalizable), and reliability (to reduce errors and biases in the study by creating an operational procedure that allows for someone else to replicate the case). In other words, the researcher can reduce flaws in the study by corroborating information through triangulation of strategies, settings for data, and sources of data. Scandura and Williams (2000) noted the use of triangulation as a tool for internal, external, construct, and statistical validity.

Research Design of Current Study

The present research is historical case study research to evaluate the succession process in the oldest Canadian family business, the Molson family

¹⁶ Ibid, p. 28.

business. This research identified and examined the critical events and processes that have led to several family business successions and a case research study was built consistent with Gerring (2007) and Yin (1994, 1984). The approach is to build a single in-depth longitudinal case study and create a narrative of the Molson family business from its inception by the founder, John Molson in 1786 to the present sixth-generation leader Eric Molson and his sons (Chapter 4). Menard (1991) suggests that longitudinal research can be used to describe patterns of change over a period of time, as well as to provide more understanding about casual relationships. According to Menard, time refers to chronological time (historical) and age (biological time for subjects).

The case study research evaluates the succession processes at the Molson family business before and after each leadership transfer and also at the point of succession (Gerring, 2007). A narrative form is used to build a single case that focuses on lives of individuals, as well as critical business and family incidents and/or events related to the firm's succession processes.

Research Questions

Eisenhardt (1989) proposed that a focused and defined research question is similar to hypothesis-testing research. For example, she cites the study by Mintzberg & McHugh (1985) that used one single case to research strategy formulation in an adhocracy, the National Film Board of Canada over six periods (from 1939-1975). Mintzberg and McHugh collected data from archives and from some interviews and concluded with a model of strategy formulation. Mintzberg

and Waters (1982) also used a single case study to track strategy in an entrepreneurial firm, retail chain Steinberg's, over a period of 60 years of its history (from its start in the 1920's to the mid-1970's). Mintzberg and Waters research process involved four steps: (1) collection of basic data and chronological events that influenced the firm's organizational history; (2) inference of patterns and periods that influenced strategy decision-making in the firm; (3) an investigation of the transition from one period to the next, as well as analysis of tangible and soft data; (4) building theory using an inductive process focused on conceptual issues arising from the research.

The main purpose in this dissertation is to explore and examine the succession processes and planning that have taken place in the Molson family business over the past six generations, starting from the founder in 1786 to the current generation running the business. How were the successions carried out in this particular family business? How has the Molson family business been able to survive seven generations, while other family business fail after one or two generations? In order to find answers to these questions, the case study research evaluates critical factors associated with effective succession. Furthermore, based on the literature review on family business and succession process, the researcher examined the following research questions:

1. How has the Molson family managed the overlap between the family system and the business system?

2. How did the founder/leader prepare for succession?
3. What are the characteristics of the founder and leaders of the Molson family business?
4. How has resistance to succession planning been manifested in the founder and/or in subsequent leaders of the family business?
5. How were the roles of offspring defined within the family business?
6. What kind of grooming process exist in the family business?
7. How has the Molson family business selected the next-generation leaders?

In order to answer these questions, the research examined variables that have been commonly cited by other researchers in the family business field and which seems to be identified as critical factors associated with effective succession planning (Ibrahim and Ellis, 2004; Ibrahim, Soufani, Lam, and Poutziouris, 2004; Ibrahim, Soufani, and Lam, 2001; Davis and Harveston, 1998; Rubenson and Gupta, 1996; Gallo, 1995; Kets de Vries, 1993; Handler, 1992 & 1990; Ward, 1987; Beckhard and Dyer, 1983a; Lansberg, 1983; Longenecker and Schoen, 1978; Barnes and Hershon, 1976). These variables are: role of the founder/leader, resistance to succession planning, selection of next-generation leader, grooming of the next-generation members, and conflict management. Table 2 shows the research mapping of variables associated with succession planning.

Table 2. Individual and Group Level Factors Associated with Succession Planning

	Xi						
Obs 1 (role of founder/leader)	X1.1 Traits	X1.2 Characteristics					
Obs 1.1 (T1)							
Obs 1.2 (T2)							
Obs 1.3 (T3)							
Obs 1.4 (T4)							
Obs 1.5 (T5)							
Obs 1.6 (T6)							
Obs 2 (resistance to let go)	X2.1 Health	X2.2 Interests	X2.3 Identity with business	X2.4 Control	X2.5 Fear of retirement	X2.6 Self-learning	X2.7 Technical advice
Obs 2.1 (T1)							
Obs 2.2 (T2)							
Obs 2.3 (T3)							
Obs 2.4 (T4)							
Obs 2.5 (T5)							
Obs 2.6 (T6)							
Obs 3 (grooming process)	X3.1 Preparing the offspring for entry	X3.2 Mutual role adjustment					
Obs 3.1 (T1)							
Obs 3.2 (T2)							
Obs 3.3 (T3)							
Obs 3.4 (T4)							
Obs 3.5 (T5)							
Obs 3.6 (T6)							
Obs 4 (decoupling family-business system)	X3.1 Problems of carry-over	X3.2 Path of self-validation					
Obs 4.1 (T1)							
Obs 4.2 (T2)							
Obs 4.3 (T3)							
Obs 4.4 (T4)							
Obs 4.5 (T5)							
Obs 4.6 (T6)							
Obs 5 (Selection of next-generation leader)	X4.1 Successor's capacity to lead	X4.2 Nepotism					
Obs 5.1 (T1)							
Obs 5.2 (T2)							
Obs 5.3 (T3)							
Obs 5.4 (T4)							
Obs 5.5 (T5)							
Obs 5.6 (T6)							

Scholars have suggested that reluctance to let go of the business can be manifested in the leader's emotional attachment to the business, the leader's mistrust in the competence or abilities of offspring, fear of retirement and/or lack of outside interests (Ibrahim and Ellis, 2004; Stavrou, 1999; Rubenson and Gupta, 1996; Sharma, Chrisman and Chua, 1996; Astrachan and Kolenko, 1994; Seymour, 1993; Handler, 1990; Lansberg, 1988; Jacobs, 1986; Dyer, 1986; Zaleznik and Kets de Vries, 1985; Rosenblatt, de Mik, Andreson, and Johnson, 1985; Beckhard and Dyer, 1983a; Alcorn, 1982; Barnes and Hershon, 1976; Levinson, 1971; Davis, 1968).

Succession is a process that last over a long period of time, rather than a single event of passing the baton to the next-generation (Aronoff; 1998; Davis and Harveston, 1998; Ward, 1990; Davis and Tagiurui, 1989; Churchill and Hatten, 1987). Succession planning starts with grooming of the offspring for leadership positions in the family business (Handler, 1992; Levinson, 1971). Factors associated with the grooming process include the preparation of younger members for entry into the family business and mutual role adjustment between the older and the younger generation whereby the older generation relinquishes gradually responsibilities to the younger generation (Ibrahim and Ellis, 2004; Ibrahim, Soufani, and Lam, 2003; Stavrou, 1999; Zaudtke and Ammerman, 1997; Handler, 1994, 1992, 1990, & 1989a; Churchill and Hatten, 1987; Fox, Nikalant and Hamilton, 1986; Alcorn, 1982).

Family businesses that are able to decouple the family-business system in an objective manner may reduce conflicts that can affect the succession process

(Ibrahim and Ellis, 2004). Moreover, decoupling the family-business system also involves the offspring setting their own paths of self-validation associated with their roles in the family business (Levinson, 1971). The relationships between fathers and sons, as well as the relationships amongst siblings and extended family members may create carry-over conflicts that affect the family business (Danco, 1991; Friedman, 1991; Handler, 1990; Davis and Tagiuri, 1989; Barach, 1984; Alcorn, 1982; Levinson, 1971; Davis, 1968).

Family businesses resemble monarchies in which the eldest son (primogeniture) is the heir to the business (Goldberg and Woolbridge, 1993; Dyer, 1986; Alcorn, 1982). The selection of the next generation leader is a key step in succession planning (Hunt and Handler, 1999; Ibrahim, McGuire, Ismail, and Dumas, 1999; Hoy and Verser, 1994; Lansberg and Astrachan, 1994; Malone and Jenster, 1992; Ward, 1987; Barach, 1984; Lansberg, 1983; Danco, 1982; Longenecker and Schoen, 1978). In addition, nepotism plays a role in the selection of the successor (Lansberg and Astrachan, 1994; Goldberg and Woolbridge, 1993; Osborne, 1991; Barnes, 1988; Danco, 1982; Alcorn, 1982; Levinson, 1971; Donnelley, 1964).

Data Collection

Data collection involved the study of documentation of historical and contemporary data published in annual reports, books, monographs, and periodicals about the Molson company and family members, in accordance to guidelines suggested by qualitative researchers (Gerring, 2007; Stake, 2005;

Creswell, 1998; Stake, 1995; Yin, 1994; Eisenhardt, 1989). The fieldwork research involved access to company and family documents dating back to 1786 and stored at the Molson Archives at Library and Archives Canada in Ottawa. Access to the Molson Archives is restricted and requires approval from the family. The Molson family granted permission for the researcher to access these archives.

Prior (2004, 2003) suggests that documents have content and serve as active agents of human interaction. According to Prior, the researcher may need to take into consideration how the documents are manufactured and used in organizational settings. In the present research, an examination of archived documents included business memoranda, market reports, as well as family documents, including personal diaries, family letters, wills and testaments.

In addition, the researcher interviewed Mr. Patrick Kelley, former Senior Vice President for International Brewing Strategy for Molson Inc. and consultant to the Molson family, to gather additional information about the current generation (see Appendix 1 for interview questions). The research involving human subjects was approved by the research ethics committee at John Molson School of Business. The interview process involved contacting Mr. Kelley by telephone to inform him of the purpose of the study, as well as sending him a copy of the interview questions beforehand for preview. Mr. Kelley agreed to participate and was given the opportunity to remain anonymous, which he declined. The interview was conducted in an informal manner in Mr. Kelley's office and a digital recorder was used to tape the interview questions, which were

qualitative and open-ended answers. Mr. Kelley was reminded by the researcher that should he object to the taping or felt uneasy about the interview, the researcher would turn off the recording device. An electronic file of the interview was labeled and transcribed. A copy of the raw transcription was sent to Mr. Kelley for review and/or corrections. The electronic file has been stored in the JMSB's network and only the researcher and his thesis supervisor has access to this file.

Data Analysis

The researcher used the data collected from the study of archived documentation and from the interview to build a historical case study focused on major events that shaped the family business. This data was analyzed and the results were triangulated using the case study research method suggested by Gerring (2007), Stake (2005), Eisenhardt (1989), and Yin (1984), in order to explore and better understand the succession process at the Molson family business. The case study used chronological time to split the company's history into six generations.

In Chapter 5, the within-case data analysis focused on factors related to effective succession process in each generation as identified in Table 2. Here, the researcher used four data analysis strategies¹⁷: content analysis to study the characteristics from family and non-family members, event structure analysis to discover patterns in the succession process, reflective phenomenology in order

¹⁷ Matthew B. Miles and A. Michael Huberman, *Qualitative Data Analysis: An Expanded Sourcebook*, 2nd ed. (Thousand Oaks, CA, 1994), p. 7.

to better understand the commonalities and uniqueness of succession processes in the Molson family business, and interpretation of the results from the longitudinal historical case study to identify critical events and actions, as well as to highlight evidence supporting the factors associated with effective succession planning identified in the research questions. Also, the analysis of the data were at the individual (founders, next generation members, and non-family members) and group level (interpersonal conflicts and intergenerational transition), consistent with the family business research (Sharma, 2004).

These critical events and actions were coded, labelled and filed according to recurring themes associated with effective succession process in a separate file (Miles and Huberman, 1994). Moreover by using a context-driven approach, the researcher used an inductive coding technique to collect and write-up the data, followed by a careful review of lines and paragraphs to generate categories related to succession process and planning (Strauss and Corbin, 1990). Observations emerging from these categories were then coded according to patterns and these patterns matched and grounded against the variables identified in the research questions (Strauss and Corbin, 1990; Glaser and Strauss, 1967).

Based on the content analysis of the data, open categories emerged from the case study research, and these were grouped under individual and group levels of analysis. Each level was further subdivided into sub-categories associated with succession planning (Appendix 2). From, this analysis, the researcher inferred common patterns, similarities, and unifying themes present in

each generation of the Molson family business. The case study and its analysis focused on the Molson family and the branch that has controlled and run the brewing business.

Chapter 4: The Molson Family Business Case Research

The Founder and Patriarch: John Molson

John Molson was 18 years old when he first came to visit Canada in 1782. Woods (1983) painted a picture of a young man, who encouraged by his uncle Robinson Elsdale took a sea trip to visit Canada and explore opportunities in this new land. John Molson was born in Lincolnshire near the east coast of England; and his family were farmers and landowners. At the age of six, tragedy struck the young boy when his father (also named John Molson) died at age 40; this was followed by the death of his mother two years later (Molson, 2001; Hunter, 2001, Woods, 1983; Denison, 1955).

Hunter (2001) reported that when John's mother died he became the main beneficiary of his father's estate, which included 38 acres of land; John's two sisters (Mary and Martha) and youngest brother (Thomas) also received smaller parcels of land, while his younger brother (Samuel) received £100. The five orphans were now under the care of their maternal grandfather Samuel Elsdale. Molson (2001) and Hunter (2001) described the relationship between John Molson and his grandfather as conflictual. At the time, John had to wait until he turned 21 in order to receive the benefits of his father's inheritance and his grandfather kept a tight hold on the finances of the estate throughout his youth.

Shortly after his arrival in Montreal, John Molson decided to make this city his new home and wrote back to his grandfather to tell him of his decision. While in Montreal, John stayed with a family friend, Thomas Lloyd who had emigrated

earlier and had settled in the city.¹⁸ Mr. Lloyd was planning to start a small brewery to service the growing numbers of British soldiers. Molson (2001) and Hunter (2001) noted that John likely had some basic knowledge of brewing and recognizing that Mr. Lloyd needed assistance to get the brewery going, he became a partner in the new enterprise in September 1783.

Towards the end of 1784, the two partners were sued by an employee, John Waite, for unpaid wages. In turn, John Molson sued Thomas Lloyd for an unpaid debt and the brewery was seized and placed at auction in December, which attracted no buyers (Hunter 2001). In January of 1785, the brewery was placed again at an auction and John Molson bought it (Woods, 1983).¹⁹

With full title to the brewery, John Molson started the process of formalizing its operations. In 1785 he went back to England to settle the state of his father and mother. He liquidated his assets in England and proceeded to purchase brewing equipment and barley seeds to bring back to Canada (Hunter 2001; Molson 2001). Woods (1983) and Denison (1955) speculate that John Molson likely had a chance to tour the Whitbread brewery which was located not far from where he was staying in London, as well as to witness the operation of the steam engine (developed by James Watt) to grind and malt the barley. In

¹⁸ Different authors have spelled the name differently. Hunter (2001) and Denison (1955) spelled it Loid, Woods (1983) spelled it Loyd, and Molson (2001) spelled it Lloyd. See: M. Denison, *The Barley and the Stream: The Molson Story*, (Toronto, ON: McClelland & Stewart Ltd., 1955).

¹⁹ Note that Hunter (2001), Woods (1983), Denison (1955), and Sandwell (1933) write that there was probably a prior agreement between Thomas Lloyd and John Molson concerning the brewery operation. Because John Molson was still a minor in 1784, he was not entitled to own such an operation. However, by January 1785, John Molson had reached majority. John Molson would later bequeath to Thomas Lloyd land that he owned in Vermont.

addition to buying brewing equipment, John Molson also purchased barley seeds because during his brief time in Montreal he had noted the poor quality of barley grown in this area (Woods, 1983; Denison, 1955).

Another key event happened while John Molson was in London. He purchased two books, *Theoretical Hints On An Improved Practice Of Brewing* by John Richardson and *Lord Chesterfield's Letters To His Son* by Lord Chesterfield.²⁰ These guides played critical roles not only in the future development of the business, but also in the development of his personal character and those of future generations (Hunter, 2001; Molson, 2001; Woods, 1983; Denison, 1955). The book by John Richardson was an important one because at the time brewing was still considered a mystery; and this treatise was one of the first to deal with the scientific aspect of brewing (Woods, 1983).

According to Woods (1983), *Lord Chesterfield's Letters to His Son* imparted to the young John Molson high standards for achievement, common sense, personal perfection, morals, ethics, honesty, dedication to work, and the need for knowledge; many of these traits were manifested in later generations. Upon his return to Montreal, John Molson started repairing and working on the brewery right away and quickly distributed the barley seeds to farmers telling them to grow it and that he would buy the barley within the year. With confidence, he wrote to his attorney in London "Good ales is all I want, plenty of Customers & Good profits will immediately follow- have not the least doubt about my making

²⁰ Philip Dormer Stanhope Chesterfield, *Lord Chesterfield: Letters to his Son and Others*, (London: J.M. Dent & Sons; New York: E.P. Dutton, 1929).

Good Ale.”²¹ Hunter (2001) also notes that Lord Chesterfield’s book was beginning to have an impact on the young man by instilling in him the confidence to succeed. For example, on July 28, 1786, Molson wrote in his journal “Bought 8 Bushels of Barley to Malt first this Season- [My] Commencement on the Grand Stage of the World.”²² The initial production was 4 hogsheads per week.²³

Woods (1983) suggested that four hogshead per week was not sufficient to make a good profit or to meet the increasing demand for Molson’s beer. On December 13, 1786, John Molson wrote his first annual report to his attorney Philip Ashley, “The speculation now is beginning to show in good Ale and Table Beer- can acquaint my friend that my beer has the readiest sale and orders are by one half more than can execute.”²⁴ For the next several years, the primary focus of John Molson’s correspondence to his attorney was to get the money from his inheritance as soon as possible in order to expand the brewery operations and production capacity (Hunter, 2001; Woods, 1983). During this period, John Molson also hired Sarah Vaughan to assist him in the business; and she later became his wife (Molson, 2006).

In the summer of 1787, the brewery had doubled its production capacity (first year production was estimated to be about 5,000 gallons²⁵), even more

²¹ Hunter, p. 180.

²² Ibid., p. 181.

²³ A hogshead is a large barrel cask that holds 52.5 imperial gallons (or 63 American gallons) of liquid.

²⁴ Woods, p. 23.

²⁵ Ibid., p. 27.

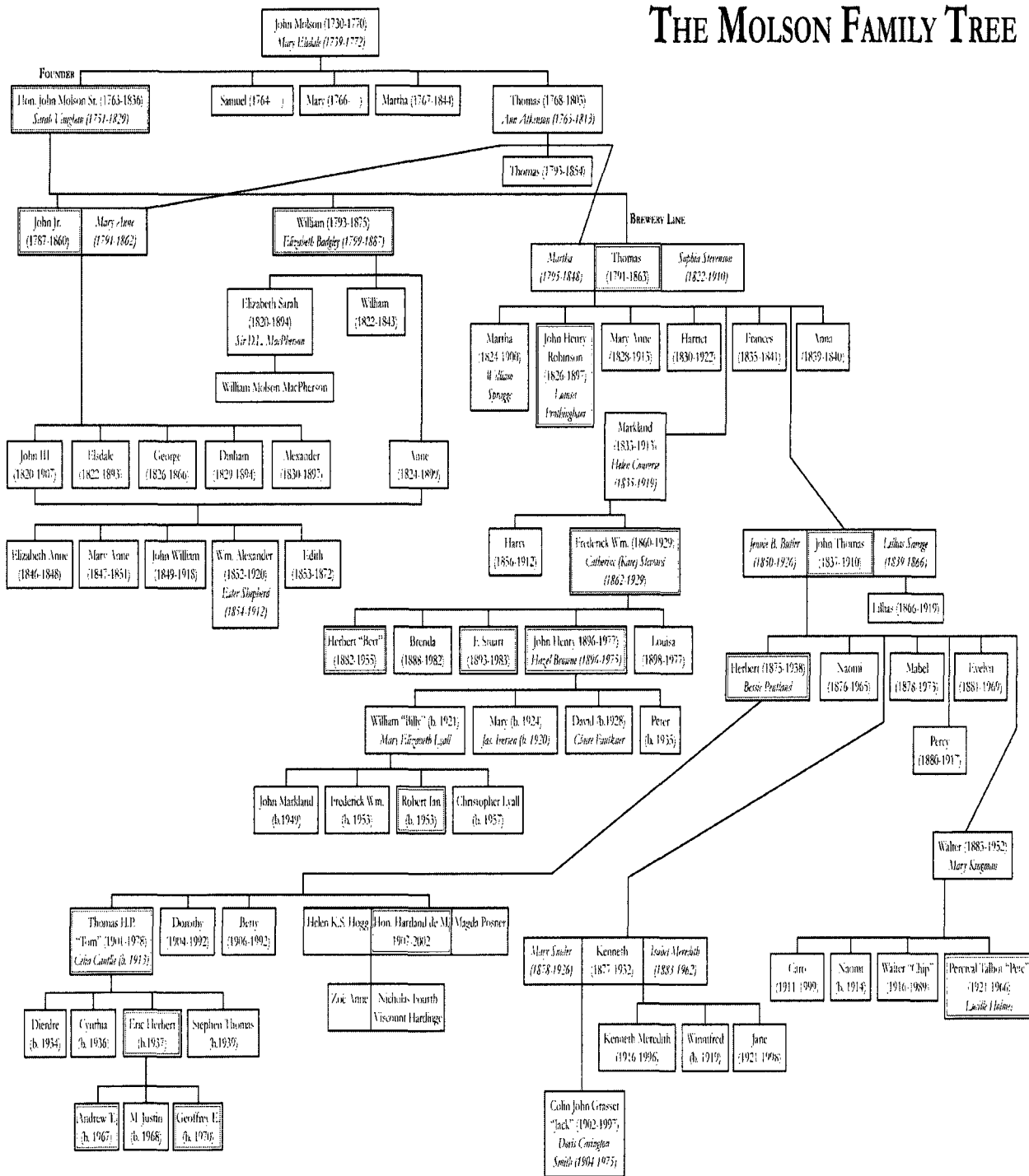
important was the birth of his eldest son, John Molson Junior (John Jr.). In 1791, John Sr.'s second son Thomas was born followed in 1793 by his third son, William (see Figure 3 for details of the Molson family tree). By 1791, production capacity had reached 30,000 gallons and output of 27,000 gallons (Denison, 1955). Further expansion of the brewery facilities in 1795 brought annual production to 50,000-54,000 gallons (Woods, 1983, Denison, 1955).

The inheritance battles involving John Sr. and his siblings in England consumed some of his time and likely affected the context of a will he wrote January 1, 1795 (Hunter, 2001). He broke from old traditions and primogeniture and dictated that the brewery and other properties be shared equally amongst his wife and three sons (or four children if his wife were to be pregnant when he died). However in 1801 when John Sr. and Sarah Vaughan officially married, the marriage contract specified that the brewery would reside with John Sr.'s estate and that Sarah would be entitled to an annuity in lieu of share of the property. This was done to circumvent Quebec Civil Code provision for community of property, that is, Sarah would inherit the bulk of the estate if John were to die before her (Woods, 1983). In Montreal, Anglican John Sr. attended St. Gabriel's Presbyterian Church on a regular basis and his three sons also followed the Protestant faith. In 1841, Thomas, who was a very devout Anglican, broke with Anglican norms and established his own unconsecrated Anglican church, St. Thomas Church, next to the brewery (Denison, 1955).²⁶

²⁶ Denison (1955) and Woods (1983) note that this church was later destroyed in a fire and rebuilt. It was demolished by the next generation to make way for expansion to the brewery.

Figure 3. The Molson Family

THE MOLSON FAMILY TREE



— Family Members involved in the management of the business.

Family tree adapted from Molson, *The Molsons: Their lives and times*, 2001, p.p. 12-14.

Of the three sons, John Jr. resembled his father in character and personality (Molson, 2001). He was driven with a high need to achieve, was reserved, and wanted to please his father. At the age of fourteen, John Jr. started his apprenticeship at the brewery. Eventually he became John Sr.'s right-hand man. Thomas was the opposite of John Jr.; he was more of a perfectionist, very detailed-oriented, innovative and technology-minded. He was also highly competitive against his older brother and this led to sibling conflict. William, the youngest son, was good in arithmetic and art.

During the early 1800's, John Sr. expanded his real estate holdings into the growing Upper Canada region (including properties in York). It was suggested that John Sr. likely had intentions to expand brewing activities to the city of York (Toronto) as a means to providing a legacy for each of his three sons, but that it was not clear to John Sr. how he could manage the business from Montreal (Hunter, 2001; Denison, 1955). Instead, John Sr. became fascinated by the news of the launch of The Clermont, a steamboat built by Boulton & Watt in England, which traveled from New York City to Albany. John Sr. used the profits generated by the brewing activities to finance the construction of Canada's first steamboat, The Accommodation, which according to Denison (1955) was used initially as a public service for travel between Quebec City and Montreal. Over the next 20 years, John Sr. became known as the 'Bourgeois de Steamboats' as he built several more steamboats (the Swiftsure, the Malsham, the Lady Sherbrooke, and the New Swiftsure) to compete in the growing transportation industry linking (Quebec City to Montreal,

to Ottawa, and Kingston) which he had created. In addition to passenger transportation, the steamboats were also used to distribute beer and to serve as a floating commercial bank.

By 1809, John Sr.'s interests were more focused on the steamboat and the banking business, even though the brewery was doing well and producing about 75,000 gallons of ale and beer. His eldest son, John Jr. had already been actively involved in all facets of the brewing, steamboat, and banking business. The second son Thomas was working at the brewery. Prior to a trip to England in 1810, John Sr. drew up a new will where he reverted back to the concept of primogeniture and appointed John Jr. as designated heir-apparent, attorney and chief beneficiary of all his properties. He included the proviso that Thomas and William would have the opportunity to join the brewery business, as well as receive an annuity of £250 (Hunter, 2001; Woods, 1983).

In doing so, John Sr. upheld British Common Law traditions of hierarchy of birth, where the eldest (just as John Sr. himself had benefited from his father's estate) would receive the majority of the estate, and in the event of the eldest son's death, the next son would be the prime beneficiary, and so on (Hunter, 2001).

After John Sr.'s return from England in 1811, both Thomas and William joined the business; but during the War of 1812, Thomas was put in charge of the family business, while John Sr., John Jr., and William enlisted in the army. After the end of the War in 1814, the business underwent a restructuring, with John Jr. taking care of the steamboat and banking business, Thomas managing

the real estate, and William replacing Thomas at the brewery. Meanwhile, John Sr., with estimated personal assets of £127,000, decided to focus his energies on new challenges. In 1816, he was elected to the Quebec Legislative Assembly representing East Montreal. In addition, he worked on one of his pet projects- the creation of a public hospital, the *Montreal General Hospital* which was founded in 1819. All four Molsons were appointed Governors of the hospital, and John Sr. later served as President. Also, in 1817 John Sr. declined an offer to join other investors to establish the Bank of Montreal (Woods 1983).

The Second Generation: Family Partnerships, Cooperation and Feuds

In December of 1815, John Sr. addressed both John Jr. and Thomas on the subject of marriage and informed them that their two cousins back in Lincolnshire, Mary Anne and Martha were potential brides, who had inherited the estate of Thomas Molson (John Sr. younger brother) (Molson, 2001).²⁷ According to Woods (1983), all three sons were dutiful, obedient, independent, and ambitious and had approached their father previously on the subject of setting up a partnership. All three also worked for the benefit of the family business without taking any compensation. Hunter (2001) suggested that the marriages were carried out by the sons to put more pressure on their father to form a formal family business partnership. On December 14, 1816, John Sr. agreed to a formal agreement where he contributed most of the assets, while John Jr. contributed the *Swiftsure* steamboat. The business was renamed John Molson & Sons. The

contract, with its term of seven years, called for 6% return to be paid for the assets and any profits above the 6% split equally amongst the four partners. This contract effectively shifted the management control of the business to the three sons, who were motivated to work harder. Annual production increased to 100,000 gallons, as well, the quality of the product improved with Thomas as the brewmaster (Hunter 2001; Woods, 1983). In addition, other business projects were undertaken. One was the establishment of the first luxury hotel in Montreal at the time, the Mansion House Hotel, and the other was the creation of an industrial grain–distillery, which produced whiskey and spirits. It remained the largest distillery in Canada until the 1860's (Denison, 1955).

According to Hunter (2001) Thomas' marriage to his cousin Martha in England without a legal contract was a 'grave miscalculation' and noted that:

Thomas marriage paralyzed the estate. In the absence of a marriage contract, the civil code of the province dictated that half of any interest Thomas was given in the brewery was automatically the property of Martha; and in her own will, she could leave her share to whomever she pleased. This threatened John Senior's ambitions to keep the enterprise he had so painstakingly built within the direct control of his descendants. Thomas presented the worst possible scenario for his father. While being the son the best suited to carry on the brewing business, he was also the son who could ultimately cause the family to lose outright control of it.²⁸

From 1815 to 1822, the steamboat business generated over half of the company's profits, but with the arrival of new competitors, the transportation market became a cutthroat business, with all players building stronger boats.

²⁷ Note also that both Woods (1983) and Hunter (2001) thought it inconceivable that John Sr. might have arranged the marriages while he was visiting England in 1811.

²⁸ Hunter, p. 371.

However by 1822, steamboat companies including the Molsons' steamboats, consolidated into the St. Lawrence Steamboat Company, with John Sr. as the majority shareholder (Hunter, 2001; Woods, 1983). In 1822, at age 59, John Sr. was ready to retire and had already purchased an island facing the brewery where he planned to pursue his horticulture hobby. However, serious conflicts between John Jr. and Thomas over strategic direction of the company threatened the partnership. Thomas had added distilling to the brewery business and wanted to continue growing the distilled spirits division of the business, while John Jr. wanted to concentrate on steamboats and banking (Woods, 1983). Hunter (2001) noted that:

John Junior had an implicit veto as the partnership came up for renewal; everything was going to be left to him by their father, and he would not tolerate any divergence from the basic business plan that could deteriorate the value of the underlying assets. But having returned to Quebec City in 1822 to run the steamboat company with William, John Junior was completely removed from the day-to-day affairs of the brewery, which had fallen to Thomas. And by 1823, Thomas clearly was unhappy with his position, not only within the partnership but within his father's estate.²⁹

Furthermore, John Sr. was aware that Martha intended to exercise her rights according to provincial law to dispose of Thomas' assets as she wished in her own will. She had bequeathed her assets to the children of her brother Thomas in Lincolnshire, England. This created a problem to John Sr., who wanted to be fair to Thomas, yet he could not bequeath to him the brewery assets. Even after legal consultation, John Sr. was not able to find a proper solution to Thomas' marriage oversight (Hunter 2001).

The conflict between John Jr. and Thomas was irreconcilable (though they still remained on friendly terms); and the fact that both John Sr. and William had remained neutral over the distillery issue led to Thomas quitting the partnership. On December 2, 1823, a new partnership was signed among John Sr., John Jr., and William (Hunter, 2001; Woods, 1983; Denison, 1955). Soon after quitting the partnership, Thomas went to England to explore opportunities. In a letter written to Thomas in early January 1824, John Sr. expressed his unhappiness:

...Our friends think it wrong that we should have separated- I know that but had it not been for your reasons I should not have listened to it... to me you are all alike; I shall act as nearly equal to you all as I can. Whatever you decide on or whatever you do, may it turn out for the best...³⁰

Ultimately, Thomas decided to relocate to Kingston, Ontario where he built a small brewery and distillery. He remained there for almost a decade (Molson, 2001). Prior to Thomas departure from the business, a decision had been made to hire the first outsider as brewmaster to help Thomas at the brewery, but he did not last long before being let go. After Thomas left, both John Sr. and William alternated the brewmaster duties, and that brewery output, on the other hand, had remained constant without any increase because of the emergence of the temperance movement whose goal was the prohibition of sales of alcoholic beverages (Denison, 1955).

On July 1, 1828, the old partnership (John Molson & Sons) was renewed with John Sr. holding two shares, and both John Jr. and William holding one

²⁹ Ibid., p. 378.

³⁰ Woods, p. 81.

share each. Once again, the brewery assets were leased to the partnership at an annual rent of 6% on an agreed valuation of about £18,000 (Denison, 1955). By now John Sr. was 65 yrs old. He reduced his business activities while focusing on public service activities. In April 1829 a few weeks after Sarah's death, John Jr. withdrew from the partnership to start a business in retail and import/export. Hunter (2001) suggested that Sarah may have been the glue that bounded the family business together.³¹ A new partnership was set up between John Sr. and William to continue operating the brewery; but a year later, William also set up an import/export business in partnership with his brother-in-law, John Badgley, while at the same time being the sole manager of the brewery (Woods, 1983; Denison, 1955).

In 1830, John Sr. wrote a new will where he once again treated all three sons equally. John Jr. and Thomas were to inherit the majority of his real estate properties. William was to inherit the brewery and if he had no heirs, then the brewery would go to John Jr. and Thomas (Hunter, 2001). Hunter (2001) also noted that as John Sr.'s sons drifted away into their own ventures, he could envision his sons likely getting rid of the brewery, just as he had done with his father's estate in Lincolnshire. In 1832, John Jr. became the President of the Champlain and St. Lawrence Railroad Company, with William as one of the directors. Although John Sr. was a major shareholder of the new railroad company, he was not active in its operations because he had been appointed in

³¹ Note that little evidence is identified of women involvement in the succession process in the Molson family business.

January 1832 to the Legislative Council in Quebec City, which advised the Governor General on government policies (Woods, 1983).

During the early 1830's, several cholera epidemics had swept Upper and Lower Canada, claiming in January 1834 the life of Thomas' eldest son, also named Thomas.³² As John Sr.'s health deteriorated, he wrote a letter to Thomas in August asking him to come back to Montreal and take care of the brewery, which had not been upgraded over the past 10 years (Woods, 1983).³³ Thomas accepted his father's invitation without hesitation, though Hunter (2001) suggested that the prodigal son decision to return to Montreal was likely influenced by a major economic downturn that had affected Upper Canada in 1833-1834. In February 1835, the new partnership John Molson & Sons was established to run the brewing and distilling business, with Thomas and William holding three shares each and John Sr. holding two shares (Woods, 1983; Denison, 1955).

In the winter of 1835 John Sr. kept up with his Legislative Council duties, but in January 1836 he caught a bad cold (Hunter, 2001; Woods, 1983). On his death bed on January 7, he asked for a notary to write a new will for he was worried about the future of the brewery as well as failing his promise to his son Thomas than of dying (Hunter, 2001). In this, his last will, John Sr. made John Jr. the main beneficiary of his estate, leaving him most of his real estate properties around the Montreal area; and to William, John Sr. left all his properties in

³² Hunter (2001) noted that Thomas' first two children, John and Sarah Anne had died as infants in Montreal.

Quebec City. Yet, for Thomas, the brewer of the family, he could not leave him the brewery, so he reached to the third generation, as follows:

I give and bequeath to my Grandson John Molson, son of Thomas Molson, the whole of those extensive buildings comprising brewery, houses, stores (old and new) with the lot of ground whereon the same erected. If my Grandson should not survive to the age of twenty-one years or that he shall not be brought up to follow the brewing business- then I do give and bequeath the same to my next Grandson named John Molson, and should he die before the age of twenty-one years, or not be brought up and follow the brewing business, then I direct that the said last mentioned premises shall go into & form part of the residue of my Estate- In the meantime, however, the said premises to be enjoyed by my two sons Thomas and William in Copartnership which shall be conducted and continued under the terms of the Memorandum of Copartnership before Griffin, Notary Public dated the twenty-first of February, 1835 which partnership shall be continued for the benefit of my three sons in the proportions therein set forth.³⁴

According to Molson (2001), in four previous wills, John Sr. had bequeathed the brewery to William, but changed his mind at the last minute; and that for John Sr. keeping the brewery intact was important for he “had known its [brewery] profitability was sound and would stand the test of time. He believed it would be his children’s only enduring link to him, and therefore considered the brewery separate from the estate.”³⁵ There was also a request in the will that his portrait (painted while he was in London in 1810-1811) hang in the boardroom of the brewery for as long as the brewery was owned by family members. However,

³³ Ibid. The reason for John Sr. to write to Thomas was likely because William was more interested in the railway and banking concerns.

³⁴ Woods, pp. 103-104.

³⁵ Molson, p. 169.

if the brewery were to pass to strangers, then the portrait would pass to William and his descendants (Hunter, 2001; Molson, 2001; Woods, 1983).

Hunter (2001) and Woods (1983) suggested that both Thomas and William were unhappy because the will did not specify what would happen to John Sr.'s two shares in the 1835 partnership, which legally made John Jr. a silent partner with 25% interest in the business. The will was full of ambiguities about the partnership because though it specified that it should be continued for the benefit of his three sons, it did not specify what would happen to the brewery's profits under trusteeship until an heir came of age (Hunter, 2001). In addition, a feud ensued amongst the three brothers, executors and notary over the will's specification about what would happen and who would benefit from the rent, if there were supposed to be any, of the brewery properties. Hunter (2001) wrote that these uncertainties led John Jr. to launch legal action against his two brothers. This feud over the estate lasted for over a year. The litigation was settled eventually in John Jr.'s favour and shortly afterwards Thomas and William bought out John Jr.'s interests in the brewery (Woods, 1983; Denison, 1955).

Thomas was also concerned about his nine year-old son John Henry Robinson Molson whose health at that time was not perfect. He was not sure if he would live to age 21, while John Jr.'s son John Molson III was a healthy boy. To resolve the dilemma, Thomas named his next son John Thomas Molson, which according to Thomas the will did not specify which "John Molson son of Thomas Molson" (Molson, 2001; Woods, 1983).

The Third Generation: Father-Son Conflicts and Family Duty

At the age of 16 in 1843, John Henry Robinson (JHR), who had inherited his grandfather's traits of innovation, perseverance, and calculated risk-taking, finished his studies at Upper Canada College (Toronto) and returned to Montreal to start his apprenticeship at the brewery for a term of about three and a half years. Both Thomas and William took their responsibility to train JHR in the science of brewing seriously and had drafted a notarized agreement spelling out the terms of the apprenticeship, compensation benefits, expectations from the apprentice, duties, and responsibilities. The agreement stated:

Thomas and William Molson Company... do hereby promise and agree to instruct ... the said apprentice in the science and business of a Brewer, to allow him access to such books from their library and the use of such apparatus as the said Thomas and William Molson Company may think proper... and further to pay him for each and every year of said term, the sum of Fifteen Pounds currency.³⁶

Thomas (who was in charge of production) behaved in a most autocratic and authoritarian manner with his children and he was especially hard on JHR, often monitoring the quality of his eldest son's work harshly (Molson, 2001; Denison, 1955). Woods (1983) suggested that instead of a father-son relationship, it was more of a master-servant relationship. In addition, JHR was compensated fairly neither during his apprenticeship, nor after. After JHR reached majority age, he was not invited into the partnership right away, although he did receive an increase in his benefits. The issue of fair compensation led to confrontations between father and son. Their relationship was tense and civil,

³⁶ Woods, 122-123.

and the rift between father and son continued until Thomas' death. Although Thomas' relationship with all his children was poor, he favoured William Markland, his second son. Markland became the main beneficiary of Thomas' estate, while JHR received only £5 (Molson, 2001; Woods, 1983). Molson (2001) stated that Martha, who was aware of Thomas' will, put a condition in her will that her estate would go to Thomas if his estate were to be distributed more equally amongst the children. Despite the animosity between the father and the sons, Thomas ensured that all three boys were educated in business and humanities. He schooled them in the brewing techniques from Richardson's manual and in the moral instructions from Lord Chesterfield's book (Denison, 1955).

On July 1, 1848, a new partnership was drawn-up and JHR became a partner of Thomas and William Molson & Company. Thomas and William each held five shares, while JHR held two shares. JHR contributed the brewery assets to the partnership, while Thomas and William contributed the distillery and capital (Woods, 1983; Denison, 1955).

As the distillery business became less profitable, Thomas and William diversified their financial investments and became major shareholders of New City Gas Company.³⁷ New City competed with Montreal Gas Light Company wherein John Jr. was a major shareholder (Woods, 1983; Denison, 1955). In addition, Thomas explored the Toronto market for possible expansion of the

³⁷ Denison (1955) noted that Thomas Molson was appointed President in 1857 because of his technical expertise after an explosion in one of the facilities.

brewery and distillery business, but failed to get approval by the City. In the end he acquired a small brewery in Port Hope, Ontario (Denison, 1955).

In contrast, William invested in railroads, but became increasingly focused on the banking business (at the time, he was a Board member along with John Jr. of the Bank of Montreal). As a result, in 1852, William served notice to Thomas of his intention to quit the partnership so that he could concentrate on his banking venture. Thomas and William disagreed over the exit terms. Negotiations dragged on until William threatened to sell his interests in the distillery to a third party. In the end, Thomas agreed to William's original demand of £8,000 for William's share. From this point on, the control of the distillery and brewery business resided with Thomas Molson and his descendants. After resigning from the Board of the Bank of Montreal in 1853, William and John Jr. established Molson's Bank as a private bank in 1854, which included Thomas and JHR as shareholders and directors (Molson, 2001; Woods, 1983; Denison, 1955). William became President and John Jr. Vice President of the Molson's Bank. Molson's Bank operated successfully by the three Molson family branches until the 1925 merger with the Bank of Montreal.

On June 30, 1853, Thomas and JHR formed a new 10-year partnership, where Thomas would contribute the distillery and JHR the brewery. In the first three years of the partnership Thomas received 2/3 interest, thereafter profits and losses were shared equally. Woods (1983) noted the following clause about responsibilities in the partnership, "Thomas Molson shall only give such time and attention to the business of the said co-partnership as he may find convenient,

but John Henry Robinson shall devote his whole time and attention to the affairs of the co-partnership to the exclusion of all others.”³⁸ Five months after the start of the new partnership, Thomas’ second son, Markland who was trained as a distiller in Boston, joined the business as an employee. Molson (2001) and Woods (1983) noted that the two brothers did not get along well, and soon after when the two brothers approached their father to suggest improvements to the business, Thomas reacted harshly by writing a letter to JHR suggesting they dissolve the partnership, which JHR tactfully declined. In 1859 at age 68, Thomas started to slow down most of his business activities. Nonetheless, in spite of his disagreements with JHR, Thomas renewed the partnership. Thomas and JHR each held 5 shares in the company. Markland, who had become the brewmaster, was given two shares (Woods, 1983). Under Markland’s direction, the brewery increased its production output to 200,000 gallons.

Following the trend that had been set by their father, John Jr., Thomas, and William continued to donate generously to several organizations and causes, of which McGill University was a prime beneficiary (Molson, 2001; Woods, 1983; Denison, 1955). This dedication to community enhancement continues in the current sixth generation (Molson, 2001). In 1860, John Jr. passed away and JHR took over his uncle’s position as VP of the Molson’s Bank. After the death of his older brother, Thomas became increasingly aware of his own mortality and his own religious faith, when he questioned himself, “Can a distiller enter the

³⁸ Woods, pp. 147-148.

Kingdom of Heaven?”³⁹ In 1861, Thomas decided to retire altogether and dissolved Thomas and William Molson & Company and the 1859 partnership. Woods (1983) wrote that on the same day, a new company and partnership with a term of seven years was established, John H. R. Molson & Bros, which included the brewery, the distillery (leased from Thomas to the partnership), as well as a loan from Thomas of £160,000 for a term of seven years and seven percent annual interest. The partnership consisted of the three brothers JHR with six shares, Markland with four shares, and John Thomas, who at age 22 had just completed his training as a distiller, with two shares. About 17 months after retiring from the family business, Thomas passed away from a stroke on February 22, 1863 (Molson, 2001; Woods, 1983, Denison, 1955).

In his will Thomas bequeathed to Markland all his properties in Port Hope and to John Thomas and his heirs the real estate in Montreal known as the Molson’s distillery.⁴⁰ As expected, JHR only received £1000 originally from his mother’s estate (Woods, 1983); nonetheless, JHR was appointed one of the executors of the estate (which he later renounced) and he and his descendants in order of primogeniture were also given the responsibility of approving the reverend of St. Thomas Church, which was bequeathed to the Church of England. In addition the will contained a condition that all his children “have family prayer every morning and evening daily in their houses continually during

³⁹ Ibid., p.165.

⁴⁰ Library and Archives Canada, (LAC), Molson Archives, MG 28, III 57, Vol. 606.

their lives.”⁴¹ The settlement of Thomas’ estate was not smooth, as feuds ensued between the brothers and Thomas’ second wife, as well as between the brothers and their sisters (Woods, 1983).

A year after Thomas’ death, John Thomas sold the distillery interests to JHR. Woods (1983) noted that the two brothers developed a close relationship and that both were “quiet-spoken and conscientious men.” In contrast, the relationship between JHR and Markland was not always the best, especially because Markland was viewed as somewhat dishonest and without good business acumen. Hunter (2001) suggested that the settlement of his father’s estate, plus his experience with Markland and his sisters took a toll not only on JHR, but also on John Thomas who had been appointed co-executor. In 1866 at age 40, JHR, unmarried and with no heirs, wrote the following letter to John Thomas,

I have bequeathed everything I possess to you in a will which has been drawn up by Abbott and I have written it all in my own hand... I leave you everything as I think you are the best entitled to it my brother Markland’s ingratitude, untruthfulness and dishonesty making my bequest to him not to be thought of. I hope what I leave you with what you now have make you perfectly independent in every way. I leave my sisters nothing as I consider they took advantage of my father’s will to obtain a large sum of money which my father never intended them to have. You therefore have all... I would wish the brewery property not to pass out of your hands if you can help it. I do not wish Markland to ever possess it. This paper is not a will but merely a letter to you to let you know my opinions and wishes.⁴²

⁴¹ Ibidem.

⁴² Woods , p. 173.

In 1866 the three brothers decided to close the distillery even though it still generated a large portion of the business sales and demand for whiskey was still growing. Woods (1983) noted that taxes on manufacture of whiskey had quadrupled from 1864 to 1866 and that "The Molsons had paid their taxes, but many of their competitors had evaded them by falsifying their returns. This placed the Molsons, who were not prepared to compromise their principles, at a competitive disadvantage."⁴³ Other factors that influenced the decision to close the distillery related to the growing temperance movement, as well as the stress that John Thomas, who was the manager of the distillery, suffered after the untimely death of his young wife during childbirth. In addition, a year earlier in 1865, the three brothers had already closed the distillery in Longue Pointe (outside of Montreal) and that Markland had persuaded his two brothers to convert the old distillery into a sugar refinery (Woods, 1983; Denison, 1955). This venture became a source of conflict amongst the three brothers because of its inability to generate profits, and when Markland had suggested making management changes, JHR objected wrongly to the recommendations (Woods, 1983; Denison, 1955).

In 1868 the partnership expired. Both Markland and John Thomas quit the family business and JHR became its sole proprietor. Denison (1955) suggested that John Thomas left the business on friendly terms with JHR. John Thomas who at age 31 was a widower and father to a baby girl, decided to go on a self-imposed exile which lasted about twelve years. Most of his time was spent

⁴³ Ibid., p. 177.

yachting around the world (Molson, 2001; Hunter, 2001). In contrast, the departure of Markland was characterized by the bitter disagreements and confrontations between JHR and Markland over both business and personal affairs. Hunter (2001) and Woods (1983) noted that after the settlement of the original loan from Thomas to the business, Markland subsequently lost most of his fortune speculating in mining and other ventures. Although the relationship between Markland and his brothers had been characterized by disagreements, this did not stop JHR and Thomas from helping Markland financially after he declared personal bankruptcy in 1877. With the money from his brothers, Markland made a fresh start; he moved to Oregon with his second son Fred and stayed several years (Woods, 1983).

The 1870's brought new changes to the business and the Molson families. In 1871, after years of operational losses, JHR closed the sugar refinery and sold its assets to its larger competitor, Redpath & Son. Woods (1983) noted that

John H. R. had worked doggedly to make a success of the refinery, and had even travelled to Cuba to learn more about the sugar business, but the refinery had never shown a profit. This failure reminded John H. R. that the cornerstone of the family fortune was, and always had been, the brewery. Henceforth he would stick to making beer.⁴⁴

Another change to the business occurred in 1872, when JHR invited Adam Skaife the chief clerk and bookkeeper who had been working with the company since 1852, to join the business as a partner with one-sixth interest (Molson, 2001). According to Woods (1983), this gave JHR more free time and allowed him to get married to the daughter of a wealthy Montreal merchant,

Louisa Frothingham, whom he had courted for thirty years. Also, John Thomas wed for the second time in 1873 to Jane (Jennie) Butler whose family were loyalists who had settled in the Eastern Townships; their first son Herbert was born in May 1875. In 1880, John Thomas, with a growing family of five small children plus his daughter from his first marriage, gave up his carefree lifestyle and returned to the brewery. In the new partnership, JHR controlled 50%, while John Thomas and Adam Skaife⁴⁵ each controlled 25% (Woods, 1983). After the return of Thomas, JHR hired a brewmaster, John Hyde, to take over these responsibilities at the brewery.

Following in the footsteps of his grandfather, during the 1880's JHR relied on John Thomas to manage the brewery, while he devoted more of his time to family, public and community service. Although JHR and Markland did not keep in touch, JHR took special interest to mentor both of Markland's sons Harry and Fred (Molson 2001; Denison, 1955). Harry was an executive at the Molson's Bank; and Fred who worked for another family business, the Consumer's Cordage Company owned by his cousins (from his mother's side) in Port Hope had recently been transferred to manage the Montreal headquarters. In addition to his duties at the Bank and at the brewery, JHR was also involved as a Governor at McGill University and in 1888 he was offered the chancellorship,

⁴⁴ Ibid., p. 180.

⁴⁵ Woods (1983) noted that Adam Skaife's 25% interest entitled him to a share of the profits; however, his interest was not treated as equity, which he could sell or pass down to his descendants.

which he declined in favour of Sir Donald A. Smith. During JHR's time at McGill, the university continued to increase its reputation.⁴⁶

In 1897, JHR died of a kidney inflammation. Molson (2001) and Woods (1983) noted that in addition to being generous with all his relatives and friends, JHR asked Fred to write down the following words to pass to family members:

The Molson family has maintained and preserved its position and influence by steady, patient industry, and every member should be a real worker and not rely on what has been. All that is good and great should not be underground. Your private life should be pure. Make no compromise with vice; be able to say 'no' in a firm, manly manner. Character is the real test of manhood. Live within your income, no matter how small it may be. Permanent wealth is maintained and preserved by vigilance and prudence and not by speculation. Be just, and generous when you have the means. Wealth will not take care of itself if not vigilantly cared for.⁴⁷

JHR's will did not generate the sibling feuds that had been observed with his father's and grandfather's estates because of a proviso specifying that any legatee who contested the administration or disposal of the estate would forfeit any benefits. All of JHR's other siblings, friends, and even some employees received sums of money from JHR's estate (Woods, 1983). JHR kept his word to his brother John Thomas and bequeathed to him the brewery (Molson, 2001; Hunter, 2001). Furthermore, Denison (1955) suggested that there was an understanding between JHR and John Thomas that the brewery would eventually descend to John Thomas' eldest son, Herbert Molson. JHR served as a father and mentor to both Harry and Fred and was pleased in the way that both

⁴⁶ Through the initiative of Molson members, such as Anne Molson (wife of John Molson III), both JHR and Donald Smith supported policy changes to admit women into university programs (Molson, 2001; Woods, 1983).

⁴⁷ Library and Archives Canada, Molson Archives, MG 28, III 57, Vol. 490.

nephews were unlike their father's character (Woods, 1983). JHR was also confident of Fred's ability as an administrator, having observed for seven years his work as a manager of the Consumer's Cordage Company (Molson, 2001). John Thomas had discussed with JHR many times the issue of extending the brewery partnership into the fourth generation (Molson, 2001). However, because Herbert was still young, JHR's will contained a special request to extend an invitation to his 37-year old nephew Fred to join the family business, so that Fred would be "placed in a better position as well." In his will, JHR also left a sum of money to his estranged brother Markland. Denison (1955) suggested that this act consolidated the future solidarity of the family.

The Fourth Generation: The Cousins' Consortium, Tradition and Renewal

On July 31, 1897, a new partnership was established with John Thomas (50% share), Adam Skaife (25% share), Herbert (12.5% share) and Fred (12.5%). At age 22, Herbert who had been groomed for succession by his father had already completed his chemistry degree at McGill University, as well as further training at the United States Brewer's Academy in New York City. Brewing was still considered an art during the time of John Molson, yet scientific advances by Louis Pasteur in bacteriology, were demystifying the brewing process. Herbert had begun his apprenticeship at the brewery in 1896 under the guidance of JHR who noted that Herbert was very industrious and got along well with the employees. Herbert's apprenticeship at the brewery reflected "this tradition -of Molsons starting at the bottom and working their way up through the

ranks- has rarely been violated in the last two hundred years. It serves both as a screening process and as a practical way of ensuring that those who are destined for authority really know the business.”⁴⁸ However because John Thomas had developed Parkinson’s disease in 1892 and was slowly becoming incapacitated, Herbert had already assumed the family responsibilities. He had good management skills and an eye for efficiency (Woods, 1983). There was a good relationship between the two cousins; and although initially Fred hesitated in joining the brewery, given that he would have to give up his job and share the risks in the partnership, he was persuaded by Herbert to join the family business (Molson, 2001; Woods, 1983).

Fred was a strict disciplinarian who was obsessed with punctuality, efficiency, and control not just at work with employees, but also at home with his wife and children (Molson, 2001; Woods, 1983). Before joining the brewery, Fred was already an experienced business manager and his strengths were in finance, sales management, and administration. Fred’s serious character might have been influenced by his upbringing, growing up fast under the shadows of his father, Markland, and although he did not enjoy the same privileges as those of his uncles or cousins, he earned their respect and the confidence of his uncle JHR (Woods, 1983). From the first day at the new job, Fred did a tour of the entire brewery and suggested areas for improvement (Molson, 2001). Both Fred and Herbert worked well together and under their combined management, the brewery underwent a modernization phase that included everything from

⁴⁸ Woods, p. 195.

switching the lightning system from gas to electricity, to replacing outdated machinery, and equipment, introducing refrigeration systems, and developing new products. For example in 1902, the company introduced Export Ale, which today is still considered one of the company's flagship beers.

Following the marriage of Herbert, a new partnership was drawn-up in 1901, where John Thomas relinquished some of his interests in favour of Fred and Herbert. In the new agreement, John Thomas held 5 shares out of 16 (31.25%), Adam Skaife maintained his 25% interest (4 shares), Fred now held 25% (4 shares), and Herbert held 3 shares (18.75%). Woods (1983) suggested that John Thomas rewarded Fred with additional interest after seeing the work that had been done in modernizing the plant.

In 1910, John Thomas passed away; and just like JHR's will, John Thomas' will had a provision to discourage anyone from challenging or interfering with the disposal of the estate. John Thomas had drafted his will in 1891 and this will was amended in 1898 and 1906 (Woods, 1983). The brewery and adjacent properties were left to his eldest son, Herbert. Molson (2001) stated that "Like others before him in the family, John Thomas's first consideration when preparing his will was the wishes of his ancestors," and for this reason, St. Thomas' Church which stood next to the brewery was moved before his death to another location in Montreal in order to allow room for expansion to the brewery.⁴⁹ Each of his four sons and four daughters (Herbert, Kenneth, Percival, Walter, Lily, Naomi, Evelyn, and Mabel) also received shares of the estate.

⁴⁹ Molson, p. 307.

However the share distribution favoured his sons with each receiving two shares while each daughter received one share.

After the death of his father, Herbert became President and transformed the company from a partnership into a joint-stock limited company on September 1, 1911 (Woods, 1983). The joint-stock company had a capitalization of 3000 common shares @ \$100 each and \$500,000 in short term bonds. Herbert, who contributed the brewery and adjacent properties, retained 2000 shares. Fred who had contributed the properties he inherited, received the other 1000 shares. Mr. Skaife who did not contribute any physical assets, also received a portion of the bonds and a share of 25% of the profits for life and continued as a director (Woods, 1983; Denison, 1955). Thus, after a period of 75 years, all of John Molson's original properties were once again under a single ownership. In addition, Fred's eldest son Herbert "Bert" Molson, who was 28 at the time, quit his job in a brokerage house to join the brewery. Bert had inherited many of the characteristics of his father and understood from a young age his responsibilities to the family and to the business (Woods, 1983).

Just prior to World War I, the brewery had reached production of close to 3,000,000 gallons; and while most of the family members were fighting in the war, Fred and his eldest son Bert (who had enlisted in the army as well but never served) managed the brewery and took care of other family members (Molson, 2001). By the time the war ended, Herbert who had been promoted to the rank of Colonel, rejoined the brewery to fight another war, the prohibition movement

which through referenda managed to get nine provinces to vote for prohibition (Molson, 2001; Woods, 1983).

With the end of the prohibition threat, Herbert and Fred faced two additional issues. The first issue was to meet the increased demand for beer through expansion of the brewery's capacity from its current 5,125,000 gallons to 10,000,000 gallons, a feat that required \$2.5 million in investment (Woods, 1983). The second issue dealt with the grooming of the next generation members. Fred's second son John Henry had already joined the brewery in 1919 to work alongside his older brother Bert, who was being groomed for the General Manager position by Herbert and Fred. Herbert's eldest son Tom joined the brewery in 1923 after completing his studies at Royal Military College in Kingston, followed by university studies at Cambridge and brewing courses at University of Birmingham (Woods, 1983). Molson (2001) noted that:

For the two cousins of the younger generation, entering the family business under the guidance of those formidable three could not have been easy. Each of the principals was as inflexible, eccentric and intractable as the other, yet the hierarchy was respected by all; the elders unquestionably made all the decisions, and business always came before any personal considerations. Each of the Molsons preserved his own privacy, each had high standards and each was respectful of the others. Much of what John Henry and Tom learned at the brewery reflected the very principles that the younger generation had learned through example at home.⁵⁰

Molson (2001) noted that even at a young age, Tom had already developed a strong opinion, as he had questioned the wisdom of the brewery expansion. He was a highly analytical person, who strongly favoured reason over emotions and was also more conservative than his elder Molsons. According to

Molson (2001), Tom was the youngest Molson working in the brewery in the 1920's; and "if Tom had ideas that would challenge business tradition, he learned early on to bide his time; most changes in the family business were manifested slowly and thoughtfully."⁵¹

Molson (2001) and Woods (1983) noted that both Herbert and Fred were starting to spend less time at the brewery and more time in other activities. Herbert, who was following in the footsteps of previous generations, was a Board member in other important Montreal institutions such as McGill University, the Bank of Montreal and the Montreal General Hospital. In 1921, Fred was appointed President of the brewery, while Herbert remained Chairman (Molson, 2006).

After Ontario repealed its prohibition law in 1927, Molson beer sales in that province reached a high of one million gallons and brewery production was already at 7.5 million gallons which led to the decision to further expand the brewery once more (Woods, 1983). However Fred, in charge of the expansion project, did not live to implement it as he died suddenly on February 5, 1929 at age 68. Fred's original 1000 shares in the brewery had been split ten for one after the war; and he bequeathed to each of his sons, Bert, Stuart, and John Henry 1000 shares, with the remaining 7000 shares going to the estate (Woods, 1983). The will also contained a clause that the shares could not be sold to outsiders and both Bert and John Henry had an option to purchase the 7,000

⁵⁰ Molson, p. 347-48.

⁵¹ Molson, p. 349.

shares. The bulk of the estate was left to his wife, with the residue going to his five children (the sons receiving 3/13 share each and his two daughters 2/13 share each).

After Fred's death, Herbert who was semi-retired returned to work full time at the brewery as President and CEO and guided the business through the Depression of the early 1930's. In spite of the Depression, Herbert went ahead with the expansion plans and appointed the younger generation, Tom and Bert, to manage the project (Woods, 1983). In addition to the brewery, Herbert maintained his commitments as Board member of the Bank of Montreal, the City & District Savings Bank, McGill University and the Presidency of the Montreal General Hospital. All these institutions were facing problems, but none more so than McGill University which was on the verge of bankruptcy. Herbert, Chairman of a committee to study the crisis, hired his second son Hartland, a chartered accountant working for McDonald Currie to come up with a rescue plan, which later stabilized the university's finances (Woods, 1983; Denison, 1955).⁵²

In 1931 the Royal Trust notified Herbert that three notes the trust company had placed on his behalf were in arrears and that Herbert was in legal position to call the loans and seize the collateral (Woods, 1983; Denison, 1955). These three notes were backed by National Breweries Ltd; and although Hartland had advised his father to call the loans and gain control of their larger competitor, Herbert decided against the idea and said, "No, monopolies are bad business-

⁵² McDonald Currie was the accounting firm handling Molson's Brewery Ltd.'s account.

and besides, the Dawes are my friends.”⁵³ Molson (2001) noted however that Herbert’s decision was not entirely altruistic because Herbert had carefully evaluated the risks of such a takeover, and had consulted with Prime Minister R. B. Bennett about the matter. In the end, family factors weighted heavily on such a decision. Herbert...

had considered how his ancestors would have acted in the same situation. Following their lead, in his public and private life, Herbert had always applied the same principles of decency to everything he did. His attitude influenced and inspired his descendants, who learned from him that when one had an opportunity to choose between power and honour, honour was more important.⁵⁴

In 1938, after a two-year battle with lung cancer, Herbert passed away. Herbert transformed the management style at Molson’s Brewery, adopted the importance of advertisement and market research, and changed its product lines to help the company recapture by 1937 lost sales and market share (Denison, 1955). The main Molson products Export Ale, India Pale Ale, Stock Ale, and Cream Porter now offered lighter and less bitter tastes. However, two business practices that remained the same were the paternalistic treatment of the brewery’s employees and the commitment that had been started in the first generation towards product quality (Denison, 1955). The company had always been a bilingual business, with a workforce that was made up primarily of French-Canadians, dating back to the founder who was affectionately called “Le père Molson.” Molson (2006) and Woods (1983) reported that both Fred and Herbert knew all the employees by their first name, and that the Molsons were

⁵³ Woods, p. 257.

kindly referred to by their first name as Mr. Fred, Colonel Herbert, Mr. Bert, and so on. This practice dated back to John the elder. Another Molson custom was that every son spent time in the brewery's executive offices (Molson, 2006). However, this tradition was broken by Herbert's younger brothers, Kenneth and Walter.

The Fifth Generation: Going Public and Geographic Expansion

Woods (1983) reported that Herbert's eldest son became the main beneficiary of the bulk of the estate; and the shares of the brewery assets were given to Tom and Hartland, with Tom receiving a larger number. In addition, Herbert learned from Fred's will. He provided his wife a tax free annuity of \$40,000, with the residue of the estate divided into seven shares, and Tom receiving 3 shares, Hartland 2 shares, and his two daughters 1 share each. It is worthwhile to note that like his ancestors had done, daughters could only receive the income from their shares, while the sons received the principal amount of their legacy.

Tom was 37 when his father passed away. Both brothers were very competitive and achievement driven and both excelled at the Royal Military College in Kingston. Hartland, who was six years younger than Tom, was considered a rebel, a high risk taker, and an extrovert. Tom was very conservative, a low risk taker, and shy (Molson, 2006; Molson, 2001; Woods, 1983; Denison, 1955). Molson (2006) suggested the dissimilarities between the

⁵⁴ Molson, pp. 365-366.

two brothers created a lifelong distance between them. For example, while Tom was deeply rooted in Molson tradition, Hartland had a disdain for tradition preferring instead to enjoy himself in social parties and travel. As the youngest child in the family, Hartland followed his own career and entrepreneurial interests. Although trained as an accountant, he never practiced accounting, preferring instead in 1933 to start a soybean processing venture, after a meeting with Henry Ford who had developed and was promoting the soy food processing technology. With funds from friends and investors (his father and brother were not interested), Hartland started Dominion Soya Industries in 1933; however the venture suffered from the beginning due to undercapitalization and equipment problems. In 1935, after Henry Ford developed a better machine at lower cost, Hartland closed the business.

After the failure of Dominion Soya Industries, Hartland pursued one of his hobbies, flying. He had met the celebrated World War I hero Billy Bishop who encouraged and mentored Hartland to become a private pilot. Soon after, Hartland with financial help from his father, brother, and John David Eaton (grandson of Timothy E. Eaton and future successor to the Eaton's family business) bought Dominion Skyways Ltd, a charter flying service doing business with remote communities in the north of Quebec (Molson, 2006). As President of the company, Hartland eventually grew the company from two aircraft to fifteen; however, the business generated little profit (Woods, 1983).

Molson (2006) suggested that after Fred's death, Herbert had slowly started to distribute his wealth to his children. However, he was not pleased at

the way Hartland spent money frivolously. In addition by 1938, Hartland's marriage in 1931 to an aspiring Montreal actress and divorcee was over, with Hartland becoming the custodian to his three year-old daughter. According to Molson (2006) and Woods (1983), the return of the prodigal son to the brewery business occurred in a conversation at the hospital a few months before Herbert's death. Herbert had been thinking about succession, but was not sure if Hartland was fit for or had the discipline to work in the brewery business. When he casually mentioned these thoughts to his son, as well as wondered aloud if Hartland could give up his wild interests, Hartland countered by saying that at the Royal Military College he had taken chemistry courses over engineering, in the event of future work in the brewery. Shortly after, Hartland sold Dominion Skyways Ltd. to James Richardson, the owner of Canadian Airways Ltd. (and later renamed Canadian Pacific). Soon after the sale, Hartland joined the brewery as a full time employee and that "this pleased Colonel Herbert, who knew that Hartland's financial ability and vision, combined with Tom's brewing knowledge and technical expertise, would ensure a sound future for the family firm."⁵⁵

Molson (2006) and Woods (1983) noted that although Tom could have succeeded his father as the head of the family firm, instead Tom and Hartland "simply followed Molson tradition- that the welfare of the brewery must come first- and Bert was the best man for the job."⁵⁶ At age 55, Bert knew every aspect of

⁵⁵ Woods, p. 271.

⁵⁶ Ibid., p. 268.

the brewery having served as the General Manager for 27 years. In terms of management style, Bert had an obsession with time and punctuality and he was considered a 'benevolent despot' by the employees (Woods, 1983). Meanwhile, Hartland had been promoted as Executive Assistant to Bert, but did not last long in the position. After Britain's declaration of war against Germany in September of 1939, Hartland, Tom, and John Henry enlisted in the armed forces. Both John Henry and Tom were considered too old to fight in the frontlines, so they were assigned to special duties in Canada. Hartland, a qualified pilot, joined Squadron No.1 of the Royal Canadian Air Force and distinguished himself in the Battle of Britain (Molson, 2006; Molson, 2001; Woods, 1983).

In 1938 when Bert became President, production reached approximately 9.5 million gallons of beer. As the war went on, production continued to increase to reach about 15 million gallons (Woods, 1983). Bert and senior managers including William Hyde the brewmaster and Edward Genest the sales manager kept the brewery operations going. Bert's younger brother Stuart managed his own brokerage firm (Molson and Company) and when he became invalidated during the war, Bert asked him and his partner Jack McGillis to join the brewery in 1941. Stuart was appointed as Director and Assistant Secretary, while Jack McGillis became Assistant Treasurer.

The war also highlighted a serious succession duties issue for the Molsons. In a memorandum dated 30th April, 1940 addressed to the family's business accountant, G. C. McDonald (of McDonald Currie), the family stated that the company carried substantial amount of retained earnings and very small

number of outstanding common stock issue, with no preferred and no bonds; and that "it is not desired that any shares of the Brewery, as at present capitalized, should pass into the hands of parties other than members of the family."⁵⁷

In order to keep the control of the brewery in the family, two possibilities existed. The first was to split the current outstanding capital into two classes of stock. The first could have voting and other restrictions and the second could be common shares with voting and control rights. The second possibility was to form a holding company that issued preferred and common shares, whereby the present shareholders of the company would own all the common shares of the holding company, which in turn owned all the shares of the brewery, while preferred shares with certain rights restrictions would be available for sale by the owners to third parties. This solution would solve the tax problems that the company faced. However, the question arose as to who would want to buy preferred shares of a company in which they had no voting rights and no control over the operations of the subsidiary operating company.

In a memorandum dated 13 December, 1940 Bert met with government officials (Fraser Elliot and A. H. Rowland Simpson) of the Income Tax department. They discussed the ramifications of the other four Molson shareholders (Tom, Hartland, John Henry, and Stuart) who were fighting in the war, and the tax implications if one were to be killed. The objective of the shareholders was to retain the ownership of the business in the family. However, it was difficult because of succession duties, the increased income taxes, and the

⁵⁷ Library and Archives Canada, Molson Archives, MG 28, III 57, Vol. 374.

excess profit taxes that would have to be paid to the government.⁵⁸ Mr. Fraser Elliot had also pointed out the “bad dividend record of the company” was a policy that needed to change in the future.⁵⁹ Later, in his meeting with the tax officials, Bert was accompanied by Mr. McDonald who tried to negotiate a solution for the family business to comply with the succession duties and income taxes, while preserving the business in the family. Nonetheless, under the federal and provincial taxation that existed at the time, it was impossible for the family to continue owning the business as they had previously.

In a memo written on January 31, 1941 by Mr. McDonald about his meeting with Bert, Mr. McDonald suggested that Bert had come to the realization of the difficulties in keeping the present ownership of the family firm:

I reported to Mr. Molson the substance of my discussion with Mr. Rowland regarding the intention of Mr. Fraser Elliot's suggestion at the conference in Ottawa on December 13th. Mr. Molson said that any such scheme didn't interest them at all.

I further pointed out to him Mr. Rowland's suggestion about the shareholders voluntarily making a proposal to the Government as to the distribution of some part of the undistributed surplus, say the amount at the date of Colonel Molson's death, an indicated the general lines of the suggestion. Mr. Molson said that they wouldn't consider such a proposal, and that what they were principally occupied with was retaining the position of the company and providing for succession duties, and that neither of these proposals helped them in that regard. I then told him that I was becoming more and more of the opinion that it was quite impossible for a family such as his to continue to own outright such a private

⁵⁸ Ibid.

⁵⁹ Woods (1983) previously had noted that from the time of John Molson, profits were kept as retained earnings in the company to pay for the owners living expenses, expansion, modernization projects at the brewery, as well as diversification and other investment projects.

company. He intimidated that he too was coming round to that point of view.⁶⁰

In a memorandum dated 12th April, 1944 the Molson family evaluated several options to resolve the succession duties issue:

The problem facing the shareholders of this company is the same as that facing all shareholders of private companies with substantial earned surpluses. If dividends are withdrawn at present rates of income tax, that tax takes everything but 2% in the high brackets. If a shareholder dies holding a substantial block of shares, a valuation on the basis of book values without taking into account anything in connection with the earning power threatens insolvency for the estate, unless there are substantial liquid assets outside the business.

It has been suggested that in order to meet the succession duties problem and also to ensure the continuance of the business, the present shareholders should sell all or the major portion of their holdings. In this connection, it has been proposed that a sale could probably be made to or arranged with any one of the following:-

- a. The public, through the sale of securities.
- b. National Breweries Limited.
- c. Labatt's Limited. (In this case it would be necessary for Labatt's and Molson's to have a joint issue of securities to the public.
- d. An American corporation operating an analogous class of business.⁶¹

An assessment of the four options available to the Molson family, from the memorandum dated 30th April, 1944, pointed to the sale of the company to National Breweries Ltd as the simplest option, given the strong synergy and history between the two companies. Under this option, each Molson shareholder would have exchanged his shares for capital and shares of National Breweries Ltd. The first option implied the creation of the holding company, but there was

⁶⁰ Molson Archives, MG 28, III 57, Vol. 374.

also the risk that the government would have prohibited the transfer of the surplus funds. The third option, a merger with Labatt's required the creation of a holding company that would hold the shares of the two companies and issue new shares to the public. The latter option, although feasible, seemed to have less change of happening because of tax considerations and uncertainties with a non-Canadian corporation.⁶²

By 1944, Bert had forecasted that the war would end soon in favour of the Allies, and that with the end of the war, there would be an increase in demand for beer (Molson, 2006). The business was doing well, with net profits of about \$1 million, total assets of \$11 million, and shareholders' equity of \$9 million. With the goal to further expand the brewery production, the Molson family decided to go public to raise additional capital, as well as to resolve the succession duties issue that had been the family's concern (Molson, 2006; Woods, 1983; Denison, 1955). Each of the existing 30,000 common shares held by the shareholders were split twenty-five for one, for a total capitalization of 750,000 shares. The company released 150,000 to be sold to the public in the Montreal Stock Exchange in February of 1945. Though the underwriter, Greenshields Inc. had recommended a price of \$25/share, Bert decided to sell the shares at \$20/share because he did not want anyone saying that they had lost money on Molson's stocks (Woods, 1983). At the annual general meeting in 1948, management passed by-law XXVIII which allowed the company to alter its capital structure and to provide

⁶¹ Molson Archives, MG 28, III 57, Vol. 374.

⁶² Ibid.

flexibility to make available more shares in the event that additional capital were required.⁶³

One year later Bert realized that the increasing profits put the company's taxes unsustainably high, so each of the common shares were split into one non-voting A-share and one voting B-share (Molson, 2006; Woods, 1983). This was achieved through by-law XXIX, whereby the Board had approved the subdivision of each common share at the 1950 annual general meeting.⁶⁴ The rationale for such a split, recommended by management consultant and accountant Walter Gordon of Clarkson Gordon, was to enable the family members and key shareholders to gain capital while maintaining control of the business (Molson, 2006). The share capitalization was further increased shortly after to one million A-shares and one million B-shares (Molson, 2001).

In 1945, the members of the senior management team who were in the war, John Henry, Tom, Hartland, and Campbell Smart returned to their duties at the brewery. They were also joined by eighty-eight Molson employees who had returned from the war. Bert, John Henry, Stuart, Tom, and Hartland made up the Board of Directors. John Henry and Tom each returned to their positions as co-Vice Presidents, with Tom handling the Secretary duties as well, Stuart was Assistant-Secretary, Jack McGillis was Treasurer and Campbell Smart of Cockfield Brown joined the brewery as Assistant to the President.⁶⁵ Mr. Smart,

⁶³ LAC, Molson Archives, MG 28, III 57, Vol. 373.

⁶⁴ Ibid.

⁶⁵ Ibid.

who was brought into the business to modernize its management practices, was “often accused of driving a wedge between the Molson family and the employees”, but his management style improved efficiency in the operations.⁶⁶ Mr. Smart also started regular informal afternoon tea meetings where senior management would discuss business issues. In its first annual report as a public company, the company reported a net profit of \$1,033,924.⁶⁷ Total revenue amounted to about \$14,878,712 and total assets were about \$11.5 million.⁶⁸ For 1946, total assets and net profit had risen to about \$11.9 million and \$1,438,656, respectively, on total revenue of about \$16.5 million.⁶⁹

The end of the war brought an increased demand for beer, which necessitated a further increase in production capacity. The brewery expansion project were carried out by both Hartland, who was in charge of production capacity and profit forecasts, and Tom who dealt with the organizational structure, human resource requirements, production, and operations management (Molson, 2006). The expansion, which was paid through retained earnings, was done stepwise over the course of six years and resulted in a tripling of the production capacity, the gross profit (from \$3 million to \$9 million), and the capital investment in buildings and machinery (from \$4.4 million to \$15.5 million). While Tom and Hartland focused on the expansion and modernization of the equipment, their cousin John Henry worked on human resources policies that

⁶⁶ Woods, p. 285.

⁶⁷ LAC, Molson Archives, MG 28, III 57, Vol. 373.

⁶⁸ Ibid.

saw the introduction of dental and medical benefits, as well as the introduction of a company pension plan for the employees (Woods, 1983).

The transformation of Molson's Brewery from a private limited company to a public one also provided the foundations for later geographic expansion. In 1949, the roles of the shareholders were reshuffled. Bert remained as President, but Tom and Hartland were now co-Vice Presidents, John Henry became General Manager and Stuart remained as Assistant-Secretary. Moreover, a next-generation Molson had joined the brewery. Twenty-one year-old David, second son of John Henry, became an assistant to both Tom and Hartland (Molson, 2006). In addition, 1949 marked the first time the brewery had produced one million barrels of beer (representing one million bottles shipped daily) under the watch of two brewmasters, father and son John and William Hyde. They also worked on the introduction of canned beer into the Quebec market.⁷⁰

By the early 1950's, the company prepared for expansion in the Toronto market. However, this geographic expansion was not headed by Bert because at age 70 he announced his resignation as President, effective in the spring of 1953. For fifteen-years he had guided the family business from the end of the Depression to the beginning of the post-war economic boom. Prior to his resignation Bert had pondered two questions regarding who would be his successor and which new family member should be invited to join the management team (Molson, 2006).

⁶⁹ Ibid.

⁷⁰ Molson Archives, MG 28, III 57, Vol. 373.

The three potential successors to take over from Bert were his brother John Henry, Tom and Hartland. According to Woods (1983), John Henry was the senior member of the family in the brewery. His responsibilities at the brewery were Human Resources Management, and although he knew all the operations of the business, he did not have the technical knowledge or the financial background. On the other hand, Tom who was trained as a brewer and engineer knew all the production and operations of the brewery. However, as a shy man, he stayed away from public relations. In contrast, Hartland was very outgoing and very good at public relations.

Although Bert had decided which of the three would succeed him, in order to avoid conflict, he brought in an independent advisor, Walter Gordon who later became Finance Minister in the Lester B. Pearson cabinet, to assess the qualifications of the three candidates and recommend the successor. According to Molson (2006), Mr. Gordon interviewed all three candidates, as well as senior management colleagues in order to assess the implications of changes in responsibilities and how these affected the issue of succession. Mr. Gordon's recommendation, which was quickly implemented by the Board, was to appoint 44 year-old Hartland as President and CEO and appoint Tom to the newly created position of Chairman of the Board. The control of the brewery shifted now to its largest shareholders.⁷¹

Prior to the selection of the new President, the Board of Directors had consisted of five family members (Bert, Stuart, John Henry, Tom, and Hartland).

⁷¹ Woods, p. 289. Mr. Gordon did not charge any fees for his services because he was the auditor for Labatt's and therefore wanted to avoid a conflict of interest.

However, after Hartland's appointment, two non-family executives joined the Board, Edgar Genest (former Director of Sales) and Campbell Smart (former Assistant to the President). In addition, John Henry remained Vice-President, but his brother Stuart was now also Vice President and Secretary (Molson, 2006).

Molson (2006) reported that the appointment was not an easy one for Hartland because he was the youngest of the three candidates and this deviated from the tradition of choosing the senior family member to be the head the family business. The decision to choose Hartland may have also created some friction between the three candidates:

To some of his closest colleagues, Hartland was very open about how his relationship both with his cousin John and brother Tom changed somewhat for the worse when he was appointed in preference to either of them. Even with the understanding of the role Walter Gordon had played as an outside advisor, Hartland felt that Tom Molson's family particularly long resented this decision.⁷²

One of Hartland's first goals was to bring in new members of the next generation into the brewery (Molson, 2006; Woods, 1983). After Hartland, the next generation Molson family member was David who was considered too young for an executive position. Bert was childless and Tom's two sons, Eric and Stephen were still teenagers. Two other potential candidates of the sixth generation both 31 years old, John Henry's eldest son Billy and Walter's youngest son Percival Talbot (P.T. or Pete) who were to be invited to join the brewery. Billy worked as a stockbroker and P.T. was working as an assistant to Lester B. Pearson in the Department of External Affairs.

⁷² K. Molson, *Hartland de Montarville Molson: Man of honour* (Willowdale, ON: Firefly Books, 2006), p. 219.

Hartland favoured grooming P.T. as his successor because from a young age P.T. learned to excel in sports and school and had turned down a Rhodes scholarship to join the navy during World War II (Woods, 1983). At first, P.T. was reluctant to join the brewery, but Hartland talked to Walter who was terminally ill and Walter agreed to Hartland proposal. Walter then told P.T. that, "he was needed in the family firm."⁷³ This news placed P.T. in an agonizing position for he wanted to stay with External Affairs, yet he believed it was his duty to help the family.⁷⁴ After his father's death, P.T. joined the brewery as Hartland's assistant.

The next challenge for Hartland was to expand the business into the Ontario market and to compete directly with Canadian Breweries in their home market. Even though Bert had been reluctant about the decision to expand in the Toronto market, Tom and Hartland decided to build a brewery from scratch in a prime location near the Toronto waterfront, rather than simply buying a smaller brewery (Molson, 2006; Woods, 1983). The project, lasted about three years and came under budget. However, Bert did not live to see the inauguration of the Toronto brewery in August 1955, as he died of a stroke on April 11, 1955. In his will, Bert had left his B (voting) shares in trust to his nephews and eventually some of them sold their shares to Tom and Hartland (Woods, 1983). John Henry's sons, Billy, David and Peter kept their shares for another thirteen years before selling them to Tom and Hartland.

⁷³ Woods, p. 291.

⁷⁴ Ibid.

Mr. David Chenoweth was appointed Executive Vice President to manage the new brewery in Toronto (Molson's Ontario Ltd), which was now considered the most modern in the world. At a cost of \$10.5 million this new plant made Molson's Brewery Ltd. the largest brewer in Canada (Molson, 2006).

Hartland was a modest person and was sad that Fred did not live to see his own vision of turning Molson's Brewery from a small local operation onto the path of becoming a national brewery (Molson, 2006). As President and CEO, Hartland took over a business though considered the largest brewer in Canada, it only had ten percent market share because of the fragmentation of the industry. He guided the family business over the next two decades and fulfilled Bert's vision of becoming a truly national brewer (Molson, 2006).⁷⁵

Molson Brewery's national expansion through acquisition continued unabated in the 1960's. After the acquisition of Sick's Brewery based in Western Canada in 1958, two years later the company acquired Fort Gary Brewery (Winnipeg) from the Hoeschen family. This was followed by the acquisition of Newfoundland Brewery Limited (St. John's) from John O'Dea. Many of these small breweries were often the target of Canadian Breweries or Labatt's. However, it was Hartland's negotiating skills and his background as a family business that gave him the advantage in relating to these small family businesses (Molson, 2006).

⁷⁵ Molson, 2006; Molson, 2001; Woods, 1983. One personal achievement occurred in July 1955 when Prime Minister Louis St. Laurent proposed to appoint Hartland to the Senate, which he accepted later on the condition that he would sit in as an independent.

In 1958 Stuart retired as an officer from the brewery and remained as a member of the Board until 1966. Meanwhile his brother John Henry, Vice President until 1961, retired from the Board in 1963 (Woods, 1983). The pace of Molson's growth in the early 1960's was now fully driven by Hartland who in addition to his duties at the brewery was also balancing his senatorial duties in Ottawa and his own charitable and philanthropic projects.⁷⁶

After having completed his chemistry studies at Princeton University, in 1959 Tom's eldest son, 22 year-old Eric joined the brewery as an apprentice. Tom had wanted his eldest son to be educated and trained thoroughly for a future career at the brewery, and like other Molson members of the brewery line, Eric achieved his brewmaster qualifications at the United States Brewers Academy in New York. Shortly after his graduation from the Brewers Academy, Eric's apprenticeship continued at Moosehead Breweries Limited in New Brunswick, owned by Philip Oland (Woods, 1983). At Moosehead Eric started working as a 'rubber boot' worker cleaning large vats that stored and processed the beer.

Tom and Philip knew each other and had agreed on an exchange. Eric went to Moosehead Breweries while Philip's son did an apprenticeship at Molson's. After completing his apprenticeship at Moosehead Breweries, Eric transferred to Vancouver to continue his brewing training at a new Vancouver brewery (Molson, 2001; Woods, 1983). Then in 1962, Eric returned to Montreal

⁷⁶ In 1958, Tom and Hartland created the Molson Foundation, a non-profit organization that carried out philanthropic activities. It supported projects and organizations in education, health, welfare, and social fields (Molson, 2001).

and completed an economics course at McGill University. He was promoted as Hartland's Assistant in 1963. Eric earned his promotions at work based on merit because Tom had insisted that his son followed Molson tradition and be treated just like any employee of the brewery (Woods, 1983).⁷⁷

The close relationship that existed between the second-cousins (Herbert's sons and John Henry's sons) was manifested in the way that Hartland had treated his cousin David. Woods (1983) described an incident in which John Henry and Campbell Smart had a feud in 1958 over David's lack of promotions in the brewery management echelons, which Mr. Smart had attributed to lack of competency. In order to diffuse the situation, Hartland made the decision to take David as his assistant and groomed him to become manager and then Vice President of the brewery's Quebec division. However, because David's interests lay in hockey, Hartland promoted him in 1964 to President of Canadian Arena Company, while Hartland became Chairman (Molson, 2001).

In 1966, David and his brothers Billy and Peter proposed to Hartland to sell to them Canadian Arena Company. At first Tom and Hartland were reluctant to sell because they had planned to renovate the Montreal Forum, but after the renovations were done at a cost of \$2 million, the transaction went through in 1968 for \$5 million in brewery shares. Tom and Hartland sold Canadian Arena Company to their cousins at a discounted price because they trusted them and they were family (Molson, 2006; Woods, 1983). It did not occur to them to put a clause in the contract to have the first right to repurchase in the event their

⁷⁷ Due to work commitments, even after his wedding, Eric waited until his scheduled holidays two months later to go on his honeymoon.

cousins decided to sell the company. As it turned out, three years later David and his brothers sold the company to a group led by Charles and Edgar Bronfman for \$13 million. Prior to the sale, Hartland had heard rumours while vacationing in Jamaica that Canadian Arena Company was for sale, but in a conversation with David, he was reassured that the rumour was not true. After the sale had gone through, Hartland severed his relationship with David and removed his name from the brewery's Board of Directors at the next Annual General Meeting.

According to Molson (2006):

Throughout his life Hartland had believed in what he called 'good faith', by which he meant that giving the best of himself, he expected the same of those around him. And one of the things he took for granted was that his friends and family members shared the same moral code, which lauded truth, honour and duty. That members of another generation were defying those values was deeply insulting and hurtful to him.⁷⁸

Woods (1983) noted that both Tom and Hartland avoided any social contact with their cousins and that, "it was not the money that bothered them, but the realization that their trust had been betrayed."⁷⁹ The value of the Canada Arena Company lay in the Montreal Canadiens Hockey team, which served as a promotion vehicle for Molson's advertising. After the sale of the company the new owners raised the advertising fees for the Hockey Night in Canada telecasts by half a million (Molson, 2006). It took until 1978, another seven years, for Hartland to buy it back. After a bidding war, Hartland reacquired the Montreal Canadiens

⁷⁸ Molson, p. 273.

⁷⁹ Woods, p. 325.

Hockey team, its subsidiaries, and the lease on the Montreal Forum from the Bronfmans for a price of \$20 million (Woods, 1983).

The Sixth Generation: Professional Management and Diversification

During the early 1960's, there were as many as seven Molson family members in the management ranks and/or at the Board level. They were Stuart who had joined the brewery during World War II (WWII), John Henry who had joined after World War I, Tom who joined in the early 1920's, Hartland who had joined just before WWII, David who joined after WWII, P.T. who joined in the early 1950's, and Eric who had joined in the late 1950's.

There was a good complement between members of the fifth and sixth generations, as the fifth generation prepared to pass the largest brewery in Canada to the next generation. With the retirement of both Stuart and John Henry and the subsequent purchase of the shares owned by John Henry's sons, the stewardship of the family business was now fully in the hands of the majority shareholders- descendants of the family line of John Thomas. Tom and Hartland worked well together as a team. Tom handled the brewery tours, as well as the behind-the-scene decisions such as the acquisition of Sick's Breweries. Hartland was the public face of the company. He was involved with philanthropic projects, and being seen in the company of politicians such as Prime Minister Pearson at hockey games (Woods, 1983).

By the mid-1960's, Hartland became preoccupied with the issue of succession. In 1966, Tom retired as Chairman and was succeeded by Hartland.

Both David and P.T. had been groomed by Hartland since the early 1950's, but with the departure of David from the brewery, P.T. was the next likely candidate (Molson, 2001). However, a non-family executive, David Chenoweth, also had the qualifications for the position:

Brewery manager David Chenoweth had the most experience and was most qualified, but when the Board asked him to become President Chenoweth demurred, protesting that that the brewery's new leader should be a family member. It didn't take long for Hartland to concur with other family members that P.T. Molson's was the next most deserved name to grace the position. Surely, Pete could carry the torch into this new era. He had done well in Toronto and had won praise in External Affairs. It was his turn to do the family proud in Montreal.⁸⁰

On July 1, 1966 P.T. was named President. However Hartland and the Board were not aware that P.T. suffered from depressive disorders. This condition combined with the stress of the new position, and a threat from his wife to file for divorce, led to P.T.'s suicide on September 12, 1966 (Molson, 2006; Molson, 2001; Woods, 1983). On P.T.'s appointment to President, Molson (2001) noted the following about him:

He was 44 years old, a brilliant academic and diplomat, and completely unsuited to the position in which he found himself. Those around him sensed this and took the reins of decisions from him, often leaving him to deal with the residue of accountability. Eric puts it flatly: 'Pete got kicked around'.⁸¹

P.T.'s death was a blow to the Molson family, and especially to Hartland who was close to P.T. (Molson, 2006). In addition to dealing with the family tragedy, Hartland also had decisions to make about the family business:

⁸⁰ Molson, p. 395.

⁸¹ Ibidem.

After Pete's death Dave Chenoweth became the new company president. The presidency of Molson's Brewery would now be viewed as an office distinct from ties of ownership and be given to the person most experienced and capable of assuming it. No family member has been president of the brewery since then; instead, Molsons fill board positions and sit as executive officers, such as chairman, vice-chairman and honorary chairman.⁸²

During the 1960's business conglomerates were becoming the new trend, in which companies diversified into areas that were unrelated to their core business (Molson, 2001; Woods, 1983). Molson's diversification was headed by David Chenoweth, who previously was President of Pepsi Cola (Canada).

The first acquisition in 1967 was Vilas Industries Limited, a Quebec furniture manufacturer and supplier of equipment to the educational sector (Woods, 1983). In 1968, the company changed its name to Molson Industries Limited and acquired, for \$80 million, Canada's largest conglomerate at the time, Anthes Imperial, a manufacturer of industrial products such as boilers, water heaters, and radiators (Molson, 2006; Molson, 2001). Mr. D.G. 'Bud' Willmot, Anthes President and major shareholder, became the new President of Molson Industries Limited. David Chenoweth stepped aside to become Vice-President; but his tenure did not last long as he passed away three months later (Woods, 1983).

By 1974, the company had changed its name to Molson Companies Limited and the Board and management team were reorganized at the Annual General Meeting. Tom resigned from his position of Honorary Chairman and retired from the company and Eric took over his father's seat at the Board.

⁸² Ibid., p. 397.

Hartland assumed the Honorary Chairmanship and Bud Willmot who was deputy Chairman and President replaced Hartland as Chairman of the Board.

Meanwhile, another non-family executive, J.T. 'Jim' Black became President of Molson Industries Limited. Nonetheless, at age 65 Hartland still was very much in control of the direction of the family business (Woods, 1983).

John Henry's death in 1977 severed the last link of Fred's family line in the brewery. Although he had retired from the brewery, he still kept active as a Board member of various institutions such as the Children's Memorial Hospital and the provincial chapter of St. John's Ambulance. John Henry's daughter and three sons shared equally in his estate (Woods, 1983).

Meanwhile, Tom who was also Vice-President of the Montreal General Hospital and President of Alexandra Hospital, passed away in 1978. He bequeathed his estate to his four children Deirdre, Cynthia, Eric, and Stephen, with Eric receiving two shares of the estate and his siblings receiving one share each (Molson, 2001; Woods, 1983). The will also included provisions for the Montreal General Hospital, Bishop's College School, and his second wife. Eric, Vice President of the Brewery division, became the head of the family after his father's death. Woods (1983) reported that in 1975, the Molson family only controlled 35% of the voting stocks because of stocks dilution, as well as share price decline from the diversification strategy. However, Tom had started to switch his A-shares (non voting) for B- shares and had managed to increase control of the family business to 37%. After Tom's death, over the next two years,

Eric and his siblings continued to switch A-shares for B-shares, raising Molson's control to 41%, and then to 45%.

In 1980, Eric was appointed President of Molson Breweries of Canada Limited and deputy Chairman. Mr. Willmot was appointed Chairman. Mr. Willmot who was planning to retire also accepted Eric's proposal to switch 500,000 A-shares from the Molson family for 500,000 B-shares owned by Mr. Willmot (Molson, 2001; Woods, 1983). The A shares were more marketable and were worth more. The transaction cost \$1 million to the Molson family; however, it gave the Molson family 55% control of the business. Woods (1983) wrote:

The share exchange was an example of the unity that exists among members of the 'brewery line' of the Molson family. It also shows how they will work in concert to preserve the heritage that has been handed down through six generations. Eric Molson expressed the family philosophy one day when he said to a fellow brewery worker, 'We are not rich, we are merely guardians of wealth'.⁸³

During the 1980's, the company initiated a restructuring program to divest itself of non-core divisions, pay down debt, and refocus its operations on the brewery (Molson, 2001). In 1988, the company sold shares to Miller Brewing Company in the United States. This was followed by a 'merger' with Foster's Group of Australia, whereby the Molson family lost control of Molson's Brewery for a period of ten years (Molson, 2001).

In 1988 Marshall A. Cohen, former President of Reichmann's Olympia & York Enterprises Ltd., was appointed CEO of Molson Cos. In order to revise the company's diversification strategy and turnaround Diversey Corp. into a

⁸³ Woods, p. 337.

profitable venture. Mr. Cohen's first decision was to strengthen the brewery division through a joint-venture with Elders IXL of Australia, which had purchased Carling O'Keefe in 1987. The company changed its name to Molson Breweries owned equally by Molson and Elders. This deal also moved Molson with 34% of the Canadian beer market into first the top position with 51% of the market.⁸⁴ However, Mr. Cohen was more interested in turning Molson into a diversified multinational, and by 1991 the company acquired DuBois Chemicals Inc. and merged it with Molson's Diversey operations.

In January of 1993 Miller Brewing Co., a unit of Philip Morris Cos, bought 20% stake in Molson for \$273 million. The deal gave Miller access to sell Molson beers in the American market. Molson beers were the third largest import beer in the American market, after Corona and Heineken.⁸⁵ However, after the deal, Coors, who had an alliance with Molson for the distribution of Coors beers in the Canadian market, launched a lawsuit against Miller Brewing Co., Molson Breweries, and Molson Cos arguing that the deal violated antitrust laws and prevented Coors from competing in the Canadian and American market.⁸⁶

Mr. Cohen was not able to turn around Molson's Diversey's operations and slowly he started to divest of the assets. By the beginning of 1996, Molson had decided to go back to their core business of brewing, and this was followed

⁸⁴ Jennifer Wells, "The End of a Dream," *Maclean's* 109(6) (February, 1996): 38-39.

⁸⁵ Eben Shapiro, "Philip Morris' Miller Brewing Unit is Buying 20% of Canada's Molson," *Wall Street Journal*, Jan 15, 1993, p. A3.

⁸⁶ "Adolph Coors Co. Lawsuit Challenges Alliance Between Miller and Molson," *Wall Street Journal*, March 31, 1994, p. A4.

by Mr. Cohen's retirement from the company.⁸⁷ Under Mr. Cohen's tenure, Molson's beer market share declined from 53% in 1989 to 47.7%.⁸⁸ Mr. Norman Seagram, a former Molson's Brewery executive was brought as the new President to replace Mr. Cohen.⁸⁹

During the 1980's, Hartland was still active as an Honorary Chairman in the brewery in addition to his duties as Director at the Bank of Montreal, and his senatorial duties. Hartland "had long been an advocate of WASP establishment values, including the importance of hard work, the supremacy of family, and the need for personal integrity and responsibility."⁹⁰ He remained a Director at Molson Breweries until 1988. In 1993 at age 84, he resigned as a Senator and slowly removed himself from public duties (Molson, 2006).

As the elder statesman and family patriarch, Hartland took an interest in the welfare of the younger Molsons. He had a daughter from his first marriage, but no sons. During the early 1970's, he had mentored Ian Molson, son of Billy, at the brewery where Ian had spend summers working as an intern. Hartland had hoped that Ian would join the brewery one day. Instead, Ian moved to London, England and worked as an investment banker for Credit Suisse First Boston. In the mid-1990's, Hartland persuaded Ian to come back to Montreal and sold him a portion of his shares, so that he could be invited to join Molson's Board of

⁸⁷ Mark Heinzl, "Molson's Cohen to Leave Brewer Later This Year." *Wall Street Journal*, April 5, 1996, p. B6.

⁸⁸ Brian Banks and David North, *Canadian Business*, Aug. 1996, 10.

⁸⁹ *Ibid.*, p. 10.

⁹⁰ Molson (2006), p. 300.

Directors. Ian joined the brewery in 1996 and worked on the divestiture of Molson's non-brewing assets.⁹¹ Although retired from public duties, Hartland kept busy with family and projects such as fundraising events for the National War Museum and passed away at the age of 95 on September 28, 2002 (Molson, 2006).

Mr. Seagram's tenure as President lasted less than a year and he was replaced by E. James Arnett, a lawyer and expert of mergers and acquisitions.⁹² Eric had admitted that the company had strayed from its core business and that it was important that the company refocused into a 'pure play, a brewer' with the resources to 'conquer more and more geographic territory'.⁹³ In addition, three members of the Board of Directors resigned and were replaced by four new Directors, and Ian Molson was appointed to lead the Executive Committee.⁹⁴ According to Eric, these changes were necessary and "will enable us to move decisively to distance this company from its past status as a diversified holding company. Our brewing activities have long been the largest source of company profit."⁹⁵

Eric's, and President and CEO, James Arnett's new plan involved retaking control of the brewery in order to bring it back to the Molson family (Molson,

⁹¹ "Business: Family Brew; Mergers," *The Economist*, July 31, 2004, 58.

⁹² Larry M. Greenberg, "Molson Co. Names E. James Arnett as its New Chief," *Wall Street Journal*, May 12, 1997, p. B.8.

⁹³ Joseph Weber, "Back to the Future at Molson; Its Bid to be a Pure Play in Brewing isn't Impressing Stockholders," *Business Week*, Sept., 29, 1997, p. 28.

⁹⁴ Ibid.

⁹⁵ Greenberg, p. B.8.

2001). In addition to Foster's 40% stake in Molson Breweries, Eric and Mr. Arnett also had to deal with Miller, which held 20% stake in the company. In preliminary discussions, Foster's made it known that they were not interested in selling their 40% stake because it considered the investment a core holding, and also wanted their half share of Miller's 20% stake, leaving Molson's and Foster's, each with 50% equity.⁹⁶ On November 28, 1997, Miller sold its stake to Molson Cos and Foster's Brewing Group for \$306 million, and under the agreement, both Molson's and Foster's agreed to acquire from Miller 24.95% each of Molson USA, the distribution company of Molson beers in the United States.⁹⁷ After the agreement with Miller, Molson's and Foster's reached also an agreement with Adolph Coors Co., to which they had paid a settlement of \$72 million earlier in the year, for the brewing and sale of Coors beers in Canada.⁹⁸

Molson's continued to pursue a buyout of Foster's stake in the company. On June 24, 1998 Molson Cos. took full control of Molson Breweries by agreeing to pay close to \$1 billion (US\$679.4 million) for Foster's 50% stake in the company.⁹⁹ Earlier in the year Molson Cos. had sold its stake in Home Depot for \$375 million and was also selling the remaining of the non-brewing businesses,

⁹⁶ "Molson Expects Deal Soon for Miller's Stake in Canada Breweries," *Wall Street Journal*, Sep. 11, 1997, p. B. 6.

⁹⁷ Mark Heinzl, "Business brief: Molson and Foster's to acquire Miller's stake in Molson Breweries," *Wall Street Journal*, Nov., 28, 1997, p. 1.

⁹⁸ *Ibid.*

⁹⁹ Larry M. Greenberg, "Molson Buys Out Rest of Brewing Unit for \$679.4," *Wall Street Journal*, June 24, 1998, p. 1.

such as Beaver Lumber to raise capital to pay for Foster's buyout.¹⁰⁰ The buyout also forced Molson's to close a brewing plant in Barrie, Ontario and to start a cost-cutting program, and to invest \$100 million to improve production efficiency in its Toronto plant.¹⁰¹ Molson's beers had been losing market share to Labatt's, but the move to gain full control of Molson Breweries was the first step in the company's strategy to battle Labatt's, which was 100% owned by Belgium's Interbrew S.A., for the loyalty of Canadian beer drinkers.¹⁰² Molson's and Labatt's each controlled about 47% of the Canadian beer market, with each percentage point worth about \$15-18 million in profits.¹⁰³ In 1999, Molson abandoned its sponsorship of Hockey Night In Canada, and Labatt's quickly took over the sponsorship of the hockey telecasts.¹⁰⁴

In order to raise additional funds to pay for the new strategy, in 2001 Molson's sold 80% of the Montreal Canadiens Hockey franchise and the arena (Molson Centre) to George Gillett, Jr.¹⁰⁵ Molson's turnaround improved its financial performance. In 2002 sales and profits were \$2.1 billion and \$209.1

¹⁰⁰ Edward Alden, "Molson Buys Out Foster's," *Financial Times*, London (UK), June 24, 1998, p. 16.

¹⁰¹ "Molson to Invest \$100 million in Toronto Brewery: Drive for Efficiency Forces Closure of Barrie Plant," *Daily Commercial News and Construction Record*, Oct., 14, 1999, B1.

¹⁰² Peter Waal, "Molson Muscle," *Canadian Business*, July 31-Aug., 14, 1998, 18.

¹⁰³ Ibid.

¹⁰⁴ Edward Alden, "O'Neill to Head Molson's North American Brewing," *Financial Times*, (London, UK), March 2, 1999, p. 12.

¹⁰⁵ James Deacon, "Faded Glory," *Maclean's*, Feb., 5, 2001, p. 2.

million, respectively compared to 1998 sales of \$1.6 billion and profits of \$66.3 million.¹⁰⁶ In 2001, Molson expanded outside North America for the first time through the acquisition of Bavaria's Brewery in Brazil for \$1.1 billion.¹⁰⁷ The Bavaria Brewery acquisition gave Molson 20% of the Brazilian beer market.

The acquisition of Bavaria Brewery proved to be a bad decision, as Molson was unable to turn the brewery around and started to lose market shares in Brazil. In addition the Brazil operation began to take profits away from the Canadian operations.¹⁰⁸

In 2003, Eric, his brother Stephen, his cousin Ian were members of the Board of Directors of Molson Inc. Total revenue for fiscal year 2003 reached \$3.53 billion, up 25% from 2002 revenue of \$2.83 billion and total assets in 2003 were \$3.91 billion, down from \$4.5 billion in 2002.¹⁰⁹ In addition to brewing its own beers, the company was also a licensed brewer producing Miller, Coors, and Foster's beers for the Canadian market.¹¹⁰

¹⁰⁶ Patrick McKeough, "Revitalized Molson No Longer a Strange Brew: The Turnaround at Canada's Leading Brewer is Complete. But Currency Risks and High Debt are a Reality," *Money Digest*, Dec., 2002, 1.

¹⁰⁷ Ibid.

¹⁰⁸ "Business: Family", p. 58.

¹⁰⁹ Molson. *Molson 2003 Annual Report: Continuing to Deliver*.

¹¹⁰ Jamie Popp, "Molson Succeeds in the U.S. Brewing the Canadian Way," *Beverage Industry*, Apr., 2004, 31.

¹¹⁰ Ibidem

In 2004, Molson Inc. started discussions with America's family-owned Coors Brewing for a possible merger.¹¹¹ Coors, founded by Adolph Coors in 1873, was the third largest brewer in the United States, led by fifth generation Peter H. Coors. There was already a business relationship between the two brewers, as Molson's brewed Coors beers for the Canadian market. However, the merger plan ignited a feud over the advantages of the merger between Deputy Chairman, Ian, who owned 10% of the voting shares, and Chairman, Eric who controlled the majority of the voting shares. Ian who tried to succeed Eric as Chairman looked into preparing a competing bid with the help of Heineken, which is controlled by the Heineken family, to buy out Molson's for \$4 billion.¹¹² Outside investors were not fully behind the merger because no premium price was set on the Molson stock price, which was listed at \$37/share; and "some analysts criticised the deal as designed primarily to entrench the Molson and Coors families in their long-established businesses."¹¹³ Five days before the merger announcement, Ian tried to find partners to submit a counter bid at 40/share, but was not able to do it.¹¹⁴ Shortly after, Ian resigned from the Board.¹¹⁵ Although

¹¹¹ "Business: Family", p. 58.

¹¹² Ibid.

¹¹³ Simon Bernard, *Financial Times*, London (UK), Sep., 20, 2004, p. 25.

¹¹⁴ Ibid.

¹¹⁵ "Business: Family", p. 58.

lan's ownership had gone up to 11.5% of the voting shares, he called the deal "a bad transaction and the status quo a better option".¹¹⁶

Molson Inc. also gave directors and employees, who were holding options on Molson non-voting shares, the right to vote on the merger, which required approval of two thirds of the voting and non-voting shareholders.¹¹⁷ However, the *Financial Times* criticised the action to give share option holders, who had not paid for their shares, the right to vote because this diluted the rights of full shareholders.¹¹⁸ According to spokesperson for a Board member of Molson's, Sylvia Morin, giving option holders a vote was not unusual in Canada and that "some companies do and some do not."¹¹⁹

In November of 2004, Molson offered to investors a raise in dividends from \$3 to \$3.26 to appease institutional investors who claimed that there was little premium on the prevailing share price after the merger. The Molson family, who held 45% of the voting shares, also waived its right to receive the dividend.¹²⁰ One week before the scheduled shareholders' vote, SABMiller proposed that if the Coors merger is turned down, they would be interested in

¹¹⁶ James Politi, "Coors and Molson Set for Dollars 6bn Merger," *Financial Times*, London (UK), July 22, 2004, p. 19.

¹¹⁶ "The Molson," *Financial Times*, London (UK), Sep. 21, 2004, p. 16.

¹¹⁶ Bernard, p. 25.

¹¹⁷ *Ibid.*

¹¹⁸ "The Molson," *Financial Times*, London (UK), Sep. 21, 2004, p. 16.

¹¹⁹ Bernard, p. 25.

¹²⁰ Bernard Simon, "Molson Offers Special Dividend in Merger Move," *Financial Times*, London (UK), Nov., 6, 2004, p. 8.

making a proposal that would be of benefit to Molson shareholders. However, Eric who had veto power, stated that “this company is not for sale and the merger of equals with Coors is the only option on the table on January 19.”¹²¹ Eric’s veto power came from his 55.4% control of the voting shares partly through a family trust.¹²²

The merger between Molson’s and Coors was, according to Eric, ‘strategically compelling merger’ that would make the new company the fifth largest brewer in the world at the time, after Anheuser-Busch of the United States, SABMiller of South Africa, Interbrew Group of Belgium, and Heineken of the Netherlands.¹²³ Even though there had been further criticism about the proposal to merge two weaker breweries, Eric argued that the deal would also create savings to the combined company and that Fairvest, a Toronto governance advocate had supported the deal, though reluctantly because the merged company would report a single-digit profit gain.¹²⁴ Burgundy Asset Management, a minority shareholder had opposed the deal because “Molson was almost four times as profitable as Coors in terms of profit per unit of beer produced.”¹²⁵ This ‘merger of equals’ was finalized in February of 2005, with Eric remaining as Chairman, Peter H. Coors as Vice Chairman, and W. Leo Kiely III,

¹²¹ James Politi, “Molson Interests S African Brewer SABMiller,” *Financial Times*, London (UK), Jan 13, 2005, p. 18.

¹²² “Family Values,” *Financial Times*, London (UK), July 23, 2004, p. 20.

¹²³ *Ibid.*

¹²⁴ Dan Westell, “Molson Family Member Opposes Coors Merger,” *Financial Times*, London (UK), Jan 12, 2005, p. 16.

CEO of Coors as the new CEO of Molson Coors Brewing Co.¹²⁶ The Board of Directors was reconstituted with two members of each family sitting at the new Board, Eric and his son Andrew T. Molson, as well as Peter H. Coors and his daughter Melissa E. Coors. In addition two senior executives, Daniel O'Neill and W. Leo Kiely III sat on the Board plus nine independent directors, including Dr. Francisco Bellini, Chairman and CEO of Neurochem Inc., John E. Cleghorn, Chairman of the Board of SNC-Lavalin, and David P. O'Brien, Chairman of EnCana Corporation, and Dr. Albert C. Yates, President Emeritus Colorado State University.¹²⁷

In its first Annual Report, Molson Coors Brewing Company reported total sales of \$7.4 billion, net sales of \$5.5 billion (after excise taxes), net income of \$134.9 million, and total assets of \$11.8 billion.¹²⁸ The new company, "Molson Coors is indeed unique. We are one of the world's largest brewers, managed with the active involvement of two founding families that represent a combined 350 years of brewing excellence."¹²⁹

The Seventh Generation: A Confederation of Families and Globalization

As the new Molson-Coors Brewing Company prepares to compete in the 21st century, the vision of the Molson and Coors families has converged towards

¹²⁵ Ibid.

¹²⁶ Molson Coors. *Adolph Coors Company 2004 Annual Report*.

¹²⁷ Ibid.

¹²⁸ Molson Coors. *Molson Coors Brewing Company 2005 Annual Report*.

¹²⁹ Ibid.

the business striving to become a global brewing company. In a conversation with Patrick Kelley, former Senior Vice President for International Brewing Strategy for Molson Inc. and currently a consultant to the Molson family, he stated that the brewing industry has become more competitive and that the top five brewers account for more than 50% of all the beer output in the world. Mr. Kelley says that “the industry has been driven by two external factors, consolidation and globalization.”¹³⁰

According to Geoff Molson, VP of Marketing (Molson Canada), “the thing that outsiders don’t understand is that the families’ passion for brewing was ‘really the essential ingredient’ in getting the deal done. In the past two years, we’ve had differences, identified them and figured out a way to address them together with the interest of building the beer business at the same time. And if my brother was here right now, he’d put up his hand and add the shareholders.”¹³¹

Geoff is Eric’s youngest son and his rise to top management position at the company has followed in the family tradition of ensuring that only offspring that are capable are accepted into the business. Geoff said that “it was frustrating at a young age, because I wanted to work at the company so badly, but my father wouldn’t let me. He wanted me to work somewhere else and prove myself.”¹³² Also, just like his father had done by working at low level positions at the company, Geoff’s first Summer job was “driving trucks for the company and

¹³⁰ Conversation between the author and Mr. Patrick Kelley, July 19, 2007.

¹³¹ Andy Holloway, “The Molson Way,” *Canadian Business*, Apr. 9, 2007, p.37.

this allowed me to get to know customers.”¹³³ Geoff’s professional path into the family business included going to the United States where he obtained an MBA from Babson College.¹³⁴ He first worked for Coca Cola and then spent five years working for Molson-Coors in Colorado during the time of the merger.¹³⁵

After completing his law degree, Andrew, Eric’s eldest son has also followed a professional path working outside the family business. As a corporate governance expert, he is a partner of Res Publica Consulting Group which specializes in public relations.¹³⁶ According to Andrew, who is not an employee of the family business, “I always felt as though I would be contributing to the family business by gathering experience outside the family business. My night shift was talking to Geoff and my dad about the future and the next 200 years, and so I saw joining the board as a responsibility, and a responsibility that I’m enjoying immensely.”¹³⁷

At age 70, Eric has been Chairman of the family business for close to twenty years. About the fact that he has not been CEO of the company, Eric says that “we believe in having the best, and it’s been outside Molson for quite a while now. Since P.T. [Percival Molson] in 1966.”¹³⁸ On the topic of family business succession, Eric and his sons are more reserved. “A lot of fathers have problems

¹³² Ibid, p. 37.

¹³³ Geoff Molson. “Beyond the Brand,” *Presentation to the John Molson MBA Society Speaker Series*, September 28, 2007.

¹³⁴ Ibid.

¹³⁵ Holloway, p. 37.

¹³⁶ Ibid, p. 37-38.

¹³⁷ Holloway, p. 37-38.

with succession, and I have spoken to many people about that. How did we do it? I can't really tell you all my secrets. My son Geoff's in operations, Andrew's on the board, I'm chairman. We know the business inside out," says Eric.¹³⁹

In addition, Eric has groomed and instilled in his sons humility and responsibility from a young age. One area in which the Molson family has been consistent is in the way, "each generation acts as stewards of the business."¹⁴⁰ According to Geoff, the critical success factor of the family business has been its family own credo to ensure that products are successful and that the family is not in the business for personal gain, but rather to be seen as shareholders of the business.¹⁴¹ Moreover, Geoff reiterates that the family is grounded on its beliefs that of the many descendants of John Molson, the Molson family business does not show favouritism on members of the family and that only those members that are capable are accepted into the business.¹⁴² As Geoff's responsibilities continue to increase within the family business, there is a belief that he is being groomed for the President and CEO position, though Geoff says that "It's not a priority of mine to be CEO some day. I don't look at my career as if I want to be this or I want to be that. I look more from the perspective of building the beer business, and the opportunities will come."¹⁴³

¹³⁸ Andy Holloway. "Eric Molson," *Canadian Business*, May 21, 2007, p. 94.

¹³⁹ Ibid.

¹⁴⁰ Geoff Molson. "Beyond the Brand," *Presentation to the John Molson MBA Society Speaker Series*, September 28, 2007.

¹⁴¹ Ibid.

¹⁴² Ibid.

¹⁴³ Andy Holloway, "The Molson Way," *Canadian Business*, Apr.9, 2007, p.38.

Each generation has left its mark on the family business. As the second oldest company in Canada and the oldest family business, the Molson family has played a key role not only in contributing to the economic development, through the success of the business, but also to the social environment through its commitment to community development, public service, and philanthropic activities. Through the Molson Foundation, the company donates about \$4.4 million a year to charitable organizations.¹⁴⁴ With the seventh generation waiting to take over the leadership of the family business, both Andrew and Geoff face new challenges and issues, including how the Molson and Coors families work together towards maintaining their family identities in the business and the grooming of the eight generation family Molson members.

¹⁴⁴ "A Legacy of Giving," *The Beaver*, October-November, 2007, p. 64.

Chapter 5: Results and Discussion

In this study, the goal was to explore and examine the Molson family business, as well as to understand how this particular business has managed to undergo five successful generational transitions. The historical case study built in Chapter 4 provided a sample of seven generations of the family and five succession processes. In this chapter, the analysis evaluates complex succession factors that emerged in each generation and these factors were categorized according to individual and group levels of analyses. This is congruent with the current state of research on family business succession that has been divided into five research streams: (1) succession as a process, (2) the founder's role, (3) the next generation's perspectives, (4) multiple levels of analysis (dual system), and (5) characteristics of effective successions (Handler, 1994).

The analysis then focuses specifically on five major common themes identified by other researchers in the family business field as critical success factors in effective succession planning: role of founder/leader, resistance to succession planning, the grooming process, the decoupling of the family-business system, and the selection of next-generation leaders (Ibrahim and Ellis, 2004; Ibrahim, Soufani, Lam, and Poutziouris, 2004; Ibrahim, Soufani, and Lam, 2001; Davis and Harveston, 1998; Rubenson and Gupta, 1996; Gallo, 1995; Kets de Vries, 1993; Handler, 1992 & 1990; Ward, 1987; Beckhard and Dyer, 1983a; Lansberg, 1983; Longenecker and Schoen, 1978; Barnes and Hershon, 1976).

Role of the Founder

In the first generation, John Molson as an entrepreneur displayed strong need to achieve, need for control, calculated risk taking, and innovation. Studies on successful entrepreneurs reveal that these individuals have traits that differentiate them from non-entrepreneurs. The need to achieve is a strong driving force observed in entrepreneurs (McClelland, 1961). This trait was manifested in the young John Molson who was determined to settle in Montreal from his native England and become a successful businessman. Moreover, this “precipitating event” in the life of an 18-year old young man is congruent with Shapero’s argument that entrepreneurs are born out of displacement (Shapero, 1975).

Another key factor that influenced the young John Molson to become independent and start his own business was the power relationship that existed between him and his autocratic grandfather. Unresolved conflicts during childhood between the entrepreneur and his father have been cited as a factor that drives an individual to become an entrepreneur (Zaleznik and Kets de Vries, 1985). In the case of John Molson, starting his business in Montreal was his way to break his ties not only from his powerful grandfather, but also from his native land.

In order to bypass the fact that he was still a minor, John Molson went into a partnership with someone who had technical skills in brewing; however, after reaching majority age, he bought the business and took full control of the venture. It has been suggested that this internal locus of control is an important

predictor of entrepreneurial intentions and refers to the entrepreneur's beliefs that he or she can control his or her own fate (Kets de Vries, 1985, 1977; Brockhaus, 1975; Shapero, 1975). Furthermore, one of the most important traits associated with entrepreneurs is the propensity to take risks (Shapero, 1975). John Molson not only moved to a new land, but also invested his parent's inheritance into growing this new business.

Another of John Molson's traits was his ability to innovate. He did this by seeing and exploiting an opportunity that others did not see. At the time when John Molson came to Montreal in the early 1780's, the population was mainly from French descendants who preferred to drink wine over beer; however, John Molson accurately predicted an increase in beer consumption because of the influx of new English immigrants and loyalist from the United States. Drucker (1985) suggested that entrepreneurs use innovation as a tool to exploit changes in the market and to profit from the new opportunity by offering new products or services. John Molson not only introduced a new type of beer to the Montreal market, but also ensured that beer was of high quality. To achieve this, he brought raw ingredients from England and followed the latest scientific knowledge on the art of making beer. John Molson's innovative spirit left a blueprint as the competitive advantage of the company.

During his lifetime, John Molson's business played an influential role not only from an economic, but also from a social and political point of view. As an entrepreneur, John Molson fits very well Schumpeter's view of the entrepreneur as an agent of socio-economic change (Schumpeter, 1934). In addition to the

brewery business, John Molson's business also pioneered steamboat transportation in the St. Lawrence River.

Studies suggest that the founder's characteristics change from the energetic and visionary entrepreneur in the early years of the business into a tired and authority-driven family business owner (Sharma, Chrisman and Chua, 1996). Moreover, studies have shown that the founder's management style becomes autocratic and authoritarian, resulting in a reluctance to share power or to hand power to a successor (Lansberg, 1991; Birley, 1984; Geeraerts, 1984; Alcorn, 1982; Levinson, 1971). This description of the founder becoming an autocrat and authoritarian manager was not observed in John Molson. On the contrary, John Molson delegated control and power of the family business to his three sons, as the family business diversified from brewing into transportation, banking and real estate activities.

Roles of Next Generation Leaders

After the marriages of his sons John and Thomas, John Molson set up a business partnership with his three sons. Lansberg (1999) noted that a family business succession typically goes from a controlling owner in the first generation to a sibling partnership in the second generation. Competition between John Jr. and Thomas led to a power struggle over strategic direction of the family business. John Jr. wanted the business to concentrate on the steamboats and banking operations, while Thomas wanted to continue growing the distilled spirits division of the business. Gersick, Davis, Hampton, and

Lansberg (1997) suggested that sibling partnerships can be categorized according to a 'shared leadership' arrangement form where all siblings work as a team, or a 'first amongst equals' form of arrangement, where a leader emerges from the group, but decisions are based on consultation and consensus. For example, John Jr.'s use of his implicit veto on the partnership to overrule Thomas' suggestions to grow the distilled spirits division suggest that John Jr.'s saw himself as the leader amongst the three brothers. This kind of action is congruent with findings comparing family businesses to monarchies, in which the eldest son is seen as the natural heir (Alcorn, 1982; Levinson, 1971).

While all three of John Molson's sons were trained as brewers, only Thomas Molson showed a lifelong attachment to the brewing side of the business. Moreover, Thomas Molson's strengths were his innovation and technical skills. Thomas Molson was similar to his father in that both of them were innovative entrepreneurs that succeeded in their own ventures. As an entrepreneur, Thomas fit the classic portrayal of the entrepreneur with a high need for control and a sense for opportunities. For example, after his departure from the business partnership, he looked for opportunities in England and finally settled in Kingston (Ontario) where he built a small brewery and distillery. Kets de Vries (1985) noted that the entrepreneur's internal locus of control is a predictor of the entrepreneur's sense that he can control his own destiny. In this particular case, the driving force was Thomas' confidence that the distillery business offered new opportunities for growth.

However one major difference between John Molson and Thomas was that John Molson did not exhibit an authoritarian style, while Thomas did. According to Birley (1986) family business owners tend to be authoritarian. In particular, Thomas treated his eldest son JHR harshly and monitored his sons work. Although Thomas did not inherit directly the brewery after his father's death, he nevertheless exercised indirect control of the brewery through the business partnership with his eldest son, JHR. Moreover, Thomas Molson's management style evolved from an innovator to a tired, autocratic and authoritarian leader, who refused to listen to his sons' suggestions to improve the business and used his power to control the sons. This progression in management style is consistent with the findings from Sharma, Chrisman and Chua (1996).

JHR's management style was also influenced by the feuding relationship he had with his father. After his father's death, JHR set up a partnership with his two brothers, where he controlled fifty percent of the shares. Although JHR accommodated suggestions from his brothers, a disagreement with Markland over the future of the sugar refinery showed that he was in control of the business. This is consistent with Kets de Vries (1985)'s observations that entrepreneurs have an internal locus of control. Nevertheless, unlike his father who refused to share control and power, JHR delegated management control to a non-family partner and later to his younger brother and heir to the brewery, John Thomas Molson, who had already been managing the family business for over ten years at the time of JHR's death.

John Thomas Molson's management style was based on collaboration and delegation. Moreover, the way he treated Markland's son Fred is an indication that the family looked for the best candidates. After JHR's death a new business partnership was set up in 1897 in which John Thomas controlled fifty percent of the shares and both Herbert and Fred controlled twelve and a half percent each. John Thomas Molson gradually gave up management control to his eldest son Herbert and to his nephew Fred. However, he did not show preference for Herbert over Fred; and in effect rewarded Fred for his work by giving him more equity in the business. By 1901, John Thomas only held 31.75% share of the company, while Herbert's share was 18.75%. Both Fred and Adam Skaife controlled 25% each. John Thomas's exit strategy fits the category of ambassador as described by Lansberg (1999) and Sonnenfeld (1988).

The Molson family business evolved from an owner-controlled business in the first generation to sibling partnerships in the second and third generation. A cousin consortium became in charge of the business during the fourth generation. After the death of John Thomas, his eldest son Herbert became the majority owner of the brewery, while his cousin Fred managed the operations of the business. This family business ownership evolution concurs with previous findings suggesting that succession typology goes from a controlling owner to a sibling partnership and then to a cousin consortium (Lansberg, 1999; Gersick, Davis, Hampton, and Lansberg, 1997).

Both cousins worked well together to modernize the brewery operations, as well as to introduce new products. After the death of John Thomas, Herbert

transformed the company from a limited partnership to a joint-stock company. Lansberg (1999) referred to this type of leadership transition as an evolutionary succession, where not only the business form changes (in this case the legal structure), but also the business operations become more complex. Moreover, the leadership transition from the third to the fourth generation was relatively smooth. Ward (1987) noted that leadership transitions might avoid problems and conflicts when family interests are taken into consideration. In this particular case, because of Herbert's participation in World War I, Fred's role became more critical not only because he had to manage the family business, but also because he had to take care of Herbert's sons.

After the death of Herbert Molson, the next transition went also without any problems. Handler (1992) and Levinson (1971) suggested family businesses were better prepared for succession transfers after having gone already through a succession process. Moreover, as suggested by Lansberg (1999), the cousin consortium evolves into a more complex consortium that includes a larger number of extended family members working in the business. By the time the Molson family business reached the fifth generation, the top management was made up of a team of second cousins, Herbert's two sons Tom and Hartland, and Fred's three sons Bert, Stuart and John Henry.

As a leader, Bert's management style was described as a 'benevolent despot'. Just like his father, he was concerned with punctuality, efficiency, and control. This is consistent with the typical description of a leader with an internal locus of control (Kets de Vries, 1985; Brockhaus, 1975; Shapero, 1975). Bert

also became the first leader to retire from the presidency position while still alive. Lansberg (1998) and Sonnenfeld (1988) called this type of leader governors, who retire from the business to pursue other interests outside the family business.

After Bert's retirement, Hartland Molson became the next President of the family business, while his elder brother Tom Molson was appointed Chairman. Tom and Hartland were both highly competitive individuals with high need for achievement. However, while Tom was conservative, low risk taker, Hartland was the opposite. He was an entrepreneur with a propensity for high risk taking, as evidenced by his decision early in his life to choose his own entrepreneurial path. In addition, during World War II, he fought in the Battle of Britain and became a decorated hero. Kets de Vries (1977) noted that this propensity to take risks not only applies to financial risks, but also to social and psychological risks. According to Kets de Vries, for entrepreneurs the risk of a decline in social status or psychological well-being is more problematic than the capital losses. However, in the case of Hartland, he was not afraid to take these risks; for example, not only did his soya bean venture fail, but also he challenged social norms when he divorced his first wife in the 1930's. Under Hartland's leadership, the family business became a global multinational. However, his management style did not change much. His exit strategy from the family business fit the portrait of the ambassador. According to Lansberg (1999) and Sonnenfeld (1988), ambassadors give up control but remain as an advisor within the company.

Hartland's tenure at the helm of the family business also represented the first step in a shift in the culture of the Molson family firm. Tom's leadership was

rooted in Molson family business tradition, where family patterns were dominated by patriarchal characteristics and the business patterns were paternalistic in the way business was conducted, as well as in the treatment of employees. Dyer Jr. (1986) proposed a model for cultural configuration in family business that evaluated business patterns, family patterns and governance patterns. According to Dyer Jr. (1986), paternalistic patterns in business are based on assumptions that focus on personal power as a means to show family domination of the business.

Moreover in paternalistic culture, the family uses hierarchy as a way for the family to retain decision-making authority. The main characteristic of patriarchal family patterns is the role of the father as the dominant authority figure, where all decisions are followed obediently; and the patriarch dominates the family until his death (Dyer Jr. 1986). This model was prevalent in the Molson family business from the first generation to the fourth generation. For example, when JHR and Markland proposed to their father ways to improve the operations of the brewery, the response was a letter threatening to dissolve the partnership. Tom Molson also learned from a young age not to question the decisions of the elders when he challenged some of the business traditions in the family business.

Hartland's role as a leader broke the hierarchy that existed in the cousin consortium, where the elder family member was viewed as the next leader. In addition during Hartland's leadership, the governance of the family business evolved from a 'paper board' to an 'advisory board' of directors. This is consistent

with Dyer Jr. (1986)'s suggestions that governance patterns in family business evolve from a paper board to an advisory board.

As the sixth generation leader of the family business, Eric Molson's management style is a combination of old tradition and new business leadership. Although family patterns have changed with the times, the family still follows patriarchal tradition. On the other hand, the business is professionally run. Dyer Jr. (1986) noted that in a professional culture, family and non-family managers are promoted based on their motivation and merits.

In summary, John Molson as the founder of the family business, and his descendants Thomas Molson, JHR Molson, John Thomas Molson, Herbert Molson, Fred Molson, Bert Molson, Tom Molson, Hartland Molson, and Eric Molson fit the portrait of successful entrepreneurs who have also played a key role as agents of socio-economic change in the Montreal economy and beyond. While each of the leaders had his own management style that evolved as the company grew more complex, the common thread is that their leadership was grounded on the founder's vision and tradition for philanthropy and service to the community.

Resistance to Let Go

As the founder of the Molson family business, John Molson played an influential role in the first succession to the next generation. His 'letting go' of the business was influenced by his desire to ensure the survival and control of the brewery by his descendents. This is reflected by the conditions on his will that the brewery

pass to descendants trained as brewers and that his portrait hang on the company's boardroom as long as the business is controlled by family members. As the central figure of the company, the entrepreneur plays a key role not only in the early stages of the business, but also at the later stages, when continuity of the business becomes the main issue (Ibrahim and Ellis, 2004). According to Davis and Harveston (1998), the founder plays an important role in the first succession process, while the family exerts a greater role in the succession process once the business has gone through one leadership transition. In a family business, the succession process represents not only business continuity, but also biological continuity. Succession also implies the entrepreneur 'letting go' of the business that he or she started (Lansberg, 1999; Handler, 1994; Handler and Kram, 1988; Churchill and Hatten, 1987; Beckhard and Dyer, 1983a; Alcorn, 1982; Longenecker and Schoen, 1978).

The brewery has been the central asset of the Molson family business. John Molson drafted a new will on his deathbed to pass the ownership of the asset to the next generation. Much of the research on resistance to let go focused on identifying factors in founders and entrepreneurs contemplating the first succession process (Rubenson and Gupta, 1996; Seymour, 1993; Tagiuri and Davis, 1992; Lansberg, 1988; Jacobs, 1986; Dyer, 1986; Zaleznik and Kets de Vries, 1985; Alcorn, 1982; Barnes and Hershon, 1976; Levinson, 1971). Building on this research, Handler and Kram (1988) proposed a model of resistance to succession in family business. At the individual level of analysis, Handler and Kram (1988) suggested that (1) good health, (2) lack of other

interests, (3) identity with business, (4) retention of control over time, (5) fear of aging, retirement, and death, (6) avoidance of self-learning, and (7) avoidance of technical advice and consultation are factors that promote resistance to succession planning. In contrast, (1) health problems, (2) other interests, (3) ability to dissociate from the firm, (4) delegation of responsibilities to others, (5) opportunity for new life and career planning, (6) capacity for self-reflection, and (7) pursuit of technical advice and consultation are factors that reduce resistance to succession planning. The influences of these variables on resistance to succession planning in the succession processes at the Molson family business are evaluated next.

Health

Health issues played a role in several succession planning processes. In the first generation, as John Molson's health deteriorated he wrote a letter asking Thomas to come back and take care of the brewery. For John Molson, this was a last attempt to convince the prodigal son to return to Montreal and take the role he was best at and for which he had trained for, the management of the brewery.

Health problems associated with JHR also played a role in the transition from the second to the third generation. As a child, JHR developed health problems and this created a dilemma to Thomas Molson. In the event that JHR did not live to age 21, John Jr.'s eldest son would be next in line to inherit the brewery. While JHR's health had recuperated as he became an adult, he lived with the knowledge that his younger brother John Thomas was the backup heir.

This knowledge combined with the fact that he did not have any children were factors that reduced his resistance for succession.

John Thomas also delegated power and management responsibilities to his eldest son when his health started deteriorating. At a young age, Herbert became the head of the family and of the family business when John Thomas became incapacitated. When Herbert was stricken with cancer, his health problems were important factors that reduced his resistance to succession planning. In effect, it seems that Herbert may have used his illness as a ploy to get Hartland to come back to the family business. It can be deduced that when Herbert was in the hospital with cancer, he subtly challenged Hartland to give up his carefree life by wondering aloud if he was fit to work in the family business. By accepting his father's challenge, Hartland followed in the footsteps of his great-grandfather Thomas and his grandfather John Thomas as prodigal sons that returned to play key roles in the survival of the family business.

Interests

The Molson family business case analysis shows that all the leaders, except for Bert, developed interests outside the business. For example when John Molson's sons got more involved in the management and direction of the business, John Molson became involved in public service activities (philanthropy and politics), which took time away from the brewery and his other business activities. According to Tagiuri and Davis (1992) and Handler and Kram (1988), when leaders have other interests, leaders are more willing to plan for

succession. In the case of Thomas Molson, he did not have many interests outside the business. He was deeply religious and his faith played a part in reducing his resistance to succession planning.

As in the case of his grandfather, JHR also developed interests in public and community service (Montreal General Hospital, McGill University) and in his latter years, he was more active in the family banking business, than in the brewery business. In the fourth generation, Herbert became involved in public and community services, such as the Bank of Montreal, McGill University and as President of the Montreal General Hospital, of which John Molson was one of the original founders. Like his great-grandfather, John Molson, Herbert also developed a strong interest in public service to the country. In his thirties, he joined other Canadians to fight in World War I, where he distinguished himself in battle. Fred on the other hand became involved with the Molson Bank, while still managing the brewery.

Although having interests outside the business can be beneficial in reducing resistance to succession planning, Malone and Jenster (1992) cautions that when leaders seek outside activities such as hobbies, and/or involvement in civic and church groups, this may be a sign that the leader is becoming bored with the business and has started to neglect business performance. Malone and Jenster called this phenomenon the plateaued owner-manager. This condition was observed in John Molson, Thomas Molson, and JHR who towards the end of their lives, had started to devote less time to the brewery operations.

The analysis also found that there was no distinction in the level of plateauing between the founder and successors. This finding did not concur with Malone and Jenster (1992)'s proposition that there may be a difference between the founder and the successor in terms of plateauing effect. One explanation for this is that in the Molson family business, John Molson started the business with his inheritance money (contrary to the popular notion of entrepreneurs starting a business with little capital and only the strength of their ideas). Furthermore, Thomas Molson only came back to manage the brewery after he had successfully started his own brewery in Kingston, Ontario.

In the case of JHR, he had little choice in terms of whether to join the family business or not. He inherited the brewery at a young age and throughout his life, he saw his role as a steward of the family patrimony. Malone and Jenster (1992) argue that successors often wished they could become something else, instead of being part of the family business; however, there was no evidence from the case that JHR wanted to become something else, but to lead the family business.

According to Malone and Jenster (1992) very little research has been done to study the plateauing effect in successors. Ambrose (1983) found that children perceived lower levels of satisfaction in joining the family business and this perception may be related to plateauing symptoms in the owner-manager. The case analysis found that in the Molson family business, plateauing effects were manifested in the first three generations, but that in latter generations, business performance was not affected by the leaders' outside interests.

Of the leaders in the fifth generation, only Bert lacked interests outside the business. Handler and Kram (1988) noted that lack of interests contributes to resistance for succession planning. However, in the case of Bert, the case analysis shows the opposite result. Bert voluntarily retired in 1953, after guiding the company through the end of the economic recession and World War II. Two factors that may help explain Bert's decision to retire earlier was that he was a minority partner and the second factor was that under his leadership, the family business became a public company, which resulted in stricter governance.

The other leaders of the fifth generation, Tom and Hartland Molson and his cousins Stuart and John Henry all followed in the family tradition of developing interests outside the family business. For example, they all served in the Canadian army, just like John Molson and Herbert Molson before them. In addition, they also followed the family tradition of serving the community. Tom and John Henry were involved as board members in hospital institutions such as the Montreal General Hospital. Hartland, on the other hand, inherited John Molson's penchant for politics, when he was appointed an independent Canadian senator. Eric Molson of the sixth generation has also become involved in philanthropic and community service activities.

Identity with Business

The case analysis discovered that in the Molson family business, some leaders showed a strong emotional attachment to the brewery and others did not.

According to Levinson (1971), the entrepreneur's identification with the business

is an important success factor because these entrepreneurs view the business as their 'baby', something they created and which became a part of their life. However, some of these entrepreneurs have difficulty giving up authority or control and may view anyone raising the subject of succession with distrust (Kets de Vries, 1975).

During the early stages of the business John Molson demonstrated an emotional attachment to the brewery, as suggested by his commitment to produce a quality product and his need to control all aspects of the business. But, far from hanging onto power as long as possible, John Molson gave up management control of the family business by setting up a partnership with his three sons. On the other hand, John Molson maintained ownership of the brewery until the day he died. Handler and Kram (1988) proposed that ability for the founder to dissociate from the firm is an important factor that helps in reducing the resistance to succession planning.

Thomas Molson did not inherit the brewery, but he nonetheless had a strong emotional attachment to the business, partly because he was seen as the brewer in the family. Even though Although Thomas Molson exhibited authoritarian and autocratic traits in both his personal and business life, he did not try to hang onto power to the detriment of the business.

Unlike his father and grandfather, JHR's strong attachment to the brewery was not as a result of creating or growing the business, but rather because he understood his grandfather's vision of the role of the brewery as a family patrimony. As he got older JHR's management style changed from an

authoritarian style to one where he delegated responsibilities to other family and non-family members. This transformation suggests a change in the way he viewed the business, where at the beginning JHR saw the business as an extension of himself and then at a later stage as a family patrimony. JHR's childhood conflicts with his father may have affected the way he treated the business. According to Zaleznik and Kets de Vries (1985) the business becomes an extension of the leader's reality and a way for the leader to deal with childhood identification issues and conflicts. Nonetheless, JHR was able to dissociate himself from the firm and unselfishly bequeathed in his will the brewery to his younger brother John Thomas and ensured that John Thomas' eldest son (Herbert) was next in line to continue the family business. However, just like his grandfather, JHR maintained the full ownership of the brewery until his death.

As the youngest son, John Thomas' interests were more focused on enjoying life and spending his share of the family fortune. The evidence from the case study research suggests that although John Thomas inherited the ownership of the brewery, he saw himself as a caretaker leader of the family business (similar to the role his father Thomas played in taking care of the brewery until JHR reached majority age). As a result John Thomas had a low emotional attachment to the business; and he was able to dissociate himself from the firm preferring instead to let Herbert and Fred manage the business.

After the death of John Thomas, Herbert inherited the majority ownership of the brewery; however, just like his father he had a low emotional attachment to

the business and preferred to let his cousin and minority owner, Fred, manage the business. Although he was minority owner, Fred had a stronger emotional attachment to the business as suggested by his actions to modernize the operations of the brewery and guide the business while his cousin Herbert was being groomed. A possible explanation may be because he felt duty to follow JHR's family testament and saw himself as a caretaker leader. Both Herbert and Fred treated the brewery as a family patrimony and were able to dissociate themselves from the firm.

Fred's eldest son Bert took over the leadership of the company after the death of Herbert and guided the company during the late 1930's to the early part of 1950's. Although Bert got involved in the family business at a young age, he did not display an emotional attachment to the family business. Bert was a minority shareholder in the business and played a role similar to that of his father; that is, the stewardship of the family business while his cousins Tom and Hartland were being groomed.

As a majority shareholder in the family business, Tom had an emotional attachment to the business, as suggested by his disappointment for not being selected President of the company. Under Hartland's vision, the business grew from a local brewery to a multinational conglomerate. However, just like in the previous three generations, both Tom and Hartland treated the business as a family patrimony and were able to dissociate from the firm's identity.

When Eric Molson of the sixth generation took over the Chairmanship of the company, he became the first member of the Molson family not to have held

the President's position in the company. However, this did not prevent him from developing an emotional attachment to the business. For instance, during the late 1970's and early 1980's he continued his father's strategy of gaining more control of the family business by acquiring voting shares in exchange for non-voting shares. Nonetheless, Eric has been able to dissociate himself from the identity of the firm and has managed to navigate the family firm into a merger of equals with the Coors family business.

Control

The case analysis shows that the issue of control has been a key factor in the Molson family business. However, a distinction should be made between ownership control and management control. Ownership control will be analyzed and discussed in a separate section. The analysis in this section will focus on management control and how this was manifested in the different leaders of the Molson family business. Previous research has painted a picture of entrepreneurs who are paranoid and distrustful of subordinates and family members (Kets de Vries, 1985). For them, a high need for control means authority and power over subordinates, whether family or non-family, as well as sense that one can control one's destiny (Kets de Vries, 1985; Zaleznik and Kets de Vries, 1985; Brockhaus, 1975; Shapero, 1975).

All the leaders in the Molson family business, starting from John Molson to Eric Molson have separated ownership control from management control. Handler and Kram (1988) proposed that retention of control over time is a factor

that promotes resistance to succession planning, while delegation of responsibilities to others reduces resistance. As his three sons entered the business, John Molson was able to start delegating more responsibilities to each of the sons. After the marriages of John Jr. and Thomas, John Molson set-up a partnership that gave more management control of the business to his three sons. Delegation of responsibilities to younger family members was a gradual process, and often involved training from the shop floor up the ranks.

In the second generation, Thomas Molson retained control of the family business over time, even though he was not owner of the brewery. Nonetheless, in his partnership with his son JHR, Thomas specified that JHR's responsibility was the full management of the brewery to the exclusion of other activities. While JHR also exhibited some retention of control over time, he delegated responsibilities to both younger brothers, Markland and John Thomas. John Thomas focused on the brewing operations while Markland handled the distilling side of the business.

When John Thomas inherited the brewery, his illness prevented him from working much in the family business. As a result, he delegated responsibilities to his son Herbert and to his nephew Fred, with Herbert responsible for the brewing operations and Fred responsible for the administration of the brewery. This split in responsibilities also applied to Herbert's son Tom and Fred's son Herbert. Both entered the business when they were young and delegation of responsibilities started early in their careers. However, younger members also learned early in their careers that decisions of the elders could not be questioned.

After the family business became public, the operations became more complex and delegation of responsibilities was shared not only with family members, but also with non-family executives. During Hartland's tenure as leader, the family business grew into a large multinational and this resulted in an overseer type of board of directors that maintained management control of the operations, including delegation of leadership duties to non-family professional managers.

Under the leadership of Eric Molson, the Molson family business is ranked as one of the world's largest breweries. Eric Molson chairs the board of directors, but professional managers run the family business. Ward (1987) proposed a model of family business transition to professional management. This process involves three steps: founder, family and professional management. In the case of the Molson family business, the shift towards delegation of responsibilities to professional managers started with Bert, continued with Hartland, and has become the norm under Eric's leadership. Family businesses turn to professional management when the business becomes more complex, when a growth strategy is required, when leadership succession is being planned, and when the norms and values of the company need changes (Dyer Jr., 1989; Matthews, 1984).

Fear of aging, Retirement, and Death

In the Molson family business, all leaders, except for Fred Molson, were able to deal with aging and retirement without any fear. This finding is contrary to

studies that have shown that founders resist letting go of the business because of fear of aging, retirement, and death (Lansberg, 1988; Zaleznik and Kets de Vries, 1985; Alcorn, 1982; Levinson, 1971). Founders also may react with fear and suspicion when the topic of succession is raised (Kets de Vries, 1996; Lansberg, 1988; Danco, 1982). However in the case of John Molson, the marriages of his sons were another step in the succession process. Moreover, he had willingly retired from the business to attend to his new horticulture hobby, but was forced to return to the management of the brewery when John Jr. and William started to neglect the brewing operations of the business. Handler and Kram (1988) suggested that the opportunity to start a new life and career planning is a factor that reduces the resistance to succession planning. Fear of retirement is particularly strong when founders lack hobbies to keep them busy (Ibrahim and Ellis, 1994).

Subsequent leaders of the Molson family business have shown an ability to find new opportunities or hobbies to reduce the fear of aging, retirement and death. For example, Tomas Molson was a religious person; JHR served as Governor of McGill University; Herbert was involved with the Montreal General Hospital; Tom was also involved with the Montreal General Hospital; and Hartland became involved in politics. One member who showed a fear of retirement was Fred who died suddenly at age 69 while he was still President of the family business and planning for expansion of the business. One explanation for his behaviour is that he was a caretaker leader who felt a duty and obligation to his uncle JHR to manage the family business.

Fred's son Bert was another caretaker leader who was not afraid to retire at age 70, but there was no evidence from the case analysis research that he had other opportunities or hobbies. At age 70, current Chairman of the Board Eric Molson also shows no sign that he will be retiring soon. This is not an indication of a fear of retirement, given that Eric keeps busy with philanthropic work, but more of a tradition in the family business where the patriarch decides the time for retirement (usually past the age of 65). In addition, Eric seems to be following in the footsteps of previous leaders who waited until the successor was ready to take over the family business leadership.

Self-learning and Self-reflection

The case analysis shows that several Molson leaders reached a point where they accepted their own mortality and reduced their own sense of loss during the succession process. Towards the end of his life, John Molson reflected on the conflicts that drove Thomas away from the family business. His reaction was to put aside his own ego and write a letter to Thomas expressing his regret for not having done more for his second son. Lansberg (1988) suggests that the founder's capacity for self-reflection creates awareness on the founder and eases his reluctance let go of the business. Thomas Molson also had his own moment of self-reflection, as he neared the end of his life. For Thomas, the issue was in questioning his own profession as a brewer and to reconcile this with his religion. In the case of Herbert Molson, his moment of self-reflection happened when he was dying of cancer in the hospital and used the occasion to have a

conversation with Hartland and to persuade him to join the family business.

According to Handler and Kram (1988), the avoidance of self-learning is a factor that promotes resistance to succession planning, while the capacity for self-reflection is a factor that reduces the resistance to succession planning. The analysis of the Molson family business found that none of the leaders avoided self-learning and that on the contrary, each leader was aware of the importance of succession planning.

Technical Advice and Consultation

Seeking technical advice and consultation regarding inheritance, tax, ownership and succession issues can help the founder and/or leader plan for succession. John Molson learned a lesson from the inheritance battles with his grandfather that followed after he had reached majority age. To avoid the same problems with his sons, he frequently updated his will. Handler and Kram (1988) proposed that the founder's avoidance of technical advice and consultation is a sign that the founder is reluctant to let go of the business. In contrast, founders who pursue technical advice and consultation reduce the resistance to succession planning. Other Molson family leaders that followed John Molson have also prepared wills and inheritance plans to reduce offspring's conflicts, from Thomas Molson to Hartland Molson. Moreover, both JHR and John Thomas Molson's wills had clauses in the will stating that decisions could not be challenged by the offspring.

Interpersonal and Group Level Factors

At the interpersonal and group level, there are some factors that have also played a role in the succession processes at the Molson family business. The case analysis found that there was a high level of trust in the offspring. For example, John Molson actively relied on his three sons to run and expand the family business. John Jr. who was his right-hand man focused on growing the transportation business, while Thomas and William focused on growing the brewery and banking business. JHR and John Thomas not only trusted in the abilities of Herbert and Fred, but also gradually increased their responsibilities within the family business. Herbert also had a high level of trust in the leadership abilities of his son, Tom and nephew Bert. This included making them a part of strategic decision-making situations, such as expansion of the brewery operations. According to Handler and Kram (1988), a high level of trust, open informed communication, and heirs actively involved in the business are factors that reduce resistance to succession planning.

Of all the Molson family leaders, Thomas Molson showed mistrust in his eldest son, JHR whom he treated in an autocratic fashion. The case analysis found that conflicts between father and son contributed to this mistrust in each other. Conflicts arise in relationships between an overpowering father and an overachieving son (Alcorn, 1982). Davis (1968) also noted that conflicts arise between a conservative father and a progressive son. In the case of Thomas and JHR, the conflicts centered on the operations and strategic direction of the brewery, in particular Thomas Molson refusing to accept new ideas from JHR on

how to improve the brewery operations. Mistrust of offspring (lack of confidence in the offspring) is a factor that promotes reluctance to let go by the owner (Goldberg and Wooldridge, 1993), as well as resistance to succession planning (Handler and Kram, 1988).

In summary, the case analysis found that the founder and subsequent leaders of the business displayed in general low resistance to succession planning. In certain leaders health problem was a factor, while in others their strong identity with the business was compensated by outside interests, such as philanthropy, community and public service. Moreover in general, leaders of the family business have been able to differentiate ownership control from management control. Contrary to other research findings, fear of retirement was not a factor in the leaders of the Molson family business. Leaders were open for consultation and self-reflection. In addition leaders took time to mentor the next generation, and in general they had a high level of trust in the competencies of the offspring.

The Grooming Process

The grooming of next generation members is a process that the Molson family business has continuously done effectively. This grooming process consisted of ensuring that potential successors received good business education, specific training in the brewing business, management training that led to leadership positions in the family business, and understanding the vision of the family business. Ward (1986) noted that succession planning is a key part of

the strategic planning of family businesses in order to ensure survival to the next generation.

However, while training and mentoring of next-generation members is important, the key in the grooming process at the Molson family business has been the ability to share the family's vision with the next generation. Lansberg (1999) proposed that the vision or 'shared dream' provides direction for the succession process; and this shared dream evolves over time as the family members define the values of the business, the type of business they want to become, and how they wish to be perceived by others.

At the Molson family business, the foundation of the vision started with John Molson, who wanted to create not just a good quality product, but also an organization that was socially responsible. So as part of his social and economic contribution to the city of Montreal, John Molson became of the leading supporters for the construction of the Montreal General Hospital. Dyer Jr. (1986) noted that the founder of the business plays a key role in shaping the culture of the organization and in instilling this vision on his followers.

Social responsibility as a tenet of the family business vision has manifested in every subsequent generation after John Molson. For example, John Jr., Thomas, and William Molson were instrumental in supporting the creation of McGill University. JHR also supported Montreal General Hospital and McGill University, a tradition that was continued by Herbert and his sons Tom and Hartland. Through the Molson Foundation, Eric Molson continues to support philanthropic activities. Danco and Ward (1990) noted that family foundations

provide a vehicle to carry on the founder's vision, as well as provide creative ways to achieve the family's social and philanthropic goals.

Moreover, the case analysis also found that in John Molson's will, the founder may have also embedded the importance of the grooming process for future generations of the family. By bequeathing the brewery to his grandson, John Henry Robinson Molson (JHR) and with the condition that JHR should be trained in the brewing business, John Molson stressed the importance of preparing the offspring of future successors as an important element of the grooming process. Handler (1990) proposed that there is a mutual adjustment between the older and the younger generation members. This grooming process involves preparing and integrating the offspring for entry into the business, mutual role adjustment between the older and younger generation, decoupling the family-business system, quality of relationships, and the successor's ability to lead (Ibrahim and Ellis, 2004; Stavrou, 1999; Lansberg and Astrachan, 1994; Handler, 1991 & 1990; Churchill and Hatten, 1987; Beckhard and Dyer, 1983; Barnes and Hershon, 1976). Based on the case study research, these factors associated with the grooming process will be evaluated in the following sections of the Molson family business.

Preparing the Offspring for Entry

With the exception of Fred Molson (who grew up in Oregon), the family tradition was to bring the boys early in their life to the brewery offices so they would become aware of the family business. The next step was for offspring to

start working on the family business during summers. Barach, Ganitsky, Carson, and Doochin (1988) found that successors who started working in summer jobs in the family business gained more valuable experience and insights about the family business, than if they had entered the family business straight into a management position.

Geoff Molson of the seventh generation has continued in the tradition of summer jobs (his first job was driving trucks) as a first step in getting to know the business, the operations, and the workers. This also reinforces another family tradition that offspring's hands-on apprenticeships start from the shop floor or low-level jobs and move up the ranks, based on their skills. Scranton (1992) noted that private and partnership family businesses in the 19th century often encouraged sons to start work in the business from an early age. This apprenticeship started from the shop floor and would last from five to eight years while the sons were still going to school. The goal of the apprenticeship was not only to prepare the offspring's technical skills in the production function and to help the offspring learn about the organization's culture, but also to help the father to assess the offspring's future roles in the company.

Based on the tradition set by John Molson, future successors were trained in brewing practices. Thomas Molson, JHR Molson, John Thomas, Herbert Molson, Tom Molson, and Eric Molson all have followed in the tradition of being trained as brewmasters of the company. While John Molson taught himself how to brew beer from Richardson's manual, Thomas and JHR were trained in-house brewmaster techniques that had been passed from John Molson. In the case of

JHR, his brewmaster apprenticeship was stipulated in a formal business contract. Herbert, Tom and Eric received additional brewmaster training from specialized guilds or academies. After finishing his brewmaster academy training, Eric Molson's apprenticeship continued at another family-owned brewery (Moosehead Breweries Ltd in New Brunswick). Herbert Molson, who was the first leader to get a university degree in chemistry, also followed up this education with brewing academy training. Herbert's son Tom also went for special brewing academy training after finishing his university studies. According to Scranton (1992), as manufacturing practices improved, direct apprenticeship to impart technical skill in family firms required more complex training specialization.

Preparing the offspring for entry into the family business may also involve the offspring working outside the family business. In the Molson family business, Fred Molson, Bert Molson and Hartland Molson gained managerial experience working in other businesses. For example, Fred worked as a manager in Ontario in a family business owned by his cousins on his mother's side before joining the brewery. Fred's experience as a successful manager gave him the credibility to join the family business and implement a modernization plan to improve the operations of the brewery. Barach, Ganitsky, Carson, and Doochin (1988) found that after entering the business potential successors needed to earn credibility by demonstrating sound decision-making skills, and to do the job better than anyone else.

Amongst Fred's sons, John Henry joined the brewery at a young age, but Bert Molson worked as a stockbroker before joining the family business. Fred

and Bert were the first members of the family business who gained additional expertise from other industries and apply the knowledge to the brewing business. While Fred's previous experience helped with the operations of the brewery, Bert's financial expertise became an advantage when the company changed from a limited partnership to a public company. According to Ibrahim and Ellis (2004), the grooming process has placed emphasis on members of the younger generation getting training and gaining new expertise outside of the family business before being integrated into the family business.

In contrast to his elder brother Tom, Hartland's grooming also did not follow the tradition of joining the brewery at a young age. He trained as an accountant and financial analyst in a bank and in an accounting firm before joining the business. In addition, Hartland's entrepreneurial traits were enhanced as he started and ran his own independent businesses. This experience provided Hartland with a different view of business, which he was able to apply later in his career after joining the family business. Barach, Ganitsky, Carson, and Doochin (1988) suggested that offspring who choose to work outside the family business after their schooling gain a sense of self-accomplishment, self-confidence, and independence that otherwise may not have been attained if they had stayed in the family business. Moreover, working outside the family business allows the offspring to be judged objectively and develop a sense of achievement that provides credibility to the offspring if he returns to the family business.

Eric, who was groomed for a leadership position from a young age at the brewery, preferred his sons to be groomed outside the business. Both of Eric's

sons are now being groomed for leadership positions with Geoff (age 37) on the operations side and Andrew (age 40) at the board level. According to Barach, Ganitsky, Carson, and Doochin (1988), it could take ten years for potential successors to gain the credibility required to assume top management positions; and there's no rule whether the potential successors gained their experience inside or outside the family business. In the case, of Andrew and Geoff Molson, both have gained experience and different expertise by working inside and outside the family business. This finding suggests that experience gained inside and outside the business may be a necessary requirement for potential successors of family businesses.

Mutual Role Adjustment

The case analysis found that in general the grooming process of younger Molson generation members by the older generation followed a stepwise process in which the offspring enter the business at a young age, starting from low-level positions and moving up the rank for potential leadership positions. This pattern was observed in the first four generations. For example, John Molson mentored all three sons in the family business operations and developed a collaborative relationship with each son. This mutual role adjustment started when John Molson created a business partnership with his three sons that lasted seven years (from 1816 to 1823). He slowly delegated management control to each son and nurtured their talents. This 'succession dance' between the founder/leader and the successor requires a mutual role adjustment based on respect and

understanding, whereby the founder gradually shifts more responsibilities to the successor (Handler, 1990; Ward, 1990; Davis and Tagiuri, 1989). Alcorn (1982) noted that one of the important factors in the succession process is the role played by the founder and the next generation successor, and that collaborative management between the father and son is a key factor in the succession process.

However, this collaborative management between father and son was lacking in the second generation. The relationship between Thomas and JHR was full of conflicts and described as a master-servant type of relationship. Seymour (1993) found that the quality of the work relationship between the owner-manager and the successor is a significant factor to achieve a positive succession because it allows both the owner-manager and the successor to appreciate each other's contributions. In the relationship between Thomas and JHR, neither Thomas nor JHR were willing to compromise and work together. Thomas may have seen JHR as someone who inherited the brewery without earning it and as a result imposed a very strict and autocratic training program for his son. JHR, on the other hand, saw his father as someone who was inflexible and did not accord to his father the recognition of his accomplishments. According to Seymour, this type of confusion or failure to recognize the different roles of the family members may lead to poor quality relationships and affect the succession process. The differences between JHR and Thomas were also attributed to JHR's education and progressive views, which may have been opposite to Thomas' conservative views. Seymour also noted that the owner-

manager may resent the education and knowledge that the offspring brings to the business.

The case analysis showed that the relationship between Thomas and JHR was the only father-son relationship with conflicts. Nonetheless, in the first three generations, the succession process from older generation to younger generation involved a transfer of values; for example, the patriarchal upbringing that has carried over from the founder John Molson. The business mentorship allowed the older generation to transmit to the younger generation personal and family conservative values that have been carried from one generation to the next. Handler (1989) proposed a mutual role adjustment between the older and younger generation. According to Handler, this 'succession dance' involves a gradual transfer of leadership experience, decision-making power, authority, and equity. Also this mutual adjustment involves an adjustment of roles between the leader and the successor. According to this model, the predecessor and the next-generation member trade roles in a process involving four stages. In the first stage, the leader is the sole operator and the successor has no role. In the second stage the leader is the monarch while the successor is a helper. In the third stage the leader becomes an overseer/delegator, and the successor becomes a manager. In the last phase, the leader gives up authority and power and becomes a consultant, while the successor assumes the leadership role and becomes chief decision-maker.

This succession dance was observed between John Molson and his sons; however it did not follow the Handler model entirely. As the sole operator of the

business, John Molson brought his sons early into the business as helpers, and gradually delegated more responsibilities to each son until each was managing separate activities in the business. However, before dying, John Molson did not appoint a leader or Chief decision-maker to govern the family business. Instead, the different business activities were split and bequeathed to each son, with the core of the business, the brewery, passing to his grandchild.

The case analysis also shows the lack of a succession dance between Thomas and JHR. While, Thomas ensured that JHR was properly trained in the brewery business, the lifelong conflicts between father and son prevented a mutual role adjustment. Most of Thomas' assets went to Markland and John Thomas, while JHR received very little from Thomas' estate. This lack of a mutual role adjustment between the second and the third generation is an interesting finding in the research. There is no evidence from the case study research to suggest that John Molson knew JHR well enough to trust his abilities to manage the brewery, given that JHR was still a child. John Molson's stipulation in his will to ensure that the brewery would go to another 'John Molson', whether Thomas's eldest son (JHR) or John Jr.'s eldest son (John III) suggests that John Molson had in mind a patrilineal succession for the brewery. The conflicts between John Jr. and Thomas, as well as John Jr.'s disinterest in the brewery business and Thomas' lack of a marriage contract may have influenced John Molson's decision to bequeath the brewery directly to a grandchild. Habamata (1990) found that many typically Japanese family

businesses follow a patriarchal and patrilineal tradition, where the successor is the eldest son who becomes the head of the family and of the business.

The mutual role adjustment between the third and fourth generation also did not follow Handler's model entirely. JHR had no offspring and had promised to leave the brewery to John Thomas, who returned to the business at age 43 after spending about 12 years traveling around the world. Because John Thomas was already familiar with the brewing operations, he assumed more management responsibilities in the business while JHR focused on the banking business and philanthropic activities. John Thomas became the leader and Chief decision-maker only after the death of JHR. But by that time, John Thomas's illness prevented him from managing the business, so the succession dance involved John Thomas and his son Herbert. At age 22 Herbert was too young to assume leadership of the business, so his cousin Fred who already had experience as a business manager was brought in as a caretaker leader and minority partner. According to Ibrahim and Ellis (2004), a caretaker leader is brought in when the successor is still young or still not ready to assume the leadership of the family business. Lansberg (1999) noted that in a cousin consortium, the process of taking charge takes longer; is more political; and the lead cousin needs to balance the interests of the family branches. Fred not only had to balance the interests between majority and minority partners, but also the interests of the younger generation members, his sons Fred and John Henry, as well as the interests of Herbert's eldest son Tom who was the potential heir to the family business.

The succession pattern between the fourth and fifth generation was very similar to the previous succession. A new cousin consortium replaced the old one; however, just like in the previous generation, the majority owners were too young to assume the leadership of the business, so another cousin (Fred's son Bert) joined the business and became its caretaker leader. The case analysis shows that this succession also did not fit entirely Handler's model of a mutual role adjustment between the older and younger generation. The ages of the leader and the successors seem to influence this mutual role adjustment. When successors are too young to become managers or take over leadership, the incumbent leader needs to consider bringing in a caretaker leader, who may or may not hold shares in the family business. Previous research by Ibrahim, Soufani, Lam, and Poutziouris (2004) found that in the Eaton's family business, the sudden death of the second generation leader created a vacuum in the family business because the leader's offspring were too young to join the business. As result, a cousin was brought in as a caretaker leader, but this selection created a bitter conflict between the widow and the new leader.

The collaborative relationship that existed between the two family branches of the Molson family business was a key factor in the transition processes observed in the fourth and fifth generations. This finding supports Lansberg (1999)'s suggestion that collaborative management is a key factor in cousin consortiums. Just as his father had played a key role in the survival of the family business, Bert also played a key role in the growth of the family business. As a caretaker leader, he mentored both Tom and Hartland. In this particular

case, the analysis shows a mutual role adjustment between the older cousin (minority owner) and the younger cousins (majority owners), where both Tom and Hartland gradually became Vice Presidents of the family business.

Tom's path to Chairman of the Board follows closely Handler's mutual role adjustment model (phase one to four). According to Handler (1990), the mutual role adjustment between the older and younger generation also involves minimizing sibling rivalry conflicts through accommodation and commitment from the family to focus on the long-term survival of the business. The consultant's recommendation for Tom to take over the newly created Chairman of the Board position was done to accommodate the interests of the two brothers and to reduce potential conflict that may arise from the appointment of Hartland as President of the family business. Rosenblatt, de Mik, Anderson, and Johnson (1985) noted that tensions that arise over succession issues may be reduced by bringing in an independent consultant who can provide objectivity to the process.

Hartland entered the family business as a manager, after gaining experience outside the family firm. The transfer of leadership from Bert to Hartland closely matches stage three and four of Handler's mutual role adjustment model (he only joined the management of the family business after the death of his father). Hartland's experience as an entrepreneur and his extrovert personality likely played an important role in the consultant's recommendation. According to Rosenblatt, de Mik, Anderson and Johnston (1985), it is important for the family to know when to call in an outside expert who can help in the decision-making process. As the youngest of three candidates

groomed to succeed Bert, Hartland's selection was consistent with the family's tradition of choosing capable successors. Lansberg (1999) noted that in cousin consortiums the age of the cousins play a role in determining which cousins get top management positions. The older cousins have an advantage over the younger cousins in that they may get all the key positions, leaving younger cousins without opportunities for promotion.

When Hartland retired as President of the company, he had been grooming his younger cousin P.T. Molson for more than a decade and during this process, there was also a mutual role adjustment between the two cousins. P.T. Molson who left a diplomatic career to join the family business was brought in as a potential caretaker leader because Eric Molson was still young. P.T.'s path to top leadership position did not follow Handler's model, as he was accepted into top management position without much prior experience in the family business. However, Hartland and the Board did not realize that P.T.'s interests were in his diplomatic career, rather than the brewery business. Davis and Tagiuri (1989) have suggested that the relationship between father and son need to take into account the heir's psychological needs, his lifestyle, as well as his career's interests. In this particular case, the short succession dance between the older cousin (Hartland) and the younger cousin (P.T.) failed to recognize P.T.'s lack of interest in the brewery business.

Eric Molson, on the other hand, followed closely Handler's mutual role adjustment model. However, Eric never became President of the company. Instead his mutual role adjustment led him to the Chairmanship of the Board. He

succeeded a non-family member, Bud Willmot, who had replaced Hartland as Chairman, after the latter's retirement in 1974. By the time Eric became Chairman, the family business had evolved into a large diversified multinational operation that required professional management. However, the evolution of the business into a more professional company started after the death of P.T. and with the appointment of the first non-family President, Dave Chenoweth, to lead the company. Mr. Chenoweth was a qualified manager who had first turned down the Board's recommendation for him to become the President of the company. Dyer (1989) noted that family businesses may use an evolutionary or a revolutionary approach to bring professional management into the firm. In the evolutionary approach, the family brings in a non-family executive that has been working already in the family firm and who knows the culture of the company. In the revolutionary approach, the family firm brings in outside management as a strategy to professionalize the firm. In the case of the Molson family business, an evolutionary approach was used, consistent with the family business conservative tradition.

Eric is currently Chairman of the Molson-Coors Brewing Company. Just like his predecessors had done with the younger generation, Eric has taken time to mentor his two sons Geoff and Andrew. A mutual role adjustment is underway between Eric and his two sons; however, this succession dance partly fits Handler's model. The eldest son Andrew has an education in corporate governance, is a partner in a consulting company, and sits with his father as a Board member. Andrew's entry into the family business follows a common

pattern established by previous leaders such Fred, Hartland, and P.T., family members who entered the business after establishing their own career outside the family business.

In contrast, Geoff has followed the footsteps of typical sons who entered the business at a young age in order to become familiar with the operations and culture of the business. However, rather than starting from a low-level position and earn his way up, Geoff left the family business to earn an MBA and gain additional managerial experience. Geoff's experience included working for Coca-Cola and gaining additional distribution channel experience before returning to the family business and assuming a top management position. This finding supports Handler (1990)'s model of mutual role adjustment between the older and younger generation. However, one deviation from the model is the common pattern that the younger members seek managerial expertise outside the family business before returning coming back. Lansberg (1999) suggested that family businesses should develop policies that set strict entry requirements for offspring to join the family business and that ideally offspring must work outside the family business for three to five years to earn professional credibility and managerial experience.

In summary, the Molson family business has ensured through grooming processes that only those who are qualified are promoted to leadership positions. Every generation has integrated offspring at an early age into the family business. In certain cases, family members worked outside the family business, where they gained experience and additional skills. The integration and grooming

of offspring was not only restricted to sons of majority shareholders, but also included nephews of minority shareholders.

The analysis showed that the succession transfer from the older to the younger generation in the Molson family business did not follow the exact mutual role adjustment model outlined by Handler (1990). The succession dance between the second and the third generation was the most problematic and challenging because of a lack of collaboration between the father and the son. Nonetheless, except in the transfer from the first to the second generation, a role adjustment manifested in a gradual succession process, rather than a single transfer of leadership event, has been observed between the older and younger generation in the Molson family business.

Moreover when potential heirs were not ready to take over the leadership of the family business, the family business relied on caretaker leaders to manage the business. Collaborative management (except during the transition between Thomas and JHR of the second generation) and gradual shifts of power are characteristics that influenced the 'succession dances' between the older and younger generations. In addition, the mutual role adjustment that has taken place from the third generation to the present sixth generation has been able to minimize sibling rivalry feuds and has succeeded in instilling in each of the younger generations a commitment to perpetuate the long term success of the family business. This role adjustment reflected the patriarchal upbringing that has carried over from the founder John Molson and allowed the older generation to

transmit to the younger generation personal and family conservative values that have been carried from one generation to the next.

After becoming a public company, a mutual role adjustment between the older and younger generation was less evident. This can be attributed to the role of non-family professionals who have had a greater involvement in the operations and management of the company. Furthermore, the findings suggested that before and after the family business turned to professional management, the mutual role adjustment between the older and younger generation included the offspring working outside the family business and gaining managerial credibility before returning to the family business.

Decoupling the Family-Business System

The Molson family business in general has not been immune to tensions arising from the overlap between the family and the business system. However, the strength of the family vision that John Molson first laid and which was later reinforced by JHR represents the cornerstone of how the Molson family views the family business. According to Ibrahim and Ellis (2004) and Lansberg (1999), the common goals and shared dreams are a necessary step in successfully managing the dual identity of family firms and ensuring an effective succession process. The inability to decouple the family-business system may result in family and organizational conflicts that can lead to business failure (Ibrahim and Ellis, 1994; Davis and Tagiuri, 1989).

Problems of Carry-Over

The case analysis shows that the Molson family business has also experienced problems decoupling the family-business system, notably in the earlier generations. John Molson wanted to treat all three sons as equals, but had problems dealing with sibling rivalry between John Jr. and Thomas. According to Friedman (1991), sibling rivalry may develop in the family as offspring compete for parental approval and a role in the family business. This disagreement between the two sons over the direction of the business led to Thomas departure from the family business and John's regret of not having been able to support Thomas, who was considered the brewer of the family. Problems of carry-over occur when family business members are unable to separate family issues from business issues. As a result, this can lead to confusion, as well as family conflicts and spill-over from one system (rational) to the other (emotional) or vice-versa (Davis and Tagiuri, 1989; Miller and Rice, 1988; Rosenblatt, de Mik, Anderson, and Johnson, 1985; Lansberg, 1983; Davis, 1983; Alcorn, 1982; Levinson; 1971; Davis, 1968).

The business rivalry between John Jr. and Thomas was a carry-over from Thomas' competitive nature against his older brother, from the time they were young. As the eldest of the siblings, John Jr. expected Thomas and William to conform to his authority. Gersick, Davis, Hampton, and Lansberg (1997) noted that birth order and differentiation forces influence sibling relationships and dynamics. The case analysis shows that John Jr. expected to be the heir of the family business, while John Molson vacillated between primogeniture and a

coparcenary approach, where all siblings are treated equally and assigned different tasks in the business. According to Ibrahim and Ellis (2004), a coparcenary approach amongst siblings works if all siblings can work as a team, but when competition arises amongst the siblings, this can lead to sibling conflicts. In effect, sibling conflicts emerged again after the death of the patriarch. Although John's three sons were friendly to each other, this dynamic did not prevent a family feud from arising during the settlement of John Molson's will and the conflict was only resolved after John Jr. launched a legal action suit.

In order to reduce sibling conflicts, John Molson also created zones of comfort where each son focused on business areas that fit his strengths. John Jr. managed the business' transportation activities, Thomas concentrated on brewing, and William focused on real estate and banking. Ibrahim and Ellis (1994) suggested that zones of comfort provide clear organizational boundaries to offspring and helps in reducing conflicts amongst different family members working in the business. According to Levinson (1971), the business may set up separate operations or divisions for each family member in order to reduce conflicts.

Conflicts as a result of sibling competition are a common pattern that was also observed in the second and fifth generation. In the second generation, JHR had family and business conflicts with his younger brother Markland, whom he neither thought highly of, nor respected his business opinions. The carry-over problems may have been compounded by Thomas' favouritism towards the less competent Markland and may have used this preference to play the two sons

against each other. Ibrahim and Ellis (2004) called this construct the 'favorite son syndrome'. Donnelley (1964) also suggested that favouritism towards a less competent family member may be conducive to internecine feuds. According to Donnelley, a balance between family and managerial interests is required to avoid problems resulting from favouritism. This was not the case between JHR and Markland because the carry-over conflicts between the two brothers affected the performance of the business, and the departure of Markland and John Thomas from the partnership.

In the fifth generation, sibling rivalry from the time they were young was also evident between Tom and Hartland. The two brothers were competitive and excelled at school. Friedman (1991) noted that competition amongst sibling for parental love and attention always leads to sibling conflicts. In this particular case, the solution was for the younger brother to earn credibility outside the family business. The conflicts between Tom and Hartland were renewed after the appointment of Hartland as President of the company, and may have created friction between the two family branches that carried into the sixth generation.

The case analysis shows that conflicts amongst cousins were few, even while the family business was ruled by cousin consortiums. Some conflicts may have arisen between John Henry and Hartland over the latter's appointment as President of the company. However, the use of the independent consultant may have contained the conflicts from spilling-over. The second cousin-cousin conflict occurred in the sixth generation between majority-owner Eric Molson and minority-owner Ian Molson over the merger between the Molson and Coors

family businesses. However, this conflict was also a power struggle between the two cousins, as Ian had intentions of succeeding Eric as Chairman of the Board. Lansberg (1999) noted that cousin to cousin successions are dynastic in nature, but also rare. Cousin consortium may not last more than one generation because as shares are diluted, family members may start selling shares to one of the family branches. In the case of the Molson family business, the entry of Ian Molson into the business moved the company into the third cousin consortium. Unlike the first two cousin consortiums that were characterized by collaborative management, the third one was marred by a power struggle over the strategic direction of the company.

An interesting finding in the case analysis is the lack of many carry-over problems between fathers and sons. The only case of carry-over problem observed was in the second generation between Thomas and JHR. Family and business conflicts characterized their relationship from the time JHR became the owner of the brewery until Thomas passed away. The conflicts between father and son were managed in a civil way, but the feud was bitter and lifelong, and led to JHR resigning his position as executor of the Thomas estate. Conflicts can arise between fathers and sons (Levinson, 1971) and can be observed in situation between a conservative father and a progressive son (Davis, 1968), or between an overpowering father and a weak son (Alcorn, 1982). This may be attributed to the fact that John Molson bequeathed the brewery directly to JHR and bypassing Thomas in the process. JHR may have learned from the family feuds that had erupted over the estate wills of his father and grandfather and laid

the foundation in his own will to eliminate or avoid future family in-fighting over estate wills.

The case analysis found that conflicts between family and non-family members were rare, but a case of nepotism observed in the fifth generation involving David Molson illustrates the difficulty of decoupling the family-business systems. David joined the brewery at a young age in 1949, but did not reach a top management position because of lack of competency. This issue led to a feud between David's father John Henry and a non-family executive Campbell Smart. Nonetheless, Hartland promoted David, who could not move further up at the brewery, to head the Canadian Arena Company. According to Dyer Jr. (1986), conflicts between family and non-family professionals emerge as a result of the clash between the family's adherence to a paternalistic culture dominated by old family values and the professional's culture based on individual competence and achievement.

Path of Self-validation

The case analysis shows that offspring in different generations charted their own path of self-validation. For example, in the first generation all three of John Molson's sons were ambitious, competitive, and business driven. However, the second son Thomas not only had to grow out of his father's shadow, but also out of his older brother John Jr.'s control. Offspring grow under the shadow of the founder/leader and often experience difficulties to develop their own identities (Ibrahim and Ellis, 2004; Dyer Jr., 1986; Alcorn, 1982; Levinson, 1971; Davis,

1968). In the case of Thomas, his path of self-validation led to his self-imposed exile from the family business and his decision to start his own brewery in Kingston, Ontario. When he returned to the family business, it was at the urging of his father who needed him to manage the brewing side of the business.

Between JHR and his father Thomas, the relationship was characterized by conflicts and in-fighting. As the designated heir, JHR grew under a domineering father who treated him in an autocratic fashion. The path of self-validation refers to the offspring's need for independence and desire to leave their own imprint in the business. This may be hard to achieve for the offspring when the founder/leader has an overpowering personality, or in situations characterized by a strong father/weak son and conservative father/progressive son (Alcorn, 1982; Davis, 1968).

Fred's path to self-validation was the most interesting in the Molson family business. Growing up under his father's failures in business influenced Fred's personality. Offspring who have competencies, skills, and abilities and who have been groomed by family members for leadership positions can not only lead to an effective succession process, but also benefit the family business in the long term (Lansberg and Astrachan, 1994; Danco, 1982; Alcorn, 1982; Donnelley, 1964). Even though the relationship between JHR and his brother Markland was characterized by conflicts over Markland's competences, JHR took Fred under his wings and mentored him. Fred's identity was also shaped by his experiences working for a family business from his mother's side that taught him the skills and competencies required in managing a business.

Herbert's offspring, Tom and Hartland, also illustrates the importance for a younger offspring to form his own identity and chart his own path of self-validation. Unlike Tom who was conservative in nature, Hartland was considered a high-risk taker and developed an entrepreneurial personality. His path towards self-validation involved working outside the family business, as well as starting his own business. According to Barnes (1988) younger siblings can work outside the family business and gain not just experience, but also a track record. Hartland's work experience outside the family business coupled with his entrepreneurial and risk taking personality provided the family business with a leader that transformed the company from a small local brewery into a multinational conglomerate during the 1970's.

In summary, the Molson family business has followed since its inception a traditional patriarchal and patrilineal system in which the head of the family and of the business is the male member and the business has passed down from one Molson heir to the next Molson heir. Offspring from various generations of the Molson family business have chosen their own path to self-validation, including the founder John Molson. In general problems of carry-over arising in one system (family or business) carrying over to the other system were observed in the Molson family business. The most common types of conflicts observed were sibling rivalries, cousin-cousin conflicts and father-son conflicts. The Molson family has been relatively successful in managing conflicts and preventing carry-over and spill-over problems. Creating zones of comfort for the offspring is a strategy that allowed the family to promote the offspring that were the most

capable to lead the business, while allowing other offspring to pursue careers outside the family business.

Selection of Next-generation Leader

The case analysis shows that one of the main factors that influenced the success of the Molson family business has been its ability not only in maintaining biological continuity, but also in selecting capable successors. With the exception of JHR, each of the leaders who controlled majority ownership of the brewery had at least two sons. John Molson and Thomas Molson each had three sons. John Thomas Molson had four sons, Herbert Molson and Tom Molson each had two sons, and Eric Molson has three sons (see Fig. 3). According to Ibrahim and Ellis (2004) and Churchill and Hatten (1987), succession in family businesses is a biological inevitability.

An analysis of the selection of successors from the second generation to the sixth generation shows that only the sons were considered for grooming and leadership positions. This finding is consistent with Kuratko, Hornsby and Montagno (1993)'s conclusions that the majority of family business owners chose their sons over their daughters as potential successors. Table 3 provides a summary of generational leadership who has played key roles at the Molson family business (brewery). In most cases primogeniture played a role in the selection of successors, although this rule was not always followed because a grooming process was in place to prepare the most capable sons and nephews. This finding is consistent with the research suggesting that family businesses

resemble monarchies in which succession is ruled by primogeniture (Alcorn, 1982, Levinson, 1971). Of the leaders listed in the Table, JHR, Herbert, Fred, Bert, Tom, and Eric were all the eldest sons in the family. Nonetheless, the selection of Thomas, John Thomas, Hartland, and P.T. also suggests that the characteristics of the successor were also considered as criteria for selection. This finding supports Goldberg and Wooldridge (1993)'s conclusions that characteristics and capabilities of the successor, rather than primogeniture, is critical to family business succession.

Table 3. Summary of Generational Leadership in the Molson Family Business

Generation	Leader	Title	Birth Order
1	John Molson (1763-1836)	Owner	Eldest son
2	Thomas Molson (1791-1863)	Partner	Second son
	William Molson (1793-1875)	Partner	Third son
3	John H. R. Molson (1826-1897)	Owner	Eldest son
	John Thomas Molson (1837-1910)	Owner	Third son
4	Herbert Molson (1875-1938)	President	Eldest son
	Frederik W. Molson (1860-1929)	Manager	Second son
5	Thomas H. P. Molson (1901-1978)	Chairman	Eldest son
	Hartland Molson (1907-2002)	President/Chairman	Second son
	Bert Molson (1882-1955)	President	Eldest son
	P. T. Molson (1921-1966)	President	Second son
6	Eric Molson (b. 1937)	Chairman	Eldest son

In the Molson family business, the key leader may have been JHR, who inherited the brewery from his grandfather. John Molson intended to pass the brewery to his second son, Thomas, but could not do it because Thomas' lack of a marriage contract created a succession problem. The case analysis could not determine the type of relationship that John Molson had with his grandson, JHR who was nine years old at the time of John Molson's death. In bypassing his son

Thomas, John Molson may have also increased the survival odds of the brewery. Research on family businesses have found that many family businesses do not survive past the second generation (Ward, 1987; Birley, 1986).

In the case of the Molson family business, lack of biological continuity could have threatened the survival of the family business beyond the third generation, as JHR did not produce offspring. Research on family business succession has shown that many businesses did not survive past the second or third generation because of a lack of biological continuity (Ibrahim and Ellis, 2004). In this particular case, just like his grandfather John Molson had done in bequeathing the brewery to the third generation (and bypassing his son Thomas), JHR looked to his younger brother John Thomas to carry on the business. JHR's unselfish act of bequeathing the brewery to John Thomas spoke not just of the close relationship between the two brothers, but also of the importance of the brewery as a family patrimony that needed to be preserved.

The selection of John Thomas did not guarantee that the brewery could pass to a fourth generation because his first wife died while delivering a daughter (Lilias). It is very unlikely that John Thomas eldest daughter could have been considered to one day take over the business. Stavrou (1996) found that exclusion of daughters from the business is typical of family businesses where the owner is male. Subsequent generations of the Molson family business have consistently chosen sons as successors, a factor that may be attributed to the patriarchal family culture set by John Molson. This finding supports previous

research that the founder plays an important role in shaping the culture of the business (Dyer Jr., 1986 & 1988).

The family member or members who had ownership and control of the brewery also influenced the choice of successors. However, the successor was not always a majority owner. For example in the fourth generation, Herbert was the majority owner, but his older cousin Fred was appointed leader of the family business. This scenario repeated itself in the fifth generation. Although both Tom and Hartland were majority owners, they respected the hierarchy and chose their older cousin Bert as the next leader not only because Bert was the most capable businessperson but also because for them the business came first before personal or family considerations. This finding is also consistent with Dyer Jr. (1986)'s suggestions that in a patriarchal and paternalistic family business culture, the hierarchy is respected.

After becoming a public company, the process for selecting the next successor became more formal when Fred retired as President of the business. Instead of selecting the next successor according to hierarchy (Fred's brother John Henry or Stuart), primogeniture (Tom) or ownership control (Tom), Fred engaged an independent consultant to recommend the best person as the next President of the business. Although Fred considered Hartland the most capable candidate, his evaluation by an independent consultant confirmed Fred's choice for Hartland to take over the leadership of the family business. The recommendation to select Hartland was approved by the Board, but may have also created conflicts between the two brothers. Rosenblatt, de Mik, Anderson

and Johnson (1985) suggested that a family business may bring in an outside consultant to deal with a strategic decision, such as succession. The independent consultant's intervention may help avoid potential conflicts and disagreements amongst family members. According to Trow (1961), outside evaluation of the potential successor's capabilities ensures that the person is competent for leadership position. Moreover, the use of non-family executives or independent advisors brings an objective view during the succession process (Ibrahim and Ellis, 2004; Dyer Jr., 1986; Lansberg, 1983; Levinson, 1974).

As the new leader of the family business, Hartland brought more liberal and progressive views to the family business. Compared to previous leaders in the family business, Hartland was a charismatic leader whose leadership style resembled John Molson's. Under Hartland's tenure as President, Chairman, and patriarch of the family business, the company grew from a local brewery in the 1950's to a multinational conglomerate in the 1970's. According to Dyer Jr. (1986), leaders of firms consciously or subconsciously become agents of change, and catalysts for cultural change in the business. When Hartland was first appointed as President, the brewery industry was undergoing changes, including increasing consumer demand and consolidation of smaller breweries into regional and national breweries. In addition to changing business patterns in the way the company functioned, Hartland also transformed some of the family patterns that were embedded in the family business, while still maintaining family core values. For example, the company became less paternalistic and less patriarchal with the introduction of professional management to manage the

business. Dyer Jr. (1986) suggested that a leader that comes in as a catalyst for change replaces old beliefs, symbols, and structures with new ones.

In effect, the Molson family business' evolution to professional management is typical of large family businesses that become public. This transformation came as a result of two factors colliding together in the preparation for the next family business succession. The next leadership transition was from Hartland to P.T. Molson, whose selection was approved by the Board of Directors. P.T. Molson entered the business after a distinguished career in diplomacy. The death of P.T. Molson three months after being appointed President highlighted the first serious succession problem in the family. Prior to P.T. joining the family business, the only other member of the next generation who was being groomed was Eric Molson, but he was too young at the time. The case analysis shows that this particular transition experienced difficulties because of the lack of enough offspring to come in as caretaker leaders. Churchill and Hatten (1987) suggested that succession in family business is a non-market based transfer of leadership and in which long term planning is an important consideration. The transition from Hartland to P.T. is consistent with Churchill and Hatten's finding.

The death of P.T. Molson, the lack of a qualified family member to replace him, and the company's plan to implement a growth strategy resulted in the Board of Directors choosing for the first time a non-family executive to take over as President of the company. According to Dyer Jr. (1986), leadership change is triggered by a crisis and professional managers are brought in to change the

structure of the business. This finding supports Ibrahim and Ellis (2004)'s suggestions that family businesses adopt professional management when there is lack of qualified successors and when the business is contemplating implementing aggressive growth strategies.

After the death of Tom, Hartland succeeded him as Honorary Chairman and a non-family executive replaced Hartland as Chairman. Since 1966 to 2007, non-family executives have held the President's position. The new business and organizational structure that was set-up after P.T.'s death has become institutionalized in the family business. This is consistent with Dyer Jr. (1986)'s suggestions that with the new professional management leadership, the power is concentrated in headquarters. Moreover the success of the company after the introduction of the new leadership allows the new leaders to institutionalize the new set of beliefs, symbols and structures. Furthermore, according to Hunt and Handler (1999), the selection of next-generation leaders focuses on the effective leadership of the successors who consider business interests first, as a critical element of the succession process. Ever since the death of P.T. Molson, the company has chosen professional executives as President of the family firm.

Eric Molson, who has held the Chairman position since 1982 has led the family business through another major transformation, from the diversified conglomerate of the 1970's and 1980's to becoming the fifth largest brewer in the world. This change in corporate strategy was influenced by two forces: one was the lack of strategic focus in the operations of the family business, and the second one was the increased competition and consolidation in the brewery

industry leading to mergers and acquisitions. The Molson family business diversification strategy that was initiated with the appointment of the first non-family President helped grow the company, but also took the company away from its core business, the brewery. Dyer Jr. (1986) suggested that professional leadership in a public company bring a more interpersonal approach to running the business and a short term focus that often conflicts with the family's own goals, aspirations, and profit expectations.

In summary, the Molson family has run the business in a professional manner. Selection of next-generation leaders have been based on the successors' abilities and competencies. In certain cases, primogeniture was followed, while in other cases caretakers leaders were chosen to manage the business. The family business also has consistently chosen sons over daughters as successors of the business. But, nepotism was not a factor in the selection of these leaders. The family business culture has also evolved into a professional one, after the business became public. Moreover, in the Molson family business the leaders in the different generations have placed the well being of the business above personal gains.

Chapter 6: Conclusions and Implications for Future Research

The present case study research explored and examined qualitatively the succession process in each of the six generations of the Molson family business. It also evaluated the leadership transition process in each of those generations. As stated in the introduction section, only one in three family businesses are successful in transferring leadership to the second generation and of these 12% will make it to the third generation, and only 3% of them will survive to the fourth generation and beyond (Astrachan and Shanker, 2003; Kets de Vries, 1993; Ward, 1987; Birley, 1986; Dyer, 1986). The major goal of this study was to determine not only how the Molson family business has managed to survive to the current seventh generation, but also what could be learned from their experience that other family firms may be able to apply to their own particular situations.

Furthermore as an emerging field of study, other researchers have suggested the use of longitudinal analysis to study family businesses and succession processes in these firms (Murray, 2003; Litz, 1997; Goffee, 1996). The use of a historical longitudinal case study approach to study the oldest Canadian family business makes a contribution to the growing body of research on family business, family business succession, and family business dynasties.

For the past 220 years the Molson family business has played an important role in Montreal and Canada, not only from an economic point of view, but also from a social one. As a successful entrepreneur, John Molson fits Schumpeter's description of the entrepreneur as an agent of change. As a young

immigrant to a new land, John Molson was able to perceive an opportunity and take risks to exploit the opportunity. John Molson's life was also guided by principles and values that were imparted to his descendants. Some of these values included philanthropic activities and service to the community.

Subsequent leaders have understood John Molson's vision and the importance of the brewery as a family patrimony. Each of the leaders of the family business had his own management style, but these leaders have been effective in growing the business from a local brewery to one of the world's largest breweries.

The founder and subsequent leaders of the family business all played influential roles in the succession processes. Resistance from the founder or leader to succession planning has been mentioned in the literature as a factor that may contribute to failure of the business. The present research found that John Molson and subsequent leaders had in general low resistance to succession planning. For some leaders, poor health was a factor that encouraged succession planning; while for others developing interests outside the family business helped them *reduce fear of retirement*. Moreover, a leader's strong identification with the business may be an asset that helps grow the company; but it could also be a liability by increasing the resistance to succession planning. The findings suggest that leaders of the family business have been able to prepare for the succession process, through self-reflection, consultation, and the ability to delegate management control to the offspring.

Furthermore, leaders had a high level of trust in the capabilities of the offspring that joined the family business and took the time to mentor potential heirs.

Preparing for succession not only involves the founder/leader, but also the successor, as well as other members of the family. This research found that every generation of the Molson family business has prepared the offspring for entry into the business. The preparation of the offspring started from the first generation and the process has continued to the present seventh generation. The training started from the shop floor so that potential successors knew every aspect of the business' operations. However, technical knowledge did not guarantee top management positions. In order to be considered for top management positions, the candidate had to show that he had the capabilities and leadership skills.

In general the preparation of both the incumbent leader and the successor also involved a mutual role adjustment whereby the successor gradually gained management control and responsibilities, while the incumbent leader delegated gradually his management authority and eventually his ownership control to the heir through wills. This research found that, except between the second and third generation, collaborative management dominated the relationship between father and son. Offspring were also encouraged to work outside the family business in order to gain additional expertise and managerial credibility.

The Molson family business was not immune to family conflicts; however, this research found that in general the family was able to manage conflicts relatively well. The Molson family's ability to decouple the family-business system

and place the interests of the business first shows an understanding of effective succession planning. Carry-over conflicts were evident in the first generations, notably sibling conflicts and father-son conflicts. But as the family business evolved into a cousin consortium, the research found surprisingly that the two cousin consortiums that dominated the business in the fourth and fifth generation worked well. Creating zones of comfort for the offspring was a strategy that the family used to reduce sibling conflicts and to define the offspring's role within the family business. This strategy also allowed the family to promote only the offspring who were the most capable to become members of the top management team. This research also found that since its inception, the Molson family business has followed a traditional patriarchal and patrilineal system, where male offspring were introduced early in their lives to the business. It must be noted that there was no evidence from the research to suggest that wives or daughters played any role in the succession process in the Molson family business.

Succession in family business is a biological continuity, and the Molson family business has produced many male offspring who went to assume the leadership position. The selection of these next-generation successors was often done according to primogeniture, but this was not always the rule. In other cases, heirs who were selected to inherit the majority ownership of the business were then groomed for the leadership position, but also this was not the rule as several minority owners were chosen as caretaker leaders. The common pattern

observed in all the generations is that the standard criteria for selection were based on the abilities and competencies of the successor.

In conclusion, the Molson family business case study research illustrates how the business has successfully survived over 220 years, as well as why this business is Canada's oldest family firm. Family businesses that make it through one succession process are better prepared for future successions. The Molson family business has survived to the current seventh generation through effective succession planning. Both John Molson and his grandson JHR Molson played key roles in creating a vision that instilled the culture, values, and beliefs guiding the family. JHR Molson further solidified John Molson's vision and set principles for the family and the business in his testament.

The Molson family business has undergone five generational leadership transitions by ensuring grooming of the offspring, a mutual role adjustment between the older and younger generations, and selection of next-generation leader based on abilities and competencies. The experience of the first succession process and the conflicts that dominated during the first three generations helped the family understand the dual identity of family businesses and the importance of decoupling the family-business system. Leaders of the Molson family business have treated the brewery as a family patrimony, where the business interests come first. In the Molson family business, the brewery and its ownership has been the key to the longevity of the business and the foundation that built the business into a global firm.

Implications for Future Research

This dissertation used case study research methodology to explore and examine the succession processes that have taken place in the Molson family business dynasty. Family business scholars have recently called for more studies about long-lived family business dynasties and their intergenerational transfer in order to learn from these successful family firms (Miller and Le Breton-Miller, 2005; Jaffe and Lane, 2004; Miller, Steier and Le Breton-Miller, 2003; Lansberg, 1999; Gersick, Davis, Hampton, and Lansberg, 1997). The present study used a historical longitudinal approach to examine critical events in the Molson family business and evaluate its effect on succession processes. More longitudinal studies on succession processes of family business dynasties are needed to better understand the factors that influence intergenerational leadership transfer in family business dynasties.

The longevity of the Molson family business brings forth the success of this particular Canadian family business. This is a major accomplishment given the low survival rates of family businesses (Astrachan and Shanker, 2003; Kets de Vries, 1993; Birley, 1986; Ward, 1987). While family businesses fail for various reasons, lack of succession planning is seen as a major factor (Lansberg, 1988). More research is needed to understand the reasons influencing family businesses to plan for or avoid succession planning. Studies to compare the succession processes between Canadian family business dynasties and other family business dynasties may provide more information that can help family businesses in general.

Limitations of the Study

The main limitations of the case study method include lack of generalizability beyond the case (Stake, 2005, 1994), as well as lack of precision (quantitative), objectivity and rigor (Yin, 1984). One of the main weaknesses of the case study is that the case is an intrinsic study of a specific object, event, and/or system; it can assist the researcher in explaining how or why things happened or got done, but it only applies to the individual case and is not intended to obtain generalizations (Stake, 1995). Nonetheless, while generalization is difficult to achieve from the results of this case, this may be offset by the in-depth longitudinal nature of the present case study research that provides a more in-depth analysis of the succession process over several generations in a family firm . Replication of the methodology could be done in different settings.

In the present study, while the results are limited to a single case study- how and why the Molson family business has been able to survive to the present seventh generation-, conclusions from this rare longitudinal investigation of a family dynasty will contribute to the growing research body on family business successions, and specifically on family business dynasties from a Canadian angle.

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Appendix 1: Interview Questions

These questions were based on previous family business research.

- 1) How would you describe your role at Molson's?
- 2) How would you describe corporate governance at Molson?
 - What do you think of it?
 - What are the key governance issues that the company is facing?
 - What is the key point in the company's governance process?
- 3) How would you describe the role of non-family executive in the decision-making process of the family firm?
- 4) Does the company have a succession plan in place?
- 5) How would you describe the succession process at Molson?
- 6) What events and issues have been most important in shaping the firm as it is today? [Holland, 1981]
 - Which individuals have had key roles in this process?
- 7) What was the firm like when you first became associated with it? [Holland, 1981]
 - How has it changed over the years?
 - What was the family like?
 - What changes have you observed in it?
- 8) What role does the family play (collectively or as individuals) in the management and decision-making in the firm? [Holland, 1981]
 - Would changes in this role be beneficial to the firm in your opinion?
- 9) What was the firm's strategy when you first became involved? [Holland, 1981]
 - How has it changed over the years?
- 10) How would you describe the competitive situation in the industry? [Holland, 1981]

- How has it changed?
- What are your expectations for the future of the industry?

11) How do you feel about the merger with another family firm (Coors).

- Do you think it makes it difficult to run a family firm or strengthen family values?

12) What events stand out in your mind as particularly critical in the history of the firm? [Holland, 1981]

- What times have been particularly difficult? Why?

13) What is the family's role in the business? [Holland, 1981]

- How has it changed over the years?
- What changes do you see in the future?

14) How would you evaluate the contributions of the family association with the business? [Holland, 1981]

- What difficulties does it create?
- What impact do family factors have on the decisions that are made?
- On the process of decision-making?

15) What events or issues over the years have aroused family concern or interest in the firm? [Holland, 1981]

16) Do you see any changes in the association of the family and the business in the future? [Holland, 1981]

17) How has the company's dual class structure benefited the family and the shareholders?

18) What kind of process was required to merge the company's dual class structure with Coors' class structure?

Please Note: If you have any questions about your rights as a research participant, you may contact:

Adela Reid, Research Ethics and Compliance Officer, Concordia University, at (514) 848-2424 x7481 or by email at areid@alcor.concordia.ca.

Appendix 2: Coding Categories

Individual level

- Founder/leader
- 1. Entrepreneur's characteristics and traits
- 2. Founder's characteristics, traits and culture
- 3. Leader's characteristics and traits
- 4. Vision
- 5. Technical knowledge
- 6. Personal development
- 7. Estate planning and inheritance
- 8. Primogeniture and birth hierarchy
- 9. Nepotism
- 10. Will
- 11. Religion
- 12. Retirement plans
- 13. Death of leader, partner, and/or family member
- 14. Selection of successor
- 15. Successor's capabilities
- 16. Caretaker leader
- 17. Outside interests
- 18. Business ownership and control

Offspring

- 1. Offspring's characteristics, traits and competence
- 2. Offspring entering family business
- 3. Offspring roles, responsibilities and abilities
- 4. Offspring's professional experience outside family business
- 5. Offspring lack of competency
- 6. Grooming and mentoring of the next-generation members
- 7. Younger generation's outside interests

Non-family members

- 1. Non-family partner
- 2. Non-family professionals
- 3. Independent consultant
- 4. Selection of successor
- 5. Caretaker leader

Group level relationships/conflicts

- 1. Father-son relationships and conflicts
- 1. Father-offspring relationship and conflicts
- 2. Role adjustment between older and younger generation
- 3. Intergenerational cooperation
- 4. Family business partnership, contracts and agreements
- 5. Marriage contracts

6. Family/sibling conflicts
7. Family and sibling cooperation
8. Business ownership and control
9. Family and non-family conflicts
10. Family and non-family cooperation
11. Family testament, principles and values
12. Cousin consortium
13. Nepotism
14. Succession planning
15. Selection of successor