Spotlight
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How do new family CEOs overcome the agony of dismissing loyal managers?

Five sensemaking mechanisms help leaders reconcile personal bonds with tough personnel decisions

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Taking over a family firm means inheriting more than a balance sheet. It means stepping into a web of relationships that stretches back decades—relationships between managers and the founding generation, between long-tenured staff and the firm's identity, between business performance and deeply held values about loyalty, stability, and care. When a new CEO spots a manager who no longer fits, the rational response seems obvious: make the change. In practice, that decision can take months or years to reach, and some leaders never reach it at all.

This is the puzzle at the heart of new research by Nadine Kammerlander, Matthias Waldkirch, and Reimar Belschner, published in the *Journal of Management*. Their study tracks six German family firms through the painful process of weighing managerial dismissals—and reveals that what looks like indecision is actually a complex sensemaking journey shaped by personal attachments and organizational values.

WHAT WE STUDIED

The researchers conducted an inductive multi-case study of six family firms, all based in Germany, where an intrafamily successor had recently taken the CEO role. Germany provides a particularly revealing context: labor law makes individual dismissals difficult, long-term employer-employee bonds are culturally enshrined in the Social Market Economy tradition, and firing someone is broadly regarded as morally questionable. Each firm had between 50 and 250 employees and was well-performing at the time of succession.

Data collection spanned more than 30 months and included 20 in-depth interviews with the new CEOs, 49 podcast episodes featuring those same CEOs, 31 interviews with other organizational members (managers, employees, predecessors), and 17 additional interviews with external family CEOs and consultants. The managers under scrutiny had worked in their firms for an average of 15 years. None had committed gross misconduct—these were cases of creeping mismatch, not clear-cut violations.

KEY INSIGHTS

Every new CEO initially decides against dismissal

Across all six cases, the new CEOs encountered at least one manager-firm mismatch—either a performance gap or a cultural misfit. And in every case, their first instinct was to avoid dismissal. The hesitancy came from two directions simultaneously. On the personal side (*dyadic sensemaking*), CEOs wrestled with friendships formed during childhood, intimate knowledge of managers' family situations, and moral discomfort with upending someone's livelihood. One CEO described managers as "real friends—we went on vacation with our families because I grew up with them." Another put it bluntly: firing someone felt like shoplifting from a supermarket—a violation of deeply held values.

On the organizational side (*prospective sensemaking*), CEOs anticipated how the rest of the firm would react. In companies where dismissals had historically been "almost taboo," where predecessors prided themselves on zero turnover, the new CEOs feared that a single firing would send shockwaves. Several predecessors actively intervened behind the scenes to protect their

former lieutenants. One grandmother weighed in with pointed opinions about which managers should stay.

If you assume that CEOs who delay firings are simply indecisive, you're missing the real story. The delay is driven by genuine relational and value-based constraints that have nothing to do with analytical ability. Advisors and boards that push for "quick, rational" personnel decisions in value-based firms may actually deepen the paralysis by dismissing the emotional stakes as irrelevant.

Five mechanisms break the deadlock—but only when used together

When initial attempts to fix the mismatch (coaching, role changes, extra chances) failed, the new CEOs entered a prolonged phase of revised sensemaking. The researchers identified five mechanisms through which CEOs gradually shifted their thinking:

Inflating transforms a single personnel issue into an existential organizational question. CEOs who used this mechanism stopped asking "should I fire this person?" and started asking "can I protect 200 jobs if I keep tolerating this?" The CEO at MachineCo framed dismissals as safeguarding the "overall system"—a duty that outweighed any obligation to one individual. At StoreCo, the CEO declared that her responsibility was "for the company and the total number of jobs. I have no responsibility for you as an individual."

Separating allows CEOs to acknowledge their emotional bonds without letting those bonds veto the decision. The most striking example came from DigitalCo, where a new CEO had to fire a childhood friend and long-term employee. He cried during the termination interview—openly—but went through with it. His metaphor was vivid: "Maybe my heart has a second chamber that beats for the company." Separating doesn't mean suppressing feelings. It means creating room for both.

Reinterpreting shifts the basis of the dismissal from "you lack skills" to "you refuse to grow." When a manager at ConstructCo repeatedly failed despite every opportunity to improve, the CEO began to see the pattern as a character flaw rather than a competence gap. This reframing matters because value-based organizations often tolerate skill deficits but draw the line at unwillingness.

Redefining challenges the paternalistic employment contract. All six CEOs eventually reconsidered whether loyalty is a one-way street. The StoreCo CEO captured it sharply: "If keeping the job was so important, he would have done a better job by now." This mechanism shifts responsibility from the employer ("we must protect you") to a reciprocal expectation ("you must also contribute"). Even the CEOs who ultimately rejected dismissals engaged in some redefining—they just couldn't pair it with the personal mechanisms above.

Rationalizing makes the dismissal feel like routine business rather than a moral transgression. At MachineCo, a newly hired division head presented the CEO with a written list of dismissal candidates, complete with cost estimates. The CEO described the moment as "shocking"—and then immediately felt relief. An unknown emotional burden had become a known, solvable organizational problem.

The most important finding is structural, not tactical. Mechanisms that only address organizational concerns (redefining, rationalizing) are insufficient on their own. CEOs who failed to also use the personal mechanisms (inflating, separating, reinterpreting) remained stuck. Two of the six CEOs—at SupplyCo and ToolCo—applied only redefining and rationalizing. Both ended up retaining managers they knew should leave. The lesson: you cannot think your way past a firing decision if you haven't also dealt with the personal attachment.

Succession turmoil amplifies hesitancy

The two CEOs who rejected dismissals shared something the other four did not: turbulent successions. The SupplyCo CEO took over unexpectedly after her father's sudden death. The ToolCo CEO had a fractured relationship with the role itself—joining, leaving, and re-entering the firm. Both showed heightened sensitivity to the "human side," and both described the CEO role in terms of anxiety rather than agency. The SupplyCo CEO panicked at the thought of losing individual managers; the ToolCo CEO compared running the firm to a sword of Damocles.

The conditions under which a successor takes the helm shape their ability to make hard decisions months or years later. Succession planning that neglects emotional readiness—focusing only on education, industry experience, and governance structures—may produce leaders who can identify problems but cannot act on them. This is the most underappreciated finding in the paper.

TAKEAWAYS FOR FAMILY BUSINESS LEADERS

Accept that hesitancy is the norm, not a personal failing

Every CEO in this study—including the ones who eventually fired decisively—went through months of hesitancy. Treating the delay as weakness misses the point. The question isn't whether you'll hesitate. It's whether you have the mechanisms to work through it.

Build your sensemaking toolkit before you need it

CEOs who resolved dismissals successfully drew on multiple mechanisms spanning both personal and organizational dimensions. Find a trusted peer, an

advisor, or a new team member who can help you see the situation from both angles—the organizational math and the personal reckoning.

Invest in "separation management" as a value-aligned practice

The CEOs who succeeded reframed dismissals not as betrayals of organizational values but as expressions of them. At DigitalCo, employees eventually praised the new approach: "We have a really strong performance orientation, but that doesn't mean there isn't an atmosphere of familiarity." When handled with transparency and respect, dismissals can reinforce the culture rather than undermine it.

Design succession for emotional readiness

Boards, predecessors, and advisors should assess whether incoming CEOs are emotionally prepared to make personnel decisions—not just strategically capable. Sudden successions and fractured entry paths create vulnerability that surfaces precisely when the hardest decisions arrive.

IMPACT

This study shifts the conversation on managerial dismissals from a cost-benefit equation to a relational and value-based process. For researchers, it opens new questions about how personal ties among top managers influence strategic decisions—a dynamic that existing upper-echelons literature has largely overlooked. Prior work assumed that managers close to the CEO were likely scapegoats in downturns; these findings reveal the opposite—proximity breeds paralysis, not punishment. The findings also extend beyond family firms: any value-based organization—social ventures, cooperatives, hospitals, universities, sports clubs—where non-financial goals and long-tenured relationships shape culture will recognize the same dynamics.

For practitioners, the research provides a concrete vocabulary (inflating, separating, reinterpreting, redefining, rationalizing) that leaders can use to diagnose where they are stuck and what kind of sensemaking they still need to do. The distinction between personal and organizational mechanisms is especially actionable: if you've rationalized the decision but still can't pull the trigger, the blockage is personal, and no amount of spreadsheet analysis will fix it.

RECOMMENDATIONS

New CEOs in family firms and other value-based organizations should map both their personal and organizational constraints before attempting dismissals. Engaging in only one type of sensemaking revision is a reliable predictor of inaction. Seek allies within the organization—newer employees or external advisors—who can validate and challenge your reasoning. Consider also how dismissals are communicated afterward: the firms that handled post-dismissal communication transparently, briefing department heads within hours and fielding questions openly, found that organizational trust actually increased. And treat dismissal management as a learnable leadership skill, not a moral test you pass or fail. The CEOs who eventually acted described the process as a growth experience: each subsequent dismissal became less agonizing, not because they cared less, but because they had built the internal architecture to hold both empathy and accountability at the same time.

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