Succession in Family Business: A Dynamic Model for Iranian Businesses

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Abstract

The succession process is one of the most important challenges facing family businesses, and its improper management may lead to declining performance or even business collapse. Given the extensive role of family businesses in Iran's economy and the distinctive cultural and institutional characteristics of this context, the need to understand the dynamics governing the succession process has become increasingly important. The aim of this study is to present a dynamic model of the succession process in Iranian family businesses. In this research, **System Dynamics** approach and the **Causal Loop Diagram (CLD)** tool have been used to identify and analyze the interactions among the factors influencing succession.

Based on the literature review, analysis of Iran's institutional context, and interviews with experts in the field of family business, a set of key variables and feedback loops were identified, including the role of family relationships and cohesion, successor skills and readiness, legal and ownership frameworks, cultural and religious values, and environmental economic conditions. These variables are modeled in the form of several reinforcing and balancing feedback loops in order to explain the complex dynamics among the family, the business, and the external environment.

Due to the consistency of model's causal relationships with the experience and perceptions of experts, and that cultural factors, family structures, and Iran's institutional conditions play a decisive role in shaping different succession pathways, several scenarios were identified, including successful intra-family succession, transfer to a non-family manager, and the emergence of family conflicts, each of which may have different consequences for business sustainability.

The findings of this study can serve as an analytical framework for a better understanding of the dynamics of succession in Iranian family businesses and can help policymakers, business consultants, and entrepreneurial families design effective strategies for managing intergenerational transition.

Keywords

Family Business, Succession, System Dynamics, Causal Loop Diagrams, Organizational Culture, Iran

Introduction

Family businesses constitute a major pillar of many economies and play a significant role in employment, production, and economic sustainability. In Iran, the considerable share of these enterprises in employment and gross domestic product has made their continuity critically important not only for the family itself but also for the national economy. Despite this importance, the greatest threat to the intergenerational continuity of these businesses is the leadership succession process; a multidimensional process in which the dimensions of family, ownership, and business are intertwined in complex ways. Failure in succession may lead to serious consequences such as business collapse, family fragmentation, loss of social capital, and even harm to the local community.

The existing literature on succession has been formed largely on the basis of Western samples and theories and tends to assume Iran's cultural, legal, and social context to be self-evident and similar. However, the structure of the Iranian family, the role of Islamic principles in defining relationships and hierarchies, inheritance and ownership laws, the dynamics of cultural change, generational differences, and the instability of Iran's business environment all indicate that Western succession models are not directly applicable. Iran is faced with a set of contextual factors that influence decision-making, stakeholder interactions, criteria for successor selection, power relations, and styles of leadership transfer. Moreover, in Iranian family businesses, the number and diversity of stakeholders are far greater than those considered in classical models—from the predecessor, successor, and members of the nuclear and extended family to employees, shareholders, customers, religious mentors, friends, and even the local community.

Nevertheless, a review of the literature shows that Iranian studies in this area are very limited, and no systematic, context-based examination of succession in Iranian family businesses exists. The consequence of this theoretical gap is that many common succession recommendations are ineffective or insufficient in the Iranian context and cannot explain the complexity of family relationships, generational differences, religious-legal considerations, and the instability of Iran's economic environment. This research gap reinforces the necessity of developing an indigenous, systemic, and context-sensitive framework.

The present text has been prepared with the aim of developing a mental model to represent the issue for owners of family businesses. Such a model may lead to a better understanding of the issue and help map their cognitive challenges onto an integrated systemic model, thereby showing the interactions among issues as well as their dynamics over time.

Problem Statement

Despite the high importance of family businesses in Iran's economy, the succession process in these businesses still lacks an indigenous, context-based analytical model. Existing theories and models are generally derived from Western societies and overlook determining factors in Iran—including Islamic principles in defining family and leadership, inheritance and ownership laws, patriarchal structures, cultural changes and the growing presence of women, stakeholder diversity, and the instability of the business environment.

This neglect causes Western models to fail to properly explain the actual behavior of stakeholders, their decision-making logic, patterns of conflict, and the path of power transfer in Iranian family businesses. The principal issue addressed in this research is that the dynamics of succession in Iranian family businesses are inherently different, yet no suitable theoretical framework or systemic model currently exists to understand this difference. Without such an indigenous model, neither scientific analysis of this process is possible nor can practical policies and recommendations be offered to increase the likelihood of successful succession.

Accordingly, several fundamental questions remain unanswered:

- How does the succession puzzle in the Iranian family business operate?
- What contextual differences distinguish it from Western models?
- Which stakeholders affect the succession process, and how?
- How can the interactions among these stakeholders be explained in a systemic and context-based model?

This theoretical and practical gap demonstrates the necessity of developing a new scientific framework—one that is indigenous, takes into account the complex interactions of stakeholders, and explains the multidimensional reality of succession in Iran.

Literature Review of Findings from Field Research

Family business in Iran is one of the most important pillars of the economy and accounts for a significant share of employment, production, and investment; therefore, the continuity of this type of business is of vital importance. However, **leadership succession** is its greatest survival challenge. A review of the existing literature from golestani (2018) shows that most succession theories have been developed on the basis of Western samples, and Iran's cultural-legal context has not been incorporated into them. This gap causes many Western findings to be inapplicable in the Iranian context or even misleading.

One of the most prominent studies conducted in this regard is the doctoral dissertation of **Mohsen Golestani** at **Utrecht University** in the Netherlands in 2018 in the field of family business management, which focused on the localization of the succession model in Iranian family businesses based on an **iterative mixed-methods approach**. This study was carried out along two parallel tracks:

- **Contextual Studies:** focused on identifying the factors that distinguish Iran (inheritance law, Islam and spirituality, the dynamics of a transitional culture, and an unstable business environment) through in-depth interviews with legal experts, judicial specialists, sociologists, and religious scholars.
- **Stakeholder Viewpoints:** employed an inductive and empirical approach based on in-depth interviews with **24 stakeholders** (including the predecessor, successor, family members, and employees) from **10 diverse family businesses** at different stages of succession.

These two tracks were not linear; rather, the emergence of new concepts in each track compelled the other to be revisited and re-integrated so that, ultimately, a comprehensive and context-sensitive understanding of the dynamics of succession in Iran could be achieved.

Based on this study, there are fundamental differences between Iran and Western societies that substantially transform the succession process. The most important distinguishing factors are:

1. **Islamic principles and spirituality**, which deeply influence successor selection, family structure, hierarchy, gender roles, and moral values such as respect, obedience, solidarity, benevolence, and blessing.
2. **Iran's legal system**, especially inheritance, marriage, and labor laws, which lead to fragmented ownership, increased family tensions, and structural limitations for women and children.
3. **Iran's socio-cultural dynamics**, which are in a transitional stage and have led to increasing generational conflict, greater individualism, weakening of traditional patriarchal structures, and a stronger presence of women in business.
4. **Instability in Iran's business environment**, including economic fluctuations, sanctions, sudden legal changes, and political risks, which often cause long-term planning —including succession planning—to be abandoned.

In addition, unlike the classical literature that highlights the role of a limited number of stakeholders, this study shows that in the Iranian context a broad range of stakeholders—from the predecessor and successor to the extended family, women, employees, shareholders, customers, friends, and even the local community—affect the succession process. The findings also emphasize that a linear view of succession is inadequate and that succession should instead be understood as a systemic and interactive process in which all stakeholders exert mutual influence on one another.

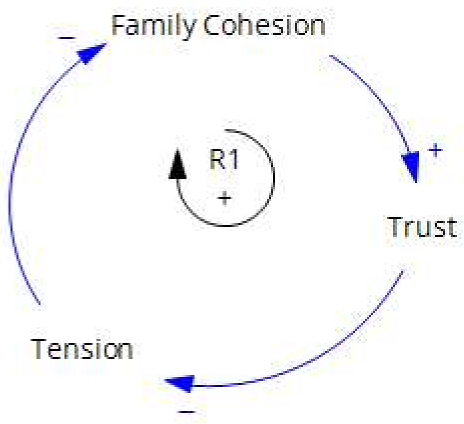
Therefore, it can be argued that succession in Iranian family businesses is shaped by a complex network of cultural, legal, social, and environmental factors, and thus requires an indigenous and context-based model. Western literature explains only part of the individual and psychological dimensions of behavior; however, to understand the actual dynamics of succession in Iran, the fourth dimension of **context** and a **systemic perspective** must also be incorporated into the models.

System Structure: Causal Loop Diagrams

This study is based on the development of a dynamic model grounded in the existing literature and empirical data (interviews), using a qualitative-deductive and exploratory research method with an emphasis on the systemic approach. The research is built upon the documentary and content analysis of the findings of Golestani's doctoral dissertation (2018), which includes data from in-depth interviews with twenty-four key stakeholders in ten Iranian family businesses. In this study, these data were used to identify context-specific distinguishing factors (Islamic, legal, cultural, and business-environmental) and to draw **Causal Loop Diagrams (CLDs)** that illustrate the dynamics of the succession process. To ensure the validity and localization of the developed model, these CLDs and the extracted scenarios were presented to specialists in the final phase through the Delphi method or expert consultation (in the form of a structured questionnaire), so that their agreement with and acceptance of the structure of the dynamic model could be confirmed and finalized.

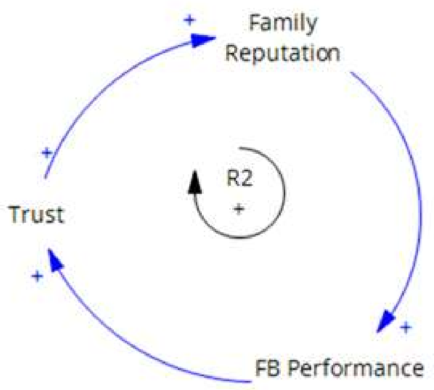
Loop R1 – Reinforcing Loop: "Family Cohesion → Trust → Reduction of Tension → Cohesion"

Based on the findings of Golestani's study (2018), in the section related to family values, it is indicated that respect, trust, solidarity, and support reduce tensions and create a cooperative atmosphere in family businesses. It is also explicitly stated that these values are interconnected, and that strengthening one of them reinforces the others as well. When the family enjoys greater cohesion, mutual trust increases. Trust reduces conflicts, and this reduction in conflict, in turn, increases cohesion. This positive cycle creates a **reinforcing pathway** that facilitates the succession process.



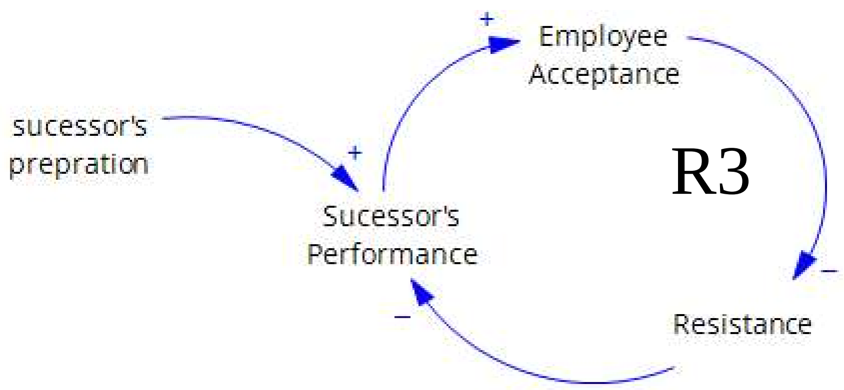
Loop R2 – Reinforcing Loop: "Family Reputation → Trust of the Market and Stakeholders → Prosperity → Increased Reputation"

Based on the findings of Golestani's study (2018), in the section concerning Islamic principles and spirituality, it is explained that benevolent behavior, halal income, generosity, and service to the community generate the family's **blessing**, **good fortune**, and **reputation** in the market, and that this reputation forms the foundation of economic prosperity. The stronger the family's reputation in the social and market environment, the greater the trust placed in it by customers, employees, and suppliers. Increased trust leads to greater prosperity and income. Economic success, in turn, strengthens the family's image and further enhances its reputation. This cycle is one of the engines of business sustainability.



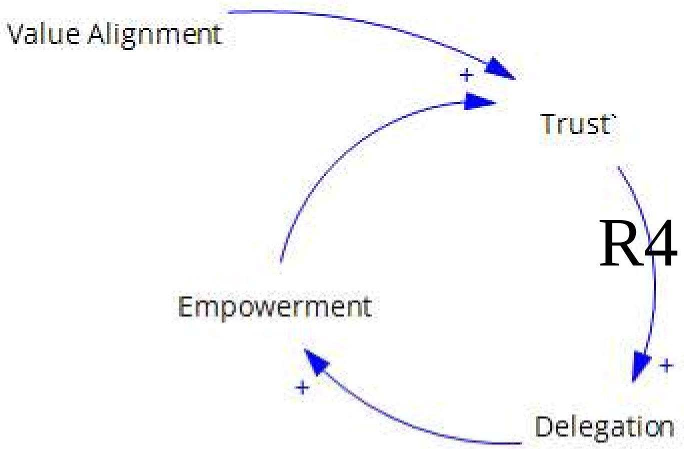
Loop R3 – Reinforcing Loop: "Successor Preparation → Employee Acceptance → Reduced Resistance → Improved Performance → Strengthening of the Successor"

Based on Golestani's study (2018), in the section on the successor's perspective, as well as the family's relationships with employees and professional stakeholders, it is stated that formal education, workplace experience, and effective communication lead to gaining employees' trust and reducing their resistance. It is also explained that the gradual delegation of responsibilities increases acceptance. The more training the successor receives and the more actively they are present in practice, the more employees perceive them as credible and trustworthy. This trust reduces resistance, and reduced resistance improves organizational performance. Better performance strengthens the successor's position, and this reinforcement further increases employee acceptance.



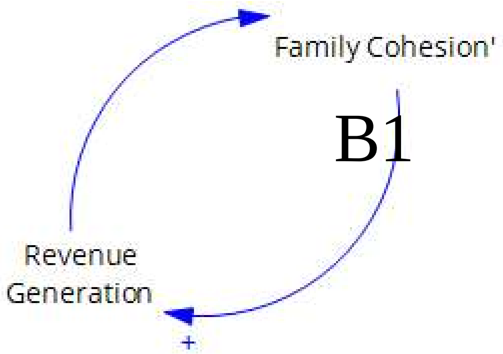
Loop R4 – Reinforcing Loop: "Value Similarity with the Predecessor → Increased Trust → Delegation → Increased Capability → Return of Trust"

In the section presenting the predecessor's or previous generation's perspective, it is explained that predecessors place trust in the successor when they perceive in them **similarity in values** and **commitment to family traditions**. It is also stated that the gradual delegation of roles strengthens trust. This loop indicates that when the successor resembles the predecessor in terms of values, personal disposition, or work ethic, the predecessor's level of trust rises. This trust leads to the delegation of responsibilities. The delegation of responsibility increases the successor's experience and capability, and this greater capability further enhances the predecessor's trust. The result is a reinforcing cycle.



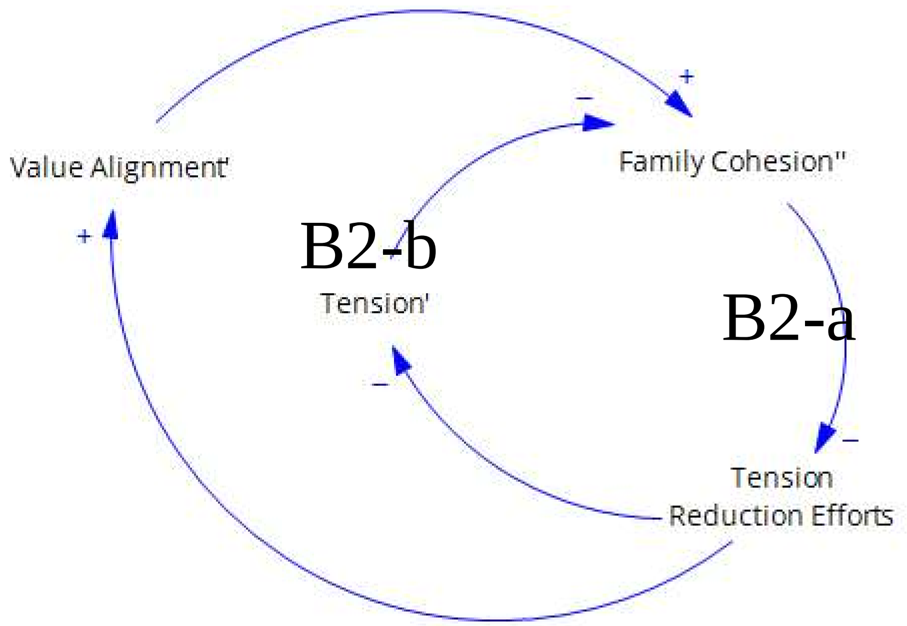
Loop B1 – Balancing Loop: "Wealth → Prosperity → Disputes → Reduced Cohesion → Containment of Wealth"

In the section related to the impact of money and wealth, it is explained that an increase in wealth may lead to luxury orientation, social distance, and subsequently family disputes. It is also noted that financial issues constitute one of the most fragile points in the succession process. The mechanism of this loop operates as follows: the more wealth increases, the more family sensitivities and rivalries intensify. This increase in disputes reduces family cohesion. Reduced cohesion weakens the family's ability to preserve and manage wealth properly, and this naturally restrains the pace of wealth growth or expansion. Therefore, the loop is balancing or self-limiting.



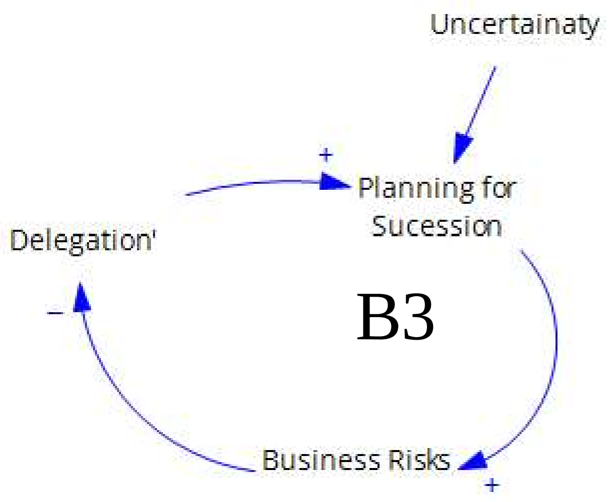
Loop B2 – Generational Differences → Conflict → Reduced Coordination → Pressure for Reform → Reduction of Tension

In the section on cultural dynamics and the generational gap, it is stated that the rise of individualism among the younger generation, the decline of collectivist attitudes, and changes in hierarchical structures lead to increased conflict between generations. This loop shows that greater generational differences result in more conflict. Conflict reduces coordination, and this reduction in coordination creates pressure on the family to reform its structures or decision-making methods. The reforms that are implemented lead to a reduction of tensions; therefore, the loop tends toward restoring equilibrium.



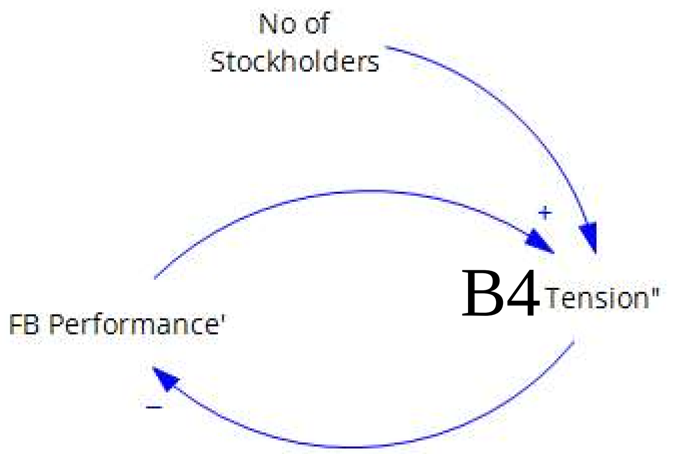
Loop B3 – Economic Instability → Reduced Planning → Increased Risk → Decreased Willingness for Change

In the section concerning the business environment and the political/economic instability of Iran, it is explained that families often act reactively rather than engaging in long-term planning, and this makes the succession process difficult and risky. The greater the environmental instability, the more long-term planning is set aside. The absence of planning increases the risk of leadership transfer. High risk reduces the family's willingness to implement changes, and this, in turn, slows down or even halts the succession process. This loop is likewise a balancing loop.



Loop B4 – Inheritance Structure → Ownership Sensitivity → Increased Conflict → Reduced Likelihood of Continuity

In the section on Iran's legal system and inheritance laws, it is stated that ownership after the father's death is "not adjustable," multiple heirs are entitled to shares, and ownership becomes fragmented; this makes collective decision-making difficult and increases sensitivity. The role of financial issues as a source of conflict is also mentioned. When ownership is divided among a large number of heirs, sensitivities and disagreements increase. These sensitivities lead to conflict. Severe conflict reduces the organization's capacity to continue operating into the next generation, and as a result, the expansion of conflict or its financial consequences is naturally contained.



Analysis of System Behavior

Given that this model has been developed to help members of family businesses better understand the succession process and its challenges, the analysis of its active mechanisms has been conducted at three levels:

1. Structural Analysis, which shows how the eight loops together form a unified system.

2. Functional Analysis, which explains how the role and effect of each loop contribute to shaping the behavior of the overall system.

3. Extraction of Leverage Points, through which, based on an understanding of the overall structure and the function of the loops in shaping system behavior, an attempt has been made to identify those points at which the smallest intervention can create the greatest effect in "improving succession" for family businesses.

In the concluding section, based on the above analyses, intervention pathways and policy scenarios for the family and the family business are proposed.

Structural Analysis

Based on the previous section of this article, it can be seen that the eight loops together form a two-force system , consisting of a "lifting force" (reinforcing) and a "balancing force" (balancing) . In other words, loops R1 and R2 are the engines of social stability + family reputation + income . Loops R3 and R4 are the engines of successor empowerment + predecessor trust + employee acceptance . Taken together, these four reinforcing loops enable the family and the business, provided that family values and cohesion are maintained, to move along the path of power transfer more smoothly and more effectively almost automatically .

In contrast, loops B1 and B4 represent the forces of ownership misalignment + financial sensitivity . Loops B2 and B3 similarly represent the forces of generational disconnection + economic instability . These four balancing loops, in effect, function as the engines of erosion of trust + reduction of planning + increase of conflict .

Therefore, structural analysis of the system shows that, in its natural state, the system exists on the boundary between stability and fragility . Each Iranian family, depending on its values, economic conditions, and relationships, is drawn either toward strengthening the R loops or toward activating the B loops. This means that succession in Iran does not follow a predictable pattern; rather, it depends on the sensitivity and innovative initiative of the previous generation (Generation Wise).

Thus, it can be argued that, overall, four functional areas can be identified within the model:

Area 1: Cohesion–Trust (R1 + R2)

In this area, the function of reinforcing loops R1 and R2 leads to the social stability of the family, because trust between generations and among family members, as well as between the family and external stakeholders, reduces conflict and consequently enhances the family's outward standing. This area is rooted in the most distinctly Iranian part of the system, where values such as respect, sacrifice, solidarity, support, religious ethics, and social prestige acquire meaning. These loops generate social capital for succession, and without them, no managerial intervention will be effective.

Area 2: Empowerment–Acceptance (R3 + R4)

This area illustrates the functioning of the highly important **empowerment–acceptance mechanism**. According to this mechanism, when the predecessor places trust in the successor and delegates responsibilities in the management of the business, the successor effectively learns through **learning by doing**. As a result, the successor's performance improves. This improvement, in turn, generates both **internal and external trust**, leading to reduced resistance among employees and enhanced organizational performance.

These positive outcomes gradually strengthen the predecessor's confidence in the successor, creating a reinforcing dynamic. In essence, this area represents the **core of power transfer**, and these loops generate what may be described as **managerial capital** for succession. Without them, the system becomes stalled, even if the family itself is highly cohesive and conflict-free.

Area 3: Financial–Ownership Sensitivity (B1 + B4)

In this area, the functioning of the balancing loops **B1** and **B4** activates mechanisms that generate risk. Here, the very **success and high performance of the family business** may paradoxically become its **Achilles' heel** in terms of growth, development, and intergenerational transfer.

These mechanisms suggest that as the level of wealth and income in Iranian family businesses increases, the potential for disputes and tensions among family members also rises. Such tensions weaken **family cohesion and mutual trust**. Under these conditions, conflicts that may have originated years earlier can re-emerge as serious barriers to conflict resolution, thereby increasing the likelihood of disputes among family members and, ultimately, the fragmentation of the family business.

Loop **B4** further indicates that, in Iran, the legal framework governing inheritance structurally functions as a **tension-generating mechanism**, as it tends to increase the number of business owners exponentially. This feature is largely specific to **Iran and other Islamic**

legal systems, and it has no direct parallel in the mainstream global literature on family businesses. Consequently, this functional area produces **financial–legal risk** for family enterprises.

Area 4: Generational Differences–Environmental Instability (B2 + B3)

The fourth functional area addresses highly significant issues related to **value differences between generations** and the growing influence of **individualistic cultural orientations**, which accompany the entry of younger generations and the widening generational gap. These dynamics, combined with the **economic instability of Iran**, make it difficult for families to engage in long-term planning.

Loop **B3** suggests that the Iranian environment naturally tends to **disrupt and suppress long-term planning processes**. As a result, the primary function of this area is the creation of **disturbances in timing and planning** within the succession process.

Potential System Behavior Scenarios

Based on the system's behavior, several potential scenarios can be envisioned:

1. When R1 + R2 are more active:

In this situation, the system evolves in a **"calm and respectful" mode**, and the transfer of power occurs smoothly and gradually. This pattern may correspond to **highly cohesive families**, particularly those characterized by strong religious or value-based orientations or long-standing social reputation.

2. When R3 + R4 are more active:

In this case, the system moves toward a **"development and empowerment" mode**, and succession takes place in a more **professional and capability-based manner**. This pattern may resemble **more modern and professionally oriented family businesses** in the Iranian context.

3. When B1 + B4 become dominant:

In this situation, **financial and inheritance-related conflicts** become activated. This scenario corresponds to many cases of **second- or third-generation collapse** observed in Iranian family businesses, where trust deteriorates and the succession process ultimately breaks down.

4. When B2 + B3 become dominant:

Under these conditions, the system enters a state of **delay, denial, and avoidance of confronting the succession process**. As a result, succession is either postponed or becomes crisis-driven. This pattern resembles a cycle frequently observed in many Iranian businesses operating under conditions of **persistent economic instability**.

Review of Leverage Points

One of the most important functions of dynamic models is demonstrating where small changes can have a large impact on the entire system. These leverage points are the very points where management can create the greatest change in behavior with the least cost. Based on the eight identified loops, several key leverage points for succession in Iranian family businesses can be proposed:

1. **Reinforcing Positive Family Values**

In Area 1 (Social Stability), we saw that trust, respect, support, and solidarity are the main pillars of family cohesion. The more these values are strengthened within the family—for example, through dialogue, training, collective participation, and spirituality—the better loops **1R and 2R** perform, resulting in reduced tension and increased family reputation. Therefore, conscious investment by the family in strengthening these values is a critical leverage point.

2. **Designing the Ownership Structure with a Long-Term Perspective**

Iran's legal conditions (especially regarding inheritance) are often unavoidable; however, experience shows that the family can, to some extent, harmonize the division of ownership with the business's long-term logic using available tools (such as legal entities, intra-family agreements, peace treaties, and powers of attorney). The more transparent, simpler, and fairer the ownership structure is designed beforehand, the lower the probability of financial conflicts and business fragility in the next generation will be.

3. **Purposeful Investment in Successor Training and Experience**

In Area 2, we saw that one of the most important engines for successful succession is **Loop 3R – Successor Preparation → Employee Acceptance → Reduced Resistance → Improved Performance → Strengthening of the Successor**. This loop functions best when serious investment is made in the successor's training, real-world business experience, and creating opportunities for their gradual presence in management roles. Failure in this area causes the successor to be perceived by employees as "inexperienced" or "unjustified," leading to increased resistance.

4. **Intergenerational Dialogue and Gradual Structural Reform**

In Area 4, we saw that **"generational differences"** and **"economic instability"** are two major restraining forces. Some of the negative consequences of these forces can be mitigated through transparent dialogue between generations, participation of the younger generation in decision-making, and readiness for gradual structural reforms. In other words, if the older generation is more open to the perspective and concerns of the younger generation, and if the younger generation is more aware of the older generation's values and the constraints of the business environment, less generational gap will form, and loop **2B** will be less activated.

5. **Attention to Spirituality and Social Responsibility**

Golestani's dissertation findings indicate that spirituality and Islamic principles in Iran are not merely personal matters but directly affect social standing, market trust, and the internal spirit of cooperation within the family. Therefore, ignoring this dimension can weaken loops **1R and 2R** and pave the way for the activation of balancing loops. Conversely, attention to spirituality, charitable works, and service to the community increases the family's **social capital** and **reputation**, smoothing the path of succession.

6. **Sensitivity to the Environment and the Predecessor's Decision-Making**

As mentioned in the structural analysis, the role played by the previous generation in understanding Iran's cultural-economic context and making decisions in harmony with it is decisive. This means the family must be sensitive and forward-thinking in choosing the right time for delegation, the mode of the younger generation's participation, the type of ownership structure, and even the composition of the management team and consultants. Hasty, reactive, or misunderstanding-based decisions can push the system toward activating the balancing loops. Conversely, judicious, consultation-based, and context-aware decisions increase the power of the reinforcing loops.

Leverage Points

One of the most significant outcomes of **systemic analysis of succession in family businesses** is the identification of **leverage points**. These points acquire special importance because of their capacity to influence system behavior and to activate desirable mechanisms within the system.

Through examining the causal loops and the active mechanisms in family enterprises, **five major leverage points** can be identified as follows:

Leverage Point 1 — Rebuilding the Predecessor's Trust and Activating the Positive Loop (R4)

This leverage point demonstrates that even the smallest intervention aimed at rebuilding the predecessor's trust can alter the behavior of the entire system. Entrepreneurial families can trigger this loop through strategies such as hiring a **neutral advisor**, conducting **weekly**

“knowledge-transfer” meetings between family generations, and defining a **new, respectful role** for the predecessor within the organization.

Leverage Point 2 — Purposeful Family Cohesion that Strengthens Loop (R1)

As shown in the literature review, cohesion alone—without structure—is insufficient. However, when family cohesion becomes **structured and organized**, it neutralizes the negative influences of the **balancing loops B1 and B4**, ensuring that unity translates into organizational resilience rather than emotional dependence.

Leverage Point 3 — Gradual, Not Sudden, Delegation that Activates Loops (R3 + R4)

This is precisely the point where the greatest acceleration in **power transfer** occurs. Yet, many Iranian family businesses face succession under pressure—such as the sudden **death of the predecessor**—because of inadequate planning and preparation. By implementing **stepwise delegation of authority**, families can achieve both learning and trust accumulation, enabling a smoother transition process.

Leverage Point 4 — Establishing a Conflict-Management System Before Succession that Engages Loops (B1 + B4)

If deep-rooted family conflicts remain unresolved, the entire system is at risk of internal collapse. Preventive measures may include forming a **family office**, drafting a **family charter or constitution**, and creating **transparency in decision-making**. These mechanisms transform unproductive emotional tensions into structured governance, reducing the destructive activation of the financial and ownership-related loops.

Leverage Point 5 — Planning Structure Under Environmental Instability that Triggers Loop (B3)

In Iran’s volatile context, families must replace rigid long-term plans with **adaptive short-term strategies**. Establishing flexible planning systems increases the family business’s ability to respond to uncertainty, thereby preventing paralysis and enabling survival through **dynamic adaptation**, which is critical under conditions of instability.

Policy Scenarios

By examining the structure of the system, the following **succession scenarios** can be conceptually proposed for Iranian family businesses:

1) “Calm Succession” Scenario

In this scenario, the **reinforcing loops** (family cohesion, trust, successor empowerment, and family social reputation) are active, while the balancing loops remain under control. The family maintains shared values and warm relationships; the predecessor transfers roles peacefully and confidently; and the successor, through gradual experiential learning, earns acceptance by employees. Financial disputes are controlled, and flexible planning—even amid Iran's instability—facilitates a smooth transition. The outcome is a **low-conflict transfer of power**, continued business growth, and preservation of the family's social capital.

2) "Predecessor's Psychological Deadlock" Scenario

Here, due to **psychological–identity factors** (fear of losing power, anxiety about mortality, distrust toward the next generation), the predecessor delays succession. Although the family may appear cohesive, trust from the predecessor does not take root, leaving the successor's role vague and constrained. The business becomes dependent on the predecessor's presence; employees face two centers of authority; and the family enters a **state of perpetual suspension**. Prolonged delays lead to sudden, crisis-driven transitions.

3) "Symbolic Succession (Without Real Authority)" Scenario

In this scenario, the family and predecessor officially recognize the successor, but the **empowerment loops** fail to activate. The successor receives insufficient hands-on training, lacks genuine authority, and is not seen by employees as the main decision-maker. This creates a **dual-power structure**: real authority remains with the predecessor, while responsibility burdens the successor. Organizational tension rises, leading to decreased successor motivation and progressive erosion of employee trust.

4) "Collapse of Family Cohesion" Scenario

Here, the **financial/ownership loops (B1 and B4)** dominate. Increased wealth raises sensitivity, inheritance laws fragment ownership, and distrust transforms into open conflict. Disputes among heirs, financial pressure, and unclear roles erode cohesion, turning the business into an arena of **internal competition**. In this situation, neither planning nor power transfer is possible; the system often ends in **fragmentation, asset liquidation, or dissolution of the enterprise**.

5) "Generational Crisis" Scenario

Differences in values, rise of individualism among youth, changing gender roles, and weakening of traditional hierarchies intensify the impact of loop **B2**. Generations fail to understand each other; diverging goals, management styles, and lived values destroy intergenerational trust. Older members perceive these changes as signs of disrespect, while younger ones consider traditional structures restrictive. Even well-prepared successions face severe friction due to **value misalignment**.

6) "Lack of Planning Under Environmental Pressure" Scenario

Here, economic and political instability activates loop **B3**. The family shifts from long-term planning to a **reactive survival mode**. Decisions become short-term, defensive, and often emotionally driven. Succession is postponed, roles remain undefined, and power transfer occurs during emergencies. This scenario explains many **sudden, crisis-prone successions** in Iran, where successors must step in **without adequate preparation** precisely at critical moments.

Conclusion

This study, aimed at explicating the dynamics of succession in Iranian family businesses, demonstrates that—contrary to many Western models—succession is not a linear or readily predictable process. Rather, it constitutes a complex, context-dependent system shaped by multilayer stakeholder interactions. Analysis of the causal loops derived from qualitative data and indigenous literature indicates that succession in Iran is produced by the simultaneous interplay of reinforcing loops (e.g., family cohesion, the predecessor's trust, value similarity, the successor's experiential learning, and the family's social reputation) and balancing/inhibiting loops (including financial and inheritance-related disputes, generational gaps, instability in the business environment, and the risk of conspicuous consumption). The configuration of these loops forms the system's behavioral structure and determines whether the business moves toward a calm and sustainable transition or becomes trapped in high-tension, crisis-prone pathways.

Building on these structures, the present research identifies six key system-behavior scenarios, ranging from "calm succession" to "collapse of family cohesion and crisis-driven transfer." Scenario analysis shows that there is no predetermined route for succession in Iranian family businesses; instead, outcomes depend on which causal loops become activated or deactivated within the specific context of each enterprise. These findings underscore that successful interventions are effective only when they concentrate on internal leverage points—such as strengthening the predecessor's trust, enhancing ownership transparency, providing hands-on training for the successor, and establishing mechanisms to reduce intergenerational tensions. Moreover, the results suggest that attention to the cultural–Islamic context, Iran's legal structure, the dynamics of family relationships, and the instability of the business environment is not optional, but a prerequisite for designing any credible and indigenous succession model.

Overall, this study highlights two fundamental propositions. First, succession in each Iranian family business is a systemic and context-specific problem, for which one-size-fits-all global prescriptions are inadequate. Second, developing indigenous causal-loop-based models can pave the way for policymaking, family education, the design of family-governance mechanisms, and the prevention of intergenerational failure. The primary recommendation for future research is to focus on dynamic modeling, longitudinal analysis, and the development of instruments for assessing stakeholder behavior within the real-world context of Iranian family enterprises. Such an approach can enable deeper understanding, more effective decision-making, and, ultimately, greater sustainability of Iranian family businesses.

References

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