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VEZETÉSTUDOMÁNY

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HEIDRICH, Balázs – MAKÓ, Csaba

FOREWORD

Half a century ago, management scholars drew a rather pessimistic picture of the future of the family business. They anticipated '... *the hereditary principle to fade fast, because of the greater ability of professionally-run public firms to raise capital and attract top talent. In fact, family firms have held their ground and, in recent years have increased their presence among global businesses*'[1]. Contrary to this prognosis, the Family Business (FB) is not only present but also improving its position in the global economy and playing a key role in the European economy too.

Introduction

The starting point for Budapest Business School as a project co-ordinator was a European Commission's study in 2006 which estimated that over the next 10 years one-third of Europe's private firms would have to transfer ownership either with or without the current owner family. This means that up to 690,000 firms, mainly FBs providing 2.8 million jobs, will be transferred to new owners every year in the EU. Similar studies have been found in countries like the UK, Finland, Italy and Germany. The Institute for Family Business (UK) in its publication "The UK Family Business Sector" gave the estimation that over the next five years (from 2011), on average 172,000 family businesses a year would pass control to the next generation. Given the scale of this movement there is a potential role for both policy makers and the academic community (directly) in terms of providing support, advice and training, to assist owners planning for succession. In the post-socialist countries our empirical knowledge, as well as theoretical and methodological research, on the problems relating to transformation management or intergenerational succession, is rather underdeveloped. Due to this deficiency, it seemed worthwhile developing an international consortium to intelligently adopt best practices of countries where the FB sector not only has a long history but also plays significant role in the national economies.

It also turned out during the preparatory work of the INSIST (Intergenerational Succession in SMEs Transition) Project[2] that few countries have comprehensive training courses with a focus on succession issues. This implies, as has been expressed by the partners, that the cross fertilization of research on succession issues is a real need for all partners' countries. On that basis, this need also infers the development and adaptation of training materials for different target groups involved in the generation change process.

Research on succession in FBs in general and in family firms in particular is rich in the EU countries where capitalism has been in place for a long time. Researchers and consulting agencies have long stressed the importance of succession planning in ensuring the continuity and prosperity of FBs. However, even in long established capitalist economies, succession planning is not a priority for many FB managers and consequently engaging owner-managers in this process is a significant challenge. In the countries of the Central and Eastern European region, family businesses are faced with the succession problem for the first time: the first generation of entrepreneurs since the collapse of socialism is approaching retirement age, so the transition of the management as well as the transfer of ownership will be a key challenge in the near future. Researchers in the INSIST countries have made a state of the art literature review on the succession processes in family businesses, highlighting both their general characteristics as well as the national particularities. Existing succession research has concentrated almost exclusively on management succession and failed to make a distinction between management and ownership succession. The emphasis on ownership transition in this comparative project is expected to provide a new added value.

The international reserach partnership was established with 3 higher education institutions and 4 non-university partners. Two of the universities are from countries of the Central and Eastern European region : Budapest Business School (HU) and Cracow University of Economics (PL). The third university, Leeds Beckett University (UK), has rich experience in research and curriculum development in various entrepreneurial issues. One of the non-university partners is a French association (Adinvest) operating a network of mentors from Southern France who advise and help FBs in solving different kinds of problems relating to the

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succession process. The other non-university partner, Mac-Team, is a Belgian company with considerable experience in different kinds of European projects and, in particular, in quality assurance and monitoring issues. The two other non-university partners are Hungarian (Business Hungary) and Polish (Malopolski Zwiazek Pracodawcow LEWIATAN) FB associations with experience in curriculum development for enterprises as well as in piloting new courses and disseminating and exploiting results.

A key difference between the INSIST project countries is worth elaborating on as it paints a clearer picture of the background behind these case studies, namely, the variety of national institutional contexts for the activities of the FB. The highest density of institutional settings supporting FBs both by interested representative associations and knowledge institutions (e.g. training/research and consulting agencies) were found in the U.K., followed by the Polish and then the Hungarian practices. In relation to government institutions, there are more similarities between the countries. There is no Ministry for Family Businesses in any of these countries, and entrepreneurship and business affairs are divided between several ministries that do not cooperate extensively with one another. Specialist agencies can be found in all three countries and can be considered as important supporters of family businesses. There are further important differences between the British, Hungarian and Polish institutional settings. In the UK numerous Family Business Research Centres exist, although they have yet to be established in Hungary and Poland. The private sector also provides support for family businesses via consultancy and accountancy services in all three countries. In the UK and Poland Family Offices support family businesses in managing their assets, while in Hungary there aren't any Family Offices as yet. Typically private bankers help wealthy Hungarian families handle their financial investments. The Polish government created in 2000 the Polish Agency for the Development of Entrepreneurship (Polska Agencja Rzwoju Predsieborczosci – PARP) to boost the activity of SMEs, including FBs. Comparing the two Central European countries to the U.K. the research and educational/training activities focusing on FBs are much less developed in these countries.

These differences in the institutional settings lead to 'universal' or 'generic' public policy at EU and national levels lacking the much needed consistency or holistic view for the optimal operation of the FBs. As a result of this comparative research[3], the INSIST working group was able to pinpoint the weak areas of national institutional systems. Thus, the group has developed policy recommendations for interventions at local, regional and national levels in the hope of addressing many of the deficiencies listed in here. Many of the contributions contained in this special issue of *Budapest Management Review* have been based upon those recommendations.

References

[1] From the print edition of The Economist (2014): 'Business in the Blood'. November 1st 2014, p. 2.

[2] For further details of the INSIST project, see http://insist-project.eu

[3] The results of the comparative studies and country reports can be found at: http://insist-project.eu/index.php/research-en/207-o1-comparative-research-report-on-intergenerational-enterprise-transmission

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David DEVINS – Brian JONES

STRATEGY FOR SUCCESSION IN FAMILY OWNED SMALL BUSINESSES AS A WICKED PROBLEM TO BE TAMED

Contemporary strategic-planning processes don't help family businesses cope with some of the big problems they face. Owner managers admit that they are confronted with issues, such as those associated with succession and inter-generational transfer that cannot be resolved merely by gathering additional data, defining issues more clearly, or breaking them down into small problems. Preparing for succession is often put off or ignored, many planning techniques don't generate fresh ideas and implementing solutions is often fraught with political peril. This paper presents a framework to explore the idea of wicked problems, its relevance to succession planning in family businesses and its implications for practice and policy.
A wicked problem has many and varied elements, and is complex as well as challenging. These problems are different to hard but ordinary problems, which people can solve in a finite time period by applying standard techniques. In this paper the authors argue that the wicked problem of family business succession requires a different approach to strategy, founded on social planning processes to engage multiple stakeholders and reconcile family/business interests to foster a joint commitment to possible ways of resolution. This requires academics and practitioners to re-frame traditional business strategic planning processes to achieve more sustainable family business futures.

Keywords: **family business, succession, strategy, strategic planning**

Family businesses are a long established, omnipresent business phenomenon operating in all industrial sectors and making a significant contribution to many local, regional and national economies across the globe. The European Union network of family businesses (EFB) representing long-term family owned enterprises estimates that there are more than 14 million that account for around 50% of GDP and employ 60 million workers. In the UK alone the Institute for Family Businesses (IFB) referring to research by Oxford Economics suggest that family businesses contribute the equivalent of almost 10% of the Government's total tax receipts and employ almost twice as many workers as the entire public sector and five times as many as the large firms listed on the FTSE 100 (IFB, 2011; IFB 2008). Family businesses are by any measure an important element of most national economies however they are increasingly a concern to European policy makers who recognise the challenge of family business sustainability in the long run. This has led the EFB to identify the greatest challenge facing family businesses as the transfer of ownership and/or management of the business to the next generation which manifests itself in different ways in different European states.

In the UK, the Department for Business Innovation and Skills estimates that around 266,000 family firms anticipate closure and over 500,000 full transfer in the five years to 2018. A natural desire to keep the business within the family means business owners have to make decisions relating to when and how to transfer management and ownership of the company to the next generation. As with firms more generally, many family businesses will be looking to the future to build their business strategy in a world that is increasingly complex and both family leaders and their successors are accused of being culprits in succession failure with many failing to anticipate or plan for succession (Kraus et al., 2011; IFB, 2008).

In this paper we explore family business succession through the lens of business strategy and the extent to which the generic concepts and models of strategy are relevant to family businesses and can be conceived in the context of a turbulent and challenging internal and external environment. Management and ownership succession from one generation to the next represents a crucial strategic issue which many family businesses appear to put off or ignore (Hurst, 1995).

Wicked problems and strategy

It seems as though some problems are relatively easy to solve, such as factoring a quadratic equation, navigating a maze, and solving the tower of Hanoi puzzle (Newell – Simon, 1972). However, many problems in business are not quite so well defined in terms of their nature or the paths to be pursued to solve them. In fact many of the strategic challenges facing business are invariably 'wicked' in nature in that they persist and are subject to redefinition and resolution in different ways over time. Wicked problems are not objectively given but their formulation depends on the viewpoint of those presenting them. There is no ultimate test of the validity of a solution to a wicked problem as the testing of solutions takes place in some practical context and the solutions are not easily undone (Coyne, 2004).

The concept of a wicked problem emerged in the planning and design context when authors such as Rittel and Webber (1973) sought an alternative to the linear, step-by step model of the process being explored by many designers and design theorists at the time. Although there are many variations of the linear model, its proponents hold that the process is divided into two distinct phases: problem definition and problem solution. Problem definition is an analytic sequence in which the designer determines all of the elements of the problem and specifies all of the requirements that a successful design solution must have. Problem solution is a synthetic sequence in which the various requirements are combined and balanced against each other, yielding a final plan to be carried into production. In the abstract, such a model may appear attractive because it suggests a methodological precision that is, in its key features, independent from the perspective of the individual designer. However, critics were quick to point out two obvious points of weakness associated with this approach: one, the actual sequence of design thinking and decision making is not a simple linear process; and two, the problems addressed by designers do not, in actual practice, yield to any linear analysis and synthesis (Buchanan, 1992).

In order to address these shortcomings, we argue that succession problems need to be viewed as 'wicked' in order to reflect the reality in which many smaller family businesses operate. Whilst there is no single settled definition of a wicked problem, these problems invariably occur in a social setting where there can be radically different views and understanding of the problem by different stakeholders with no 'unique and correct' view of them held by all (Horn – Weber, 2007). Thus their wicked nature stems from not only a biophysical complexity but also from multiple stakeholder perceptions and of potential trade-offs associated with problem solving (Batie, 2008). Termeer et al. (2013) have noted that it is difficult to define wicked problems "because the formulation of the problem is the problem; they are considered a symptom of another problem; they are highly resistant to solutions and extremely interconnected with other problems" (p. 27). Roberts (2000) emphasises the difficulty in formulating the problem that makes the search for solutions open ended, thus allowing competing stakeholders to promote solutions, which connect with their own problem definition. She also notes the complexity of the problem solving process due to a constantly changing context of political and resource-related issues.

Towards a response to strategy

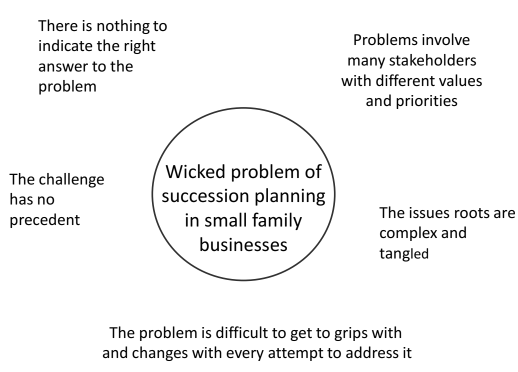
The concept of the wicked problem sets the context for our discussion of the theory underlying the development of business strategy in the family business. Our view is influenced by the contribution of Mintzberg and his co-authors who have informed the strategy discourse over several decades. In the late 1970's, Mintzberg (1978) drew a distinction between deliberate and emergent strategy. For Mintzberg, the process of making strategy through an emergent process involves creating solutions that react to present problems and decisions made are done so on an incremental basis. Progress is made towards a goal through many small steps and strategy can be shaped, influenced, driven and determined by a range of stakeholders as much as by small management elites in the enterprise. This process is in essence an antidote to the more rational, structured, top-down approach to strategy proposed by a wide range of strategy thinkers which continues to heavily influence strategy development in large organisations more generally (Selznick, 1957; Chandler, 1962; Learned et al., 1965; Ansoff, 1991). Through analysis, using for example tools and techniques including benchmarking, competitor analysis, cost benefit analysis, critical success factors, life cycle concepts, market opportunity analysis, PEST (Political, Economics, Social, Technological) analysis, and SWOT (Strengths, Weaknesses, Opportunities and Threats) strategy can be developed and problems solved by gathering data, defining issues more clearly, identifying potential solutions and making choices (Frost, 2003).

The binary division of deliberate and emergent strategies provide useful conceptual tools of analysis but capturing the realities of strategies in the complex and fast changing real world requires a combination of the two approaches to capture in full the richness of business life as it actually occurs. Squaring the rational traditional strategic planning approach founded largely on research and practice in large businesses with the small business context and variables such as culture and politics is a complex area which can be challenging (Johnson et al., 2003). Mintzberg and those that follow him generally argue that in a fast changing world in which environmental turbulence requires faster, smarter and more intelligent responses, a flexible approach to strategy is a core requisite of a world in which change is a constant. Learning from experience and by what works in practice is perhaps emblematic of an emergent strategy and chimes with the dominant form of learning in smaller businesses and this provides a context for strategy for succession in the small family business operating in a complex internal and external environment.

In one of the few papers to address strategy as a wicked problem, Camillus (2008) suggests that it is the social complexity of wicked problems as much as their technical difficulties that make them tough to manage. He suggests that they crop up when organizations have to face constant change or unprecedented challenges where the greater the disagreement among stakeholders, the more wicked the problem is. Camillus (2008) notes that 'confusion, discord, and lack of progress are telltale signs that an issue might be wicked' (p. 2.). He identifies five characteristics of a wicked problem for strategy that can be used to illustrate the challenge of succession planning in the small family business context. These are summarised in Figure 1.

Figure 1

Characteristics of wicked problems and strategy



Not all succession planning problems are wicked and for some family businesses the strategy for succession may be relatively straightforward with a clearly defined succession plan formulated and implemented. However for many businesses, family and non-family members will have different values and priorities, succession will have complicated, snarled and twisted roots, it will be difficult for founders, successors and others to grapple with and for many stakeholders they will be facing the specific context surrounding it for the first time. Stakeholders will be faced with identifying a number of alternatives for action, many of which will have uncertain outcomes that need to be assessed within the context of the small business where strategy is often enacted in a very different way to the planned and rational manner conceived in many academic textbooks.

Strategy in the small family businesses

The strategy process in the small business bears little or no resemblance to management processes found in larger organisations which have been the subject of substantial academic research resulting in numerous models, prescriptions and constructs (Jennings – Beaver, 1997). In the larger organisation, strategy is often created deliberately as a result of the pursuit of explicit policies designed to minimise costs or achieve product/service differentiation for example. Consequently, strategy becomes a primarily predictive process concerned with the clarification and communication of long term objectives, the formulation of policies to meet such objectives, the implementation of such policies and the feedback of information to evaluate success in the achievement of pre-determined goals. In contrast, strategy in the smaller business is more likely to accidentally arise as a result of the particular operating circumstances surrounding the enterprise. Here strategy becomes an emergent and adaptive process concerned with the manipulation of a limited amount of resources, usually in order to gain the maximum immediate and short-term advantage. In the small business, efforts are not concentrated on predicting and influencing the external environment but on adapting as quickly as possible to the changing demands of that environment and devising suitable tactics for mitigating the consequences of any threatening changes which occur (Jennings – Beaver, 1997).

In the largest organisations, the formulation of strategy can involve hundreds of stakeholders each representing the interests of their own organisation, division, department or profession and drawing on a range of expert knowledge in particular fields. Large businesses organised according to areas of functional expertise (for example, Human Resources, Marketing, Sales, Finance) engage with a range of stakeholders in specialist areas. This complex task involves networking, co-ordinating and managing dynamic relationships that require the formulation and delivery of strategy. The challenges of the tasks should not be underestimated as expert knowledge changes, roles and responsibilities shift, contacts and relationships move, and the ever constant

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drive for innovation and efficiencies force new patterns of working and consequently emergent strategy upon businesses. The nature of the stakeholder environment in large organisations as well as smaller family businesses present a number of ever present problems that verge on the wicked for the formulation, development and delivery of strategy. In the smallest firms all these roles and interests may be enacted by one or two people and the knowledge and skills of these individuals becomes a key factor in the development of small business strategy. Policy discourse in the UK emphasises poor management and leadership skills in the economy and particularly amongst smaller businesses. For example research by the London School of Economics argues that across many countries family businesses are the worst managed type of business (Bloom et al., 2012). There are often calls from researchers and policy makers for the 'professionalisation' of leadership and management in smaller enterprises to improve business strategy. Researchers such as Breton-Miller and Miller (2009) suggest that family businesses are slower and more reluctant to professionalise than non-family businesses, particularly in terms of hiring external managers or seeking external advice and support (from both business support organisations and non-executive directors), while the lack of external shareholders results in less pressure to challenge how the family runs the business.

Strategy in smaller businesses is often practiced instinctively and is seldom a readily visible process (Jennings – Beaver, 1997). This has contributed to researchers identifying a lack of strategic planning as a key mechanism to counteract underinvestment, encourage investment and lead to the sustainability and growth of family firms (Eddleston et al., 2013; Chrisman et al., 2003). Researchers have noted how the familial element of the business acts as a barrier to wider stakeholder engagement when strategic decisions are made away from the workplace and without non-family input (Cunningham et al., 2015). In addition, many small firms lack the resources to conduct strategic planning as a rational, information intensive or discrete process and a range of interwoven business and family objectives add a layer of complexity that is often absent in non-family businesses. This additional complexity is illustrated through the concepts of socio-emotional wealth, heterogeneity and familiness discussed below.

Socio-emotional wealth

The concept of socio-emotional wealth (SEW) has been used increasingly to explain and predict differences between family and non-family firms. Adopting this analytical lens, business success in economic terms is balanced with family considerations and wider social standing in the local community. From this perspective, family owners are frequently viewed to be conservative in relation to risk, innovation or growth that may threaten the business whilst building up the social capital of the business, which tends to lead to stronger relationships with trading partners, advisers and employees as well as within the family itself. Research suggests that the aversion to risk may manifest itself in a number of ways including lower ratios of debt to equity and debt to assets and higher levels of liquidity (Gonzalez et al., 2013; Bigelli – Sánchez-Vidal, 2012). It is argued that this leads to longer time horizons for financial planning purposes facilitating longer-term investment in the business, rather than pursuit of short-term profits for dividends. For this reason, while family businesses may appear to be growing more slowly than non-family ones, longer term that gap may close, as the family business continues its sustainable growth route (Miller – Le Breton-Miller, 2005; Wilson et al., 2013). However, this view runs somewhat counter to the prevailing view of the shorter planning horizons often associated with smaller businesses more generally (Jennings – Beaver, 1997) and may be at least partly explained by the heterogeneity that is increasingly recognised as a characteristic of family businesses (Westhead – Howarth, 2007; Chua et al., 2012).

Heterogeneity

If detecting strategy in small family firms is difficult, so too is generalising approaches across the small family business population. One of the main criticisms in relation to family business research refers to the inappropriate treatment of them as a homogenous group. Researchers are increasingly aware of the importance of recognising potential sources of heterogeneity among family firms that may include leadership goals (Chrisman et al., 2012), governance structures (Carney, 2005) and resources (Habbershon et al., 2003). One of the areas often contested is the relative economic performance of family and non-family firms and the balance between economic and non-economic objectives of family firms. Family owners can be seen as the stewards or custodians of the business and that implies a different set of success criteria, rather than the straightforward profitability or shareholder value often associated with many larger private sector enterprises. These criteria can include providing employment opportunities for family members, both currently (Kellermanns et al., 2008) and in the future (Miller – Le Breton-Miller, 2003), running the business in such a manner as to reflect well on the social contribution made by family owners (Berrone et al., 2012) and preserving family wealth (Chrisman et al., 2003).

Family businesses differ in the degree of family involvement and leadership and management in the busi-

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ness. Some families will take a role in the day to day running of the business whilst others will take a more hands-off approach and involve professional non-family managers. Some will pursue profit maximisation whilst others will follow a more balanced and sustainable approach to business strategy which takes social and environmental concerns into consideration. Long-term business sustainability requires retaining well-trained staff who buy in to the business and feel a sense of engagement or 'ownership' and share the objectives (and successes) of the family. This requires the family owners to recruit carefully, so the employees fit in with the team and the ethos of the business, and treat the staff well to reinforce these values. This may include, for example, and when compared with non-family businesses, a greater commitment to training, a stronger tendency to retain employees during a downturn, higher wages or long-term non-pecuniary benefits such as health insurance, and a smaller salary gap between employees and owner-managers (Miller – Le Breton-Miller, 2005).

Familiness

A defining characteristic of family firms is the interplay between business and family interests that impact on their strategic planning processes. The concept of 'familiness' is offered as an explanation for both the superior and sub-optimal performance of family firms. Familiness overlaps with the corporate culture of a family business, as the founder's and founder's descendants' own values, beliefs, assumptions, and attitudes are absorbed in the corporate culture and influence the way things are done in the business (Barney, 1986). Familiness is created by the interactions between the founder, family members, generations of the family, and the business. This can be a source of strength of the business but it is not always a positive influence. For example, if familiness is not maintained and nurtured, it can rapidly become a destructive force. For this reason Habbershon and Williams (1999) distinguish between distinctive and constrictive familiness, where constrictive familiness develops when founder and family capital are eroded and family involvement becomes an encumbrance to the family business and distinctive familiness exists when family involvement in a business provides a firm with a sustainable competitive advantage. In a similar way Arregle et al. (2012) argue that a family's discretion over strategy and access to resources are very different for family controlled and family-influenced businesses. For example, it is argued that in family-influenced firms access to resources for non-family stakeholders is more open in terms of for example ownership or representation on the board governing the enterprise while in family controlled enterprises this is not necessary the case.

These factors contribute to the dynamic and complex family business context within which strategy is developed and enacted. A range of family and non-family stakeholders can have different values and priorities; familiness exerts a considerable influence on business strategy which tends to be instinctive and adaptive rather than a deliberate discrete process and some researchers and policy makers emphasize a deficiency of leadership and management capability that contributes to the lack of succession planning in many family businesses.

The Case of succession planning as a wicked problem

The problem of succession and the need for strategic planning is widely acknowledged in the family business literature. For example, Eddleston et al. (2013) argue that family businesses in different generational management stages will have different needs with respect to both strategic planning and succession planning. Furthermore, founders who are most interested in perpetuating their legacy and maintaining their family's control of the business are most likely to develop a plan for succession. The deliberate development of a succession plan features strongly in some of the literature and it is argued by some that firms with succession plans should achieve greater firm growth than those that lack such plans. For example, Craig and Moores (2005) suggest that without succession plans, professionalization of the family business is seriously inhibited and an opportunity to address sub-optimal performance that is the result of appointments and promotions of staff or workers that are made on the basis of birth or personal friendship rather than on the basis of ability, education and or technical qualifications are missed. There is clearly some intuitive logic associated with the extent to which those businesses that deliberately plan for growth are more likely to achieve growth and that more skilled and capable workers may be required to address sub-optimal working. However, as we have indicated previously, family businesses are likely to pursue social as well as economic performance objectives and these need to be taken into account in the treatment of succession.

Succession as a complex process

On the surface, the development of a strategy to solve the problem of succession can be viewed as a relatively straightforward event, the moment when a successor takes over as the Chief Executive of a family business or where 'the baton' is passed to the next generation (Dyck et al., 2002; Mitchell et al., 2009). However, this instantaneous view of succession is challenged by many researchers who hint at the wicked nature of the problem arguing that succession is often a lengthy and uncertain process. Jaffe (2005) notes that it is important to recognise that as life spans and careers lengthen, so do the number of years the two or even three generations of a family work together in the business. This view also recognises that succession is more than just about one leader but rather about developing a team for future success when the talent is dispersed in the family or between several non-family workers. Some bring a sense of analytical order to what has been recognised by others as a chaotic process (Watson, 1994). Stavrou and Swiercz (1998) view the process of succession as three distinct stages: (i) pre-entry, where the designated or potential successor(s) are prepared or 'groomed' to take over; (ii) entry, involving the integration of the successor(s) into business operations; and, (iii) finally, promotion to a management position. Whilst this analysis provides an insight into succession as a staged process, it does little to illuminate the social complexity of management transition that is the everyday reality for many smaller family businesses.

There is almost universal agreement that a well-developed succession plan is seen to be a crucial element in successful transfer and succession in the family business and some researchers have identified good practice to support the process. This includes preparing the next generation as soon as possible for succession and developing a formalised succession plan with and agreed by all family business stakeholders (including influential non-family members) (Lansberg, 1988). However these researchers also hint at the wicked nature of succession planning in terms navigating the complex and uncertain waters of relationships between family members and non-family members, reconciling visions and values, reluctance of the older generation to step aside or a younger generation to enter the business and the lack of a precedent to follow.

Implications of familiness

It is the culture and how the concept of familiness is manifested in family businesses that will often contribute to the wicked nature of succession planning. Nordqvist (2011) argues that the key to understand why family firms may be special cases of strategic management is likely to be found at the micro level of social interaction. At this level, everyday interplay and mutual influence of the family and the business are expressed through family and non-family actors who impact the strategy process, as well as where and how these actors interact. In common with strategy more generally, the strength of the leadership vision and the extent to which the family and non-family members are bought into the vision are identified as important factors in successful transitions (Barnett et al., 2012). However, the familiness of many business results in a multi-faceted social environment that introduces complexity in interpersonal and group dynamics, which can result in a range of relational factors that impede the succession process. Sibling or cousin rivalries, conjugal problems, ownership dispersion issues and family altruism are all potential causes of uncertainty in the family business strategic context. Family business members, especially business founders and successors, play different roles in the business and at home and multiple identities have to be traversed and reconciled (Chrisman et al., 2008). The different roles, multiplied by different individual and multi-entity roles, and the underlying needs, values and agenda of each role, make the family business a chaotic organisation during the succession process where family business succession can be considered to be a dynamic, social process between business founders, successors and other stakeholders (Lam, 2011; Watson, 1994).

The strategic needs of the business and what the family wants are not easily reconciled in the process of succession and succession planning. This has led some to argue that financial planning for the future of a family business must include consideration of two dimensions – the family's desires and intentions for the business, and strategic planning processes for the business future (Jaffe, 2005). Jaffe puts forward the idea of a planning process based on a board of directors and a family council to reconcile different interests and to set strategy. The model is seen to help the family negotiate the boundary between the world of the family and the world of the business. However, the two worlds are not always easy to navigate or negotiate as they are often interwoven and the idea of a family council and board of directors is unlikely to suit all family businesses, particularly the many smaller ones that are renowned for the informality of their governance structures. Trying to reconcile the competing needs and demands of family and business and of different family members is not something that is easy to achieve and it is important to take account of expectations of the business and of family life with regard to strategies for succession planning. The frequency and magnitude of conflict has been found to increase with the number of closely affiliated family members with organisational roles, the number of non-involved family members who can affect business decisions and the strength of the founder's shadow cast over the business (Davis – Harveston, 1999; Memili et al., 2013).

Leadership characteristics

Several studies have focussed in the personal, emotional and developmental characteristics of the founder-owner and their role in the succession process

(Levinson et al., 1978). The inability on the part of the founder of the business to let go and a lack of trust and motivation on the part of the successors or other family members are identified as key relational factors that contribute to the wickedness of the succession process (Bjornberg – Nicholson, 2012; De Massis et al., 2008). The family business leader is subject to a number of competing and conflicting business and family influences that may cause dissonance leading to erratic and unpredictable behaviour, which is in complete contrast to the rational, professional and acceptable management role portrayed by Mintzberg (1973) and others. A study undertaken by Lam (2011) suggests that many business founders are reluctant to seek external professional advice in the process of family business succession: many do not see the value and rationale behind it, while others feel that it demonstrates their incompetence to lead a family and hand over the business to the next generation.

Within the context of transition, Lansberg (1988) labelled a phenomenon as the succession conspiracy when observing that not only is the incumbent leader often reluctant to retire, but those employees, family members, customers, suppliers, and other key stakeholders close to the founder encourage such reluctance. This conspiracy means that the plan for retirement is often placed on hold and goes part way to explaining why so many family business owners fail to set out a clear succession plan.

Implications of SEW

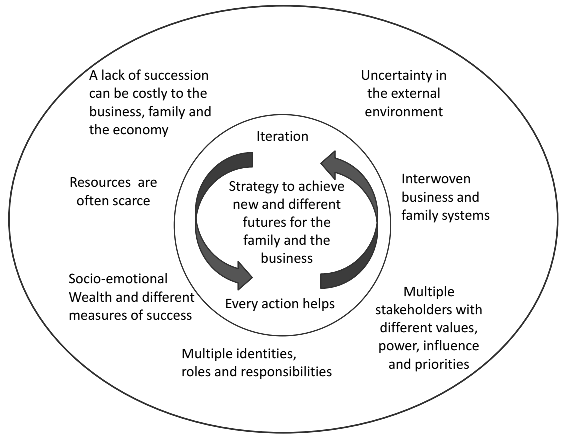
Research has also emphasised more diverse pathways of succession, looking through the prism of what exactly SEW means. For example, while transferring the business itself to a family member might be seen as ideal, not doing so should not necessarily be seen as a failure. For example, transferring the physical entity of the business itself may be less crucial than the transfer of its core values, such as entrepreneurial spirit, or of creating opportunities in general for the next generation (Salvato et al., 2010). This opens up a variety of potential avenues for succession beyond the traditional founder-family member succession that tends to dominate the discourse. As DeTienne and Chirico (2013) note, family members may exit one business entity and simply redeploy resources into other business activities to suit their wider family-business interests at a given time.

Towards a framework

Our discussion leads us towards the development of a framework to illustrate the key characteristics of succession planning in small family businesses and the wicked problem that it presents for strategy (Figure 2).

Figure 2

Characteristics of the wicked problem of succession planning in small family businesses



The framework draws attention to the pressures exerted by the external environment and the interaction between the interests of the family and business systems at play in a given context (Basco – Rodriguez, 2009). It recognises the differing power and influence of stakeholders including family members, non-family members, customers, suppliers, competitors and the community play in contributing to the wicked nature of the problem of succession whilst at the same time recognising the role that they may play in taming it. The notion of familiness is important to recognise in this context as it opens up a wicked dynamic in the family business context. A key characteristic of the nature of the problem of succession in a small family business are the multiple roles, responsibilities and identities of the family members which may change over time and influence strategy and decision making in the business and at home to varying degrees. A further characteristic is the role that socio-emotional wealth plays in strategy, planning and decision making as it is important to our understanding of both processes and measures of success in the family business context. Limited resources, including both financial and managerial, exert an influence on strategy in many small businesses where a lack of attention, knowledge or infrastructure to support succession strategy and the aligning of business and family interests may exist. Leadership and management capability and the apparent unwillingness of family businesses to ‘professionalise’ or to seek external advice clearly impact on the nature of strategic planning in this context. The framework also recognises the cost to the family, business and wider society that is the result of inefficient or ineffective family business succession that may be incurred. The framework is not exhaustive, however it does highlight the key characteristics of succession planning in a family business context that contribute to it being a wicked problem. In the following section we consider the implications of our analysis for practice and policy.

Implications for practice and policy

Many of the problems that small family businesses encounter are formidable, not straightforward to resolve and the strategies developed for succession are often not easy to recognise. Wicked Problems in the context of strategy for succession in small family businesses involve twists, turns, the unexpected, change, challenge, uncertainty and turbulence. Research typically suggests that well developed succession plans are a key to successful succession, particularly those that take into account the relationships between family members, the early preparation of successors and when family businesses engage in planning for wealth-transfer purposes (Morris et al., 1997). However, well developed plans appear to be a relatively rare occurrence in the wider small family business population (Jaffe, 2005). We argue that the reasons for this lie at least in part in the wicked nature of the problem and the process of formulating strategy for succession.

Co-created strategy

Whilst most strategy textbooks and teaching will focus on the business, formulating a succession plan for the family business requires much more than analysis of the external environment and determining business vision and direction. There is a growing recognition amongst academics, practitioners and business intermediaries of the need to work with the family prior to working with the business. It is argued that individual family members and the family as a whole must look at its own values – about generating wealth, spending or saving it, and how it wants to be remembered in the community (Jaffe, 2005). The strategy process also needs to consider ownership as well as management succession as they may occur together or at different times. In a review of the paths that connect next generation members with their family business, Nicholson and Bjornberg (2007) identify a range of choices and challenges associated with social and relational issues such as what measures need to be employed to encourage emotional attachment and avoid the possibility of damaging splits developing between family and non-family stakeholders during the succession planning process.

The concept of the wicked problem is powerful here and can help shed light on strategy that may influence practice in this context. It is not a case of a straight choice between prescriptive, emergent or adaptive approaches as they are not necessarily alternatives and there is always likely to be some deliberate aspect to emergent and adaptive strategy and vice versa. At the heart of a strategic approach to succession in a small family business lies the involvement of family members and other stakeholders in decision making processes and the effective communication of the process and outcomes to all involved in the future of the business. A process of individual and collective learning appears to be a key aspect of solving wicked problems with much of that learning (at least in the initial stages) focused on what the actual problem is (Roberts, 2000). Communication and involvement of family and wider business stakeholders can help inform and better understand the complexity of the problem and ways in which it might be addressed although there may be a tendency for power and decision making to be concentrated amongst a select few in many small family businesses and the extent of an inclusive approach will be contingent upon specific circumstances. Camillus (2008) cautions against such groupthink in the taming of wicked problems and recommends the involvement of a wide range of stakeholders as one way in which this can be minimised. In the family business context this may include non-family members and trusted external advisors such as accountants or solicitors. Assumptions need to be questioned and future scenarios should inform the directions that small family businesses take in developing strategies for succession. To maintain and create a sense of family business identity it is important to hold on to and not lose sight of its purpose. Strategies for succession in small family businesses that seek to address wicked problems may of necessity entail some trial and error and a degree of experimentation as to what might work. As wicked problems change according to the solutions put forward to address them, their shape and form of the problem is never a constant. We argue that thinking about the problem of succession planning in this way leads to an alternative approach to strategy, founded on social planning processes to engage multiple stakeholders, understand hidden assumptions, to create a shared understanding of the problem and to foster a joint commitment to possible ways of resolving it.

The focus of much of the literature associated with confronting wicked problems suggests that a collaborative approach to strategy that leads to the formulation of a common, agreed approach in which the people who are affected also become participants in the solution is a key characteristic of an approach seeking to tame a wicked problem. This is far more preferable to more traditional authoritarian, top-down or competitive approaches to strategy development that still dominate thinking in some organisations and settings (Roberts, 2000). This would appear to be in tune with the interests of many small family businesses where the development of succession strategy requires the navigation of socially complex family and business systems where key actors may have multiple identities and roles. Roberts (op cit) also suggests that numerous, small scale solutions will create better system resilience and this finding has some resonance with the emergent and adaptive approach to strategy more generally adopted in smaller family enterprises as they seek to sustain the business and preserve family wealth. Several authors join Roberts in arguing for leadership approaches to address wicked problems that are more collaborative than authoritarian. For example Waddell et al. (2013) highlights the value of leadership capabilities in terms of facilitation, emotional intelligence and the ability to respect and understand many perspectives and viewpoints. This will undoubtedly represent a challenge for some practicing more authoritarian, directive or exclusive leadership styles. The nature and 'quality' of leadership and management and the role that professionalization plays in the development, growth and transition of small family enterprises remains a concern for some researchers and policy makers worthy of further investigation in the light of differing measures of success adopted by various external stakeholders.

Implications for business support and intermediaries

The wicked problem of family business succession has wider implications for business support policy at the regional, national and international levels. Policy makers tend to identify the absence of a succession plan as an indication of the lack of preparedness for succession. The empirical evidence is patchy and subject to selection bias as surveys are often based on samples of family firms that are clients of business intermediaries undertaking or sponsoring the research. However, a consistent picture of market failure in the form of a lack of formal planning for succession in family businesses emerges. For example, the Price Waterhouse Coopers Family Business survey reports that just thirteen per cent of businesses have a discussed and documented plan for succession (PWC, 2014). Institute for Family Business research suggests that about one third of family businesses are passed on to the second generation and one tenth reaches the third generation with the rest being closed or shut down (IFB, 2008). The sheer number of family businesses, their heterogeneity and familiness combined with the wicked nature of succession planning mean that they are not a primary target for many policy makers looking for relatively easy, high profile and quick wins. In a period of austerity in the public sector, policy makers are increasingly turning to the private sector to achieve wider social and economic benefits from their activities and to draw on business networks to fill the gap that has emerged as a result of the reduction in public funds for business support.

An extensive literature identifies the important knowledge transfer role that intermediaries such as accountants, bankers and solicitors play in the development and sustainability of small businesses (e.g. Curran et al., 2000). At the same time, there is recognition that no single organisation can resolve wicked problems, thus making the interaction of multiple stakeholders imperative (Waddell et al., 2013). Many business intermediaries adopt intervention strategies that go beyond their core offering of financial or legal advice to offer specialist services aimed at family businesses. It is important these intermediaries recognise the wicked nature of the problem of succession and promote strategy processes that help to tame it to the benefit of the business, the family and the intermediary. This is not necessarily a simple or straightforward process and it takes time to build trust and confidence in relationships with multiple stakeholders. Family businesses may be understandably reluctant to open succession discussions with external stakeholders for a variety of personal and commercial reasons. They may regard succession as being 'too difficult', deferrable or not of immediate benefit or threat. Within the context of funding for family business growth, researchers have identified an 'empathy gap' between family business objectives and the institutional conditions attached to equity funding. This gap is based on the situation where financiers struggle to understand the family business model and adapt their funding offer to take greater account of family business finance preferences (Poutziouris, 2001). All intermediaries need to be aware of the need to adopt engagement strategies to overcome the empathy gap in order to connect with the world of the small family business. However, the extent to which business intermediaries have the incentives necessary to invest in approaches to build the trust necessary as a pre-cursor for discussion of succession issues with small family businesses is uncertain. Some of them are already equipped to offer the support for planning processes that engage multiple stakeholders, understand hidden assumptions, create a shared understanding of the problem and foster a joint commitment to possible ways of resolving it. They are also able to contribute to the implementation of such strategies through advice and guidance on a range of tax planning and employment issues, ownership, business sales, dispute resolution and mergers and acquisitions. Many larger family businesses will engage with services of this type however many of the smaller ones will be unable to afford these services or lack the necessary level of trust or belief in the value that they may realise to draw on them.

Conclusion

The family business construct sets a number of constraints that impact on family business strategy for succession. The parameters that constrain as well as enable the workings of the family and of the business together with the challenges of the external environment create a wicked problem. Complexity and uncertainty around succession, the strategy process and the form the family and the business should take in the future pose significant challenges for strategy and succession in small family businesses. We suggest that this is best seen as a wicked problem that may be addressed in an incremental, collaborative and ongoing way to meet specific family and business issues. In this context the notion of emergent, adaptive strategy, founded upon emotions and relationships is particularly apposite for the unbounded world in which small family businesses and succession issues operate. Partial solutions to different aspects of the problem serve to deliver strategy options that can be tried and tested in the 'real world' characterised by messiness and change where there are no right or wrong answers only better and worse solutions.

Strategy for management and ownership succession in small family businesses requires degrees of consent and buy in by those immediately involved as well as wider stakeholders. However, part of the problem is that rather than consent there is in fact much dissent in the social settings as to the form, nature and direction of strategy and succession within the family and the business. Unbundling family from business and business from family frames what is undoubtedly a problem of wicked proportions. Where standard business strategy tools are used, they need to be supplemented with approaches that take into account of the influences and power of the family dimension that is part and parcel of the small family business equation. Leadership emphasising collaboration, emotional intelligence and facilitation has a key role to play in the taming of such wicked problems.

The future is there to be made in a resource-constrained environment and family businesses and their external stakeholders have the capacity, competence and capability to deliver a richer and more rewarding future for all. Within this challenge a clear way forward must surely be recognition of the problem itself though the evidence suggests that too many small family businesses do not recognise the need for succession planning or if they do, they do not take steps to develop the plans necessary to ensure succession. Many family businesses appear to put off or ignore planning for succession and developing networks to support the process. There are of course no straightforward, easy answers to matters that cannot necessarily be reconciled for mutual good of family or business. Structures, processes and relationships that regulate and help the small family business to succeed can also act against the interests of family and of business in matters related to succession. Strategy for succession in family business is by virtue of the many and varied challenges discussed wicked but far from being a negative recognising this can be a driver of change that can deliver a different future fit for the time and appropriate to the context.

Despite the nature of the uncertain environment in which small family business operate and in which strategy takes place, the future should be perceived as one offering hope and promise. Policy and practice can do so much and recognising the wicked problem of succession planning in small family businesses has to be a first step on the journey to delivering succession that is likely to succeed.

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SUCCESSION IN THE FAMILY BUSINESS: NEED TO TRANSFER THE 'SOCIO-EMOTIONAL WEALTH' (SEW)

Rather often we have to confront with the pessimistic views on the future of the family business. Contrary to these prognosis, the FB is not only present but also improving its position in the global economy and playing a key role in the European economy too. They represent 60 % of employment and more than 60 million jobs in the private sector. Among many internal challenges of FB in the five years' time, the importance of the 'company succession' is increasing together with the renewing technology and 'attracting the right sills/talents' (Global Family Survey, 2015).

This article is focusing on the transfer of socio-economic wealth (SEW) as a key intangible asset within the intergenerational changes in the FB. The paper outlines the various concepts (narrow vs. broad) of the SEW and special attention is paid to the risk prone [taken] and risk adverse entrepreneurial attitudes. In this relation, the authors made distinction between the 'opportunity' and 'necessity entrepreneurs'. Using empirical experiences based on multi-site company case studies in the three INSIST project countries, the various sub-sections are focusing on the transfer of the following key components of the SEW to the next generation: trust-based social-system, generic human values (i.e. openness, mutual respect, correctness, reliability, responsibility etc.) and 'practice based – embedded collective knowledge'. Key lesson of this analysis is the following: transferring physical assets in the succession process seems to us less important than the transfer of the intangible one embedded in the company's culture community. Further systematic national and international investigations – combining quantitative and qualitative research tools – are necessary to acquire more accurate picture on the impacts of transferring both intangible and tangible assets in the succession process in the FB.

Keywords: **family business, succession, tangible and intangible assets, socio-emotional wealth, necessity – opportunity entrepreneurs, trust-based social relations**

Half a century ago, management scholars drew a rather pessimistic picture of the future of the family business. They anticipated '*... the hereditary principle to fade fast, because of the greater ability of professionally-run public firms to raise capital and attract top talent. In fact, family firms have held their ground and, in recent years have increased their presence among the global business*' (The Economist, 2014, p. 2.). Inspite of this prognosis the FB is not only present but also improving its position in the global economy. According to the *Fortune 500* company list, the share of FB increased from 15 % in 2005 to 19 % in 2014 in the global economy. In addition, the well-known consulting firm McKinsey predicts that '*in 2025, family companies from the emerging world will account for 37 per cent of all companies with annual revenues of more than USD 1 billion, up from 16 per cent in 2010.*'[1] In the case of the European economy, FB represents 40 per cent of the Fortune 500. According to the latest Eurofound report (2015), within the small and medium sized (SME) sector, the FB sector creates more than four fifths (85 %) of the new jobs. Employment within the FB represents almost two thirds (60 %) of jobs or 60 million people on European level in the private sector.

Within the next year, more than two thirds of FBs expect changes both in ownership and management in Europe More precisely, one fifth (22 %) of them plan to pass the ownership of the business to the next generation (NxG), almost one quarter (24 %) of them are planning to transfer management of FB to the next generation and more than one fifth (23 %) are thinking of appointing a non-family CEO but keeping family

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ownership/control. This trend is recognised by the European Commission's 'Entrepreneurship 2020 Action Plan' too: '*... the transfer of business ownership with the transfer of management from one generation to the next, is the greatest possible challenge facing family business*' (Niebler, 2015, p. 8.). The situation is similar in [the] Hungarian economy: according to the leading consulting firms, generational changes will take place almost in the two thirds of the firms. (Napi.hu, 2016, p. 7.).

This paper presents an analysis of the special features of the succession process in the FB. Succession has a central function to sustain survival -'survivability' – of the business. Succession means the transfer of business to successor in a broadest sense, that it is,'... all forms of the transfer of leadership and financial responsibility are included' (Goydke, 2016, p. 51.). Socio-emotional wealth (SEW) is an often underestimated intangible component of this process in comparison to the tangible ones (i.e. physical assets, financial resources). The intangible assets like patterns of social relations, the habits to work diligently, to be frugal, to retain reputation of the firm in the local community, networking with other firms etc. are playing key roles in the longevity of the Family Business (FB). The experiences analysed in this article based on the literature review and particularly on the first hand company case study experiences. (Annex 1 presents the short description of the companies surveyed.) Cases study method was purposefully selected as a qualitative research tool to "... understand how people interpret their experiences, how they construct their world and meanings they attribute to their experiences' (Tomory, 2014, p. 60.). In our analysis, instead of single-case study method we used the so-called multi-case or multi-sites case study strategy relying on the experiences of the ten company case studies carried out in the three countries – Hungary, Poland and the UK – of the INSIST project (2014–2016).[2] (See the Annex 2 on the main characteristics of the company case study method!)

The paper is organised as follows. Besides concluding remarks, there are five sub-sections. The introduction is presenting the importance of the FB. The next section identifies the main characteristics of the SEW. Section 3 examines the risk taking attitudes of entrepreneurs and section 4 role of psychological ownership. Section 4 outlines the transfer of such intangible assets as values, identity, networking, etc. Section 5 explains both positive and negative sides of the trust based – social relationships in the FB. The section 5 analyse the importance of transfer of generic human values and embedded knowledge for the survivability of the FB.[3]

The Concept of 'Socio-Emotional Wealth' (SEW)

The SEW belongs to the 'umbrella concept' of the *social capital*, which was first systematically studied in the early 20th century and indicated the importance of the '... social cohesion and personal investment in the community. It evolved to highlight the importance of the networks of personal relationships to provide basis for trust, cooperation and collective activities' (Goto, 2014, p. 88-89.).

Table 1.

Contrasting Restricted Versus Extended SEW Priorities

	Restricted SEW	Extended SEW
Typical SEW priorities	Permanent job security and access to business resources for all current family members	Long-term well-being of motivated later generation, able and willing to nurture the firm
Focal stakeholders	Immediate family	The family over time, the business and all its stakeholders
Related theories	Agency and behavioural agency theory, family altruism	Stewardship theory, stakeholder theory, sustainability
Governance arrangements	Family dominated leadership and governance – regardless of capability	Competent, motivated family members only; balance between family and non-family executives and directors
Strategic outcomes	Strategic conservatism or stagnation, sparse investment in the business, risk version, family extraction of funds from business	Generous investment in products and processes; continuous reinvestment in the business and its renewal
Commercial outcomes	Inferior growth and longevity	Superior growth and longevity
SEW outcomes	Nepotism, entrenchment, family control of firm	Family pride in their offering(s) and relations with stakeholders and the community

Source: Miller – Le Breton-Miller (2014, p. 717.)

The concept of SEW stresses the importance of the non-financial benefits of family members from the business and '... family members are said to attempt to manage their business not to maximize financial returns but to reserve or increase the socio- emotional endowments they derive from the business...they may work against the interests of non-family owners ... preserving family control of the firm by avoiding profitable investments and initiatives that would threaten such control' (Miller – Le Breton-Miller, 2014, p. 713.).

SEW has a variety of outcomes, both positive and negative, depending very much on the socio-economic environment of the firm's operation. For example in a stable and slowly changing market context a conservative or risk averse attitude and the drive of the family to control the business to secure position for the next generation could be beneficial. However, if the context is that competition is intense, price pressure is constant and technological change is speeding up then this conservatism becomes "dysfunctional" and may result in the "strategic stagnation" (Bertrand-Schoar, 2006) of the company. In addition, motives or priorities of SEW may result – especially in the long term perspective – in significant positive outcomes, such as: '... care for reputation in the community and thus solicitous treatment of stakeholders may create loyal partners who can actually help enhance financial performance (Miller – Le Breton-Miller, 2014, p. 714-715.).

To better understand the various outcomes of the SEW identified in the company case studies of the INSIST project, it would be useful to adopt Miller – Le Breton-Miller's (2014) approach which makes a distinction between the "narrow and short-term" and "broader and long-term" dimensions of SEW. The Table 1 summarises the characteristics of both "restricted" and "extended" SWE.

SEW: Dominance of the Risk-Taking and Pro-Growth Attitudes

Attitudes of family owners/managers towards the growth potential of the firm represent a core part of the literature. These attitudes have an important impact on the "survivability" of the FB and are rather often underestimated in the complex and long-lasting process of succession. In relation to this, it is necessary to mention the "loss" averse" / "risk averse" attitude of FB, which is reflected in entrepreneurial behaviour '... to scrutinise opportunities very carefully and eschew diversification into the new market areas, unless closely related to the existing line of business' (Devins, 2015, p. 23.).

This loss adverse attitude depends very much on the scale of resources available for the entrepreneurs and on the competitive pressure. This vigilante, loss adverse behaviour of the owner/founder may result – in the short run – in growth- and innovation-resistant behaviour. However, from a long-term perspective this "anxious vigilance" should be interpreted as supporting the well-prepared, evidence-based and tested exploitation of the opportunities via growth and/or innovation.

Reviewing the company case studies experiences, we may identify the diversity of this "anxious vigilance" or, using a more appropriate term, "patient capitalist" attitudes of FB shaped by the SEW priorities of various types of entrepreneurs and generations.

Beside this general pattern found in the literature, it is worth calling attention to the following two broad categories of entrepreneurs: 'Opportunity' versus 'Necessity' entrepreneurs**.** In the case of the "opportunity" entrepreneurs, the '... main motif is the desire for 'independence' and a desire to 'work for themselves' (Mascherini-Bisello, 2015, p. 13.). In the other case, the so-called 'necessity entrepreneurs ... are pushed into entrepreneurship because they have no other employment options' (Mascherini-Bisello, 2015, p. 13.).

In the INSIST project countries we may identify visible differences in the rate of 'necessity' versus 'opportunity' entrepreneurs between Hungary, Poland and U.K. Due to the radical political-ideological and economic changes i.e. the shift from state-socialism to the market economy in the two transformational countries, a large segment of the workforce that was formerly employed by the state or cooperative owned firms lost their jobs and became unemployed. These people became the 'forced entrepreneurs'. Both in the past and present, this pattern of entrepreneurship exists but its prevalence depends very much on the radical changes in the labour market created by intensive continuous restructuring taken place both in the global and the national economies.

Looking at the percentage of "necessity entrepreneurs" in the three countries surveyed, their share in the group of the adult entrepreneurs is much higher – almost double – in Hungary and Poland than in the U.K. Comparing the groups of adult (35-64 years) and young (18-34 years) entrepreneurs, the differences remain between these countries. Surprisingly enough there is a relatively high amount of young "necessity entrepreneurs" in Poland in comparison even to Hungary. In the category of adults, the share of "necessity entrepreneurs" in Hungary and Poland is similar. However in the U.K. the share of this category of entrepreneurs is below the EU-28 average, as shown in the Table 2:

Table 2.

The Share of 'Necessity entrepreneurs' in the INSIST Countries – 2013

Countries	35-64 year old entrepreneur	18-34 year old entrepreneur
Hungary	37%	23%
Poland	38%	42%
U.K.	21%	14%
EU-28 average	28%	17%

Source: Mascherini-Bisello (2015, p. 14.)

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When considering "necessity entrepreneurs", it is necessary to make distinctions in the case of Hungary and Poland between the generations who started FB in the aftermath of the collapse of state socialism at the beginning of 1990's and the new generation who is choosing the carrier of an entrepreneur in the FB due to disillusionment with the other types of employment (e.g. working at large public or private firms with insufficient autonomy or promotion opportunities etc.).

The case of the Hungarian food processing (Quality Meat Ltd.) and the Polish construction companies (Pillar Ltd.) illustrate well both the first and second type of "necessity entrepreneurs". In the first case, the owner-founder lost his job at the agricultural cooperative during the early mass privatisation movement that took place in the early 1990's.

> *'My old workplace, the co-operative's slaughterhouse and meat processing plant, closed down. But I did not want to be in others' employment. I thought more of myself than to give up my independence. My wife and I had a little money saved and we started our micro-enterprise in 1992'* (Szentesi, 2015, p. 5.).

In the second case of the Polish Pillar construction company the older son belonging to the second generation of entrepreneurs was dissatisfied with the large international company employment practice and left it for the family firm of his parents and became a successor too, alongside the younger son who had prepared to be entrepreneur from his childhood:

> *'The owner couple, Martin and Helena first realized they should start considering and planning the succession when their older son started working for an international corporation while still being a student. They were surprised he didn't take a career in the family business for granted. Only then did the parents decide to plan and implement a succession process. They started talking with both sons about their possible future roles in the family firm. These conversations about engaging them in the future development of the company lasted for two years. Eventually, the sons agreed with each other and with the parents to undertake cooperation with their father. It should be mentioned that the older son was a bit disappointed with the work at the large global corporation and that was the main reason for changing his mind. In the meantime he gained significant business experience by working for the corporation and obtained an MBA management degree'* (Gorowski, 2015, p. 5.).

The risk avoidance attitude of the FB – where the owner-founder is labelled as a "necessity entrepreneur" – relate to the short-term perspective of the business. However, if this "anxious vigilance" attitude is coupled with a long-term perspective of business, it is not at all contradictory with the pro-growth or innovation strategy. Quite on the contrary, this risk cautious attitude may help in the carefully prepared future development of the firm. This strategy dominates the overwhelming majority of the company case studies in the INSIST project.

Growth or innovation strategies were identified in all the company cases – with the exception of Hungarian Quality Meat Ltd. -. The growth and innovation driven firms in the company case study sample belong – without exception – in the category of the "opportunity entrepreneurs". The strategy of these FB firms is characterised by "longer-term investment in business, rather than pursuit of short-term profits for dividends" (Devins, 2015, p. 23.).

We found within the same company case examples for both "risk-averse" and "pro-" growth" attitudes that reflected restricted and extended SEW. This is the case of the British Parodan Engineering, when the company grew under the management of founder/owner H. Woods, he *'... tended to put friends and family members on the payroll ... this sometimes led to a mismatch between the skills required and the skills available in the business, (but) it did create a very loyal workforce with low staff turnover and strong morale'* (Wymer, 2015, p. 8.).

When his son Paul, the succeeding Managing Director took control, he

> *'... has a very clear vision for the company based on increasing capacity and profitability. He is keen to ensure people are hired for their skills and abilities and not just because of their relationship to the family... he needs to ensure he has the right people in place to realise the ambitious growth plans'* (Wymer, 2015, p. 9.).

Company case studies characterised by pro-growth or growth averse strategies are presented in Table 3.

In another case, György, the owner in the Hungarian BI-KA Logistics Ltd.,

> *'... has a motto, that 'if it is not growing, it is decreasing'. He defined 5 KPIs that Gabriella (her successor in manager general) has to reach quarterly. In the last two years, she has exceeded even these ambitious requirements. Income improved by 20% and business results improved by 56% in 2013'* (Kiss, 2015, p. 3.).

Table 3.

Company case studies and the types of development strategies

Countries	Pro-growth strategy	Growth averse strategy
Hungary	BI-KA Logistics Ltd. Fein Winery	Quality Meat Ltd.
Poland	Plantex Case Pillar Ltd. The WITEK Centre The WAMECH Company Ltd. DOMEX Ltd.	-
UK	Podiums Ltd. Parodan Engineering	-

As result of this growth strategy, BI-KA Logistics Ltd. is planned and the doubled its transport fleet in 2015. The Polish Plantex Case, which was founded at the beginning of 1980's, is characterized by strong growth performance in the high-tech horticulture sector, too.

> *'In 1990, when a market economy was introduced in Poland, the company started developing more dynamically. The milestones in development were:*
> *1.* 1997 – construction of a modern laboratory enabling sterile propagation, equipped with technologically advanced air filters and other high-tech equipment,
> *2.* 2003 – purchase of 3-.5 ha of land near the City, in Village
> *3. October 2008 onwards – implementation of* ***GLOBALGAP®****, a certified programme of quality assurance. This is a system of overall good agricultural practices aiming to protect the customer and environment.'* (Paszkowska, 2015, p. 1.).

A growth strategy may focus on getting and keeping position in the niche market of the high-quality specialised product. This is the strategy of the Hungarian Fein Winery*:*

> *'Fein Winery has no aspiration to reach a definite proportion of revenues coming from exports, however Fein wines could be found in the famous restaurants across Europe like the three Michelin star restaurant Fat Duck in London. The international market presence serves as a benchmark of quality. Direct orders are built on personal recommendations therefore reputation and quality has a high importance'* (Gubányi, 2015, p. 4.).

A similar growth strategy characterises the British Podiums Ltd. shifting from products of other firms to product development, manufacture and installation. As a result of the new strategy both the productivity and profitability of the business improved significantly.

> *'It was at this time that Paul (owner and managing director) developed a new strategic plan for the business. The external market was changing, with fewer opportunities for distributors of access platforms and specifies of work. This was being driven by technological changes and the wide availability of online information for clients to use. Paul began to change the focus of the business from sales of other companies' products to the development of tailored design, manufacture and installation of specialist access platform solutions. With his son taking an active role in managing the operational part of this, the business moved away from sales and service and Paul began to consolidate the business. The business became more knowledge-intensive with a design office being established and the development of systems for producing bespoke solutions no matter how simple or complex. The result of the change in strategic direction has been a significant improvement in the productivity and profitability of the business'* (Devins – Marran, 2015, p. 4-5.).

Risk averse or strategic conservatism is located on the other extreme point of the scale of SEW. This strategy is represented by the Hungarian Quality Meat Ltd. According to the researcher who made this case study, the risk adverse strategy of the owner/founder should be explained by his fear of losing control as the company grows in size:

> *'... the company has no plans for future growth. They (both the owner/founder and his two sons as successors) would like to keep the present size of the company ... they do not plan to open new shops in another town. They would not have enough time to check the operation of the new shop(s) and they do not want to employ another senior staff member'* (Szentesi, 2015, p. 4.).

Transferring Intangible Assets in the Succession process

The psychological ownership reflects both the owner/manager's and the potential successors' way of thinking or mental dimensions in relation to the business, family and the community in which the FB is embedded. For example, the owner/founder of the Hungarian Quality Meet Ltd. stressed several times during interviews the importance of *directness, honesty and trust* and he treated his two sons as successors through this lens:

> *'I am a straight man and I expect it from others, too. There is something of me in both my sons. Károly Jr. is tougher and more consistent than László, in whom I discovered my more emotional side'* (Szentesi, 2015, p. 12.).

In the British Podiums Ltd. case for the owner/manager, the key role of the experienced and knowledgeable "core" staff (non-family key employees) and their *identity with the firm* became visible during the difficult period of consolidation and re-structuring of the business activity. This was the key motif in implementing an **"**Employee Stock Ownership Plan" *(ESOP)* for their key employees, which operates as a powerful incentive tool.

> *'A key element of this plan was to strengthen the ties with existing managers working in the business …For a variety of reasons (not least achieving effective tax efficiency for the owner, employees and the company) an Employee Benefit Trust was established to transfer 10% of the business to eight key employees. When the company makes a profit, the managers share in the profit equally under this scheme. The "Employee Benefit Trust" acts as an incentive for managers to help make the business more successful and encourages retention, whilst maintaining the principle of family ownership'* (Devins – Marran, 2015, p. 4-5.).

The Polish Plantex Ltd. is operating a highly-advanced micro planting plant, where the extremely rich professional experiences of the founder/manger guarantee the safe operation of the firm and at the same time demonstrate the key role of the *family ties in the collective learning process* resulting in a strong professional identity of the family members.

> *'The whole family perceive the family business as a bedrock and source of their professional identity. That's why the position of Antoni, the founder and owner is so strong. Not only has he built a sound business but the family admires him for enormous professional knowledge, expertise and willingness to share it with the new generation. His leadership style is strong and individual, but he has no problems with delegating or sharing responsibilities. If there is any reluctance towards undertaking managerial duties, it's due to the successors' unwillingness to take over rather than any barriers on Antoni's side'* (Paszkowska, 2015, p. 8.).

The Hungarian Fein Winery Ltd. case study is a good illustration of, how the FB firm is developing a *wide national-international network and social responsibility* to improve the economic performance of the local economy. Social responsibility is "transferred" and "maintained" by the family members (e.g. wife or, successor son) and not limited to the activity of the founder/owners. However, his example is an important driver in developing a strong identity with the *community of the wine business.*

> *'The founder manager, Tamás has begun to establish a social network and take responsibility for the local community after founding the family company in 2003. In various wine related organizations the founder manager plays a central role. An excellent example of this initiative is the so-called Etalon, a blend of four winemakers' wines from the region…'*(Gubányi, 2015, p. 6.).

Trust-based Social system in the FB: Its Strength and Risks of Erosion

According to the literature of the FB one of the most important advantages of the family firms is the high level of social-cultural control – based on trust relations – which bind together both family and non-family employees in a common purpose.[4] The trust-based relations are the sources of the exceptional strength of FB, which often help the firm in navigating during the periods of severe economic difficulties. In this relation it is necessary to stress that, "... family firms are stronger than other type of business in the social capital, offsetting the weakness in human and financial capital to show the same or even better performance." (Goto, 2014, p. 8.).

However, it is necessary to indicate the long and difficult process of trust building and consider the risks associated with its fast erosion. In this section, we intend to demonstrate both the positive impacts of the trust based strong ties and also their negative side effects resulting from a violation of trust in the business practice. According to the experiences of Polish FB literature review, '... close relatives (e.g. parents and offspring) have height-

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ened inter-personal emotions because they care deeply about each other's feelings and about how they are perceived by each other. These emotional links can present advantages for family firms, as they can include loyalty, mutual understanding and trust, but they can also lead to misunderstandings and have a negative impact on the performance of a family firm' (Surdej, 2015, p. 20.).

The trust based strong social-cultural control in the FB – as British experiences indicate – has also a negative side of the coin when, "self – conflicting messages ... among family members through ongoing social interaction... giving rise to the confusion, frustration, disappointment, rivalry and emotional trauma that is commonly experienced by business founders, successors and other stakeholders, including family members and non-kin employees" (Devins, 2015, p. 27.).

Polish family operating in the engineering and metalworking sectors adopted an employment practice supporting building up trust relations between family and non-family members in the company:

> *'The company has its own code of behaviour and all employees subscribe to it. The basic principle in the company relates to treating employees with respect. This includes providing proper remuneration, opportunities to gain new qualifications and support in times of personal hardship. Family members are close to and supportive of each other. All of them subscribe to the values described above'* (Konopacka, 2015, p. 6.).

According to the Polish experiences, '... a family firm should avoid ambiguity between treating non-family members as if they are co-owners in times of sacrifices (expecting from them wage restraints) and treating them as dependent workers in times of prosperity (not sharing with them the benefits/profits)' (Surdej, 2015, p. 25.).

This kind of ambiguity of owner-managers' expectations in relation to non-family members may destroy one of the most important intangible assets in the FB: the trust-based social relations as a source of exceptional-long-term commitment of employees towards the firm. The anticipated result would be the following: short-term financial transaction ('cash-nexus') will replace the reciprocity-base regulation of employees' behaviour in the firm.

Survivability of FB: the Key Importance of the Transferring Generic Human Values

Survivability of the FB could be interpreted as a set or '... a combination of human, social and financial capital, working in a way that distinguishes family from non-family businesses' (Devins, 2015, p. 24.).

In identifying the various components of the human and social capital it is worth stressing the importance of such values as openness, motivation to personal development and eagerness to learn and therefore support the beneficial effect of lifelong learning in regard to the survivability of the firm. The company cases illustrate well how these generic values function in business practice in shaping the complex and time-consuming process of succession. In the case of the Hungarian BIKA Logistics Ltd, for the owner,

> *'... core human values are openness, learning behaviour, the need for development, respect and humility, acceptance of others, and beyond the materialistic world, how to give. Now I am able to give, but for this I need a management team who operate the system. If they run the company properly, I will be able to live this life in line with the values'* (Kiss, 2015, p. 4.).

The continuous learning – formal training and 'learning by practicing" – are decisive factors in guaranteeing the sustainability of the British Podiums Ltd. too.

> *'Learning generally plays a key role in the sustainability of the business, and Podiums Ltd. supports the professional and technical development of their workforce, providing time off work to study and paying course fees where appropriate. However, much of the learning is on the job, with coaching and mentoring by peers and leaders a key element of work-related and personal development. Progression is supported in the business with, for example, welders moving on to design positions and shop-floor workers being promoted to supervision and management positions'* (Devins – Marran, 2015, p. 6.).

The rich theoretical and practical knowledge of the founder/manager and its smooth transfer to the next generation (NxG) or organisational (collective) learning are the key factors in the successful succession process in the case of the Polish Plantex Ltd:

> *'Knowledge transfer is absolutely the key issue ... Antoni (founder/manager) willingly and enthusiastically keeps passing his incredibly broad knowledge to his family successors, while they are keen to learn and develop it as well as they can. All the family members have been taught from childhood and have it deeply ingrained in their minds that what each of them learns or finds out belongs to the family and may contribute to their prosperity'* (Paszkowska, 2015, p. 9.).

In another Polish case, the WAMECH Ltd founding owner

'... has always underscored the importance of such values as honesty, reliability and respect for another people in business activities. Respecting these values helped him to gain the trust and respect of his employees' (Konopacka, 2015, p. 6.).

A rather similar value system characterises the other Polish case, WITEK Centre:

'In Karolina's family, universal values, such as respect for other people, their dignity and opinions, have always been very important. This has helped ensure good relations between family members, the people managing the companies and their employees' (Konopacka, 2015, p. 5.).

Successful transfer of generic human values may not only strengthen both social and psychological ties in the FB but result in a strong identity with the family members. The family identity is further cemented by the strong ties with both professional and local communities, too. In this relation it is necessary to call attention to positive impacts of the Employees Stock Ownership (ESOP) and Management Buyout (MBO) schemes, which offering to the key non-family members a stock ownership in the family firms. According to the experiences of the British "Podiums Ltd." company, this kind of social innovation ('shared ownership') may intensify the commitment and loyalty of non-family members with the family-members.

All company case studies without exception indicated the core importance of assets of SEW and their smooth transfer in the forms of generic values (i.e. honesty, openness, correctness, reliability etc.) between various generation in the business transfer. These intangible assets to be passed to the next generation are often underestimated in the succesion: '... transferring the physical entity of the business itself may be less crucial than the transfer of its core values, such as entrepreneurial spirit, or of creating opportunities in general for the next generation, which can be facilitated by the building up of family (socio-emotional wealth) through business ...' (Devins, 2015, p. 24.).

Risk taking or adverse attitudes, psychological ownership, social systems and values and knowledge transfer represent the multifaceted character of the SEW that shapes the complex and time consuming process of succession. Assessing their diverse outcomes in light of the company case study findings, it is worth stressing again the role of the radically changing social-economic environment both locally and globally. It is rather risky to assess beneficial or harmful effects of SEW without knowing the context of business operation. Not denying the well-known competitive advantages of the FB derived from its „patient capital" nature (e.g. dominance of the longer view, stable client relations based on truth etc.) we have to insist that '…in today's economic climate family businesses acknowledge they will have to adapt faster, innovate earlier, and become far more professional in the way they run their operations' (Global Family Business Survey, 2014, p. 5.).

In addition, we have to note that there is another particular characteristic of the SEW as intangible asset: it is almost impossible to copy by the firms' competitors.

Concluding Remarks

Among the internal challenges in the FB in the next five years, the importance of the 'succession/ business transfer' issue was indicated by more than one third by the firms surveyed in the Global Family Business (2014). The other more important internal challenges are as follows: 'permanent innovation'; 'hiring and keeping talents and key staff'; and 'implementing new technology'. However, comparing these challenges between 2014/2012 we may say that the highest increase took place in the cases of 'need for new technology' and 'company succession planning'.

Illustrating the significant effects on employment for this issue, in Europe, annually almost half a million family firms facing this challenge employ almost 2 million people. Due to various difficulties analysed in the INSIST project, too *'... an estimated 150 000 businesses are forced to close each year with the loss of some 600 000 jobs'* (Niebler, 2015, p. 13.). Situation is rather similar in Hungary where in the near future, more than every second firm is facing the challenges created by the succession/business transfer (Napi.hu, 2016).

Instead of the maximising the financial outcomes of the economic activity, the core aim of the FB is the survivability or longevity resulted by the right mix of human, social and financial capital. Reviewing the literature on the succession process we may say that relatively few attempts were made to better understand the key role of transferring such intangible assets as generic human values, embedded collective knowledge in the firm, etc. which, are essential components of the SEW. Due to this knowledge shortage, this chapter focuses on the illustrations of these assets in the business transfer.

For the better understanding the role of SEW, the authors are making distinction between its 'narrow' versus 'broader' versions, which may have significant impact not only on the commercial outcomes, governance arrangement but on such characteristics of SEW as entrepreneurial attitudes, trust-based social system, responsibility for the local community, networking, etc. Among them, the most important values are the entrepreneurial spirit and risk taking attitudes. In this relation is necessary to distinguish groups as 'necessity' and 'opportunity' entrepreneurs especially in Hungary and Poland.

To overcome the methodological shortcomings of literature survey and company case studies carried out in the INSIST project countries – Hungary, Poland and U.K. – we may recommend to test in the future by large-scale surveys the share of risk-taking or risk-adverse (or pro-growth/innovation or counter-growth/innovation) attitudes of the entrepreneurs in FB sector.

In relation with the transfer of intangible assets the company case studies indicated the importance treating employees with respect, closeness, mutual respect and supportive behaviours of owners/managers during the succession process. In addition, the successful transfer of such generic human values to the next generation of owner/managers as honesty, reliability, respect for other people's opinions and needs may contribute to maintaining the trust-based social system and cultural control. The trust-based social relations are playing key role in strengthening unique social capital in the FB, which may counterbalance its weakness in human and financial capital producing the same or better performance in comparison to the other types of business.

The results on the transfer of SEW of the countries participated in the INSIST project are not significant statistically, but shed light on its significant role and impact in the complex and dynamic process of the business transfer. Due to the unprecedented challenges of the succession in the life of the FB both in the EU and especially in such New Member States as Hungary and Poland, it would be advisable to launch large-scale surveys on the role of tangible (physical) and intangible (i.e. SEW, etc.) assets in the intergenerational succession process. In the EU the last large scale survey on the various features of the FB was carried out almost a decade ago (Mandl, 2008). Moreover, the better data collection on the succession/business transfer – ideally – requires the combination the large-scale surveys with the collective or multi-site company case studies. This kind of international research experiences may help to develop evidence instead of anecdote-based policy formation on the succession process both at EU and national levels.

Notes

[1] http://www.economist.com/news/business/21629385-companies-controlled-founding-families-remain-surprisingly-important-and-look-set-stay

[2] 'In multi-case study research, the single case is of interest because it belongs to a convincing particular collection of cases. The individual cases share a common characteristic or condition. The cases in the collection are somehow categorically bound together. They may be members of a groups or examples of a phenomenon" (Stake, 2006, p. 5. in: Tomory, 2014, p. 61.).

[3] Chapter of Csizmadia-Makó-Heindrich in this special number is focusing on the complex character of the learning and on the importance of its transfer during the business transfer.

[4] Trust and its anticipated positive impacts became rather popular in recent Hungarian economic literature. However, there are few attempts to develop and use concepts and indicators based on the consent of the community of social scientists. Our knowledge is even more limited on the time-consuming learning process of trust building by social actors in the field investigated (e.g. preparation of the succession process, developing common entrepreneurial actions, etc.). Due to lack of space and time, we intend only to outline some basic characteristics of the trust building process. Tolerance of one another's interests and endeavours is only one component of trust. „This mutual respect for one another's interests can be called 'moral competence'. It's abiding presence along with a second component – the partners' professional competence, including work discipline – guarantee the long-term advantages of trusted relations. A third dimension of trust was time, which is in effect tantamount to testing the participants' moral and professional competence and is seen as a period in which relations are based on mutual dependence, as opposed to unilateral dependence" (Kuczi – Makó, 1997, p. 183.).

[5] The descriptions are based on the company case studies compiled by the INSIST project team members. (Note in Annex1.)

[6] With a number of award-winning wine store chain operates in Budapest and in other five towns for over 20 years. (Note in Annex1.)

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Annex 1

II. 2. Short description of the company cases investigated[5]

BI-KA (HU): Established in 1991, BI-KA Logistics provides domestic and international freight services and transportation, rail transportation, as well as transport of oversized, air, container, marine or dangerous goods, warehouse logistics services, full customs clearance, cargo insurance and consultancy in logistics. The business is exclusively business-to-business in nature and serves its' customers in 30 countries, mainly in the European markets. The company is continuously growing, and currently employs 103 people with a turnover of 16 million EUR, which means a 20.7% increase compared to the previous business year. To improve profitability, BI-KA Logistics plans to double its' vehicle fleet in 2015 and concentrate more on freight services. In 2010, after 20 years of intensive work György Karmazin, the founder of the company, was exhausted from the long working hours and started to think about making an academic carrier. He realized that he couldn't study and lead the company at the same time. At the age of 44, he decided to step back from the leadership. Since György's 2 children were too young for the succession, he decided to support someone from his own management team becoming the successor.

DOMEX (PL): The founder, Tomasz inherited two factory buildings and started to run his own enterprise in them in 1989. The company rents apartments, office and commercial space and operates as a developer. Currently the company employs 20 people. They are administrative employees and maintenance team workers. They are all employed with full time contracts. The company helps them gain new qualifications through training and conference participation. The wife and daughters of the doyen are company shareholders, but he remains a shareholder. His aim is to introduce his family members to running the business so that when he decides to leave the company, they will know how the company works and what projects and issues are of key importance to company success. Aside from her involvement in the company, the doyen's wife has her own business venture – a small bookshop. His older daughter completed a variety of studies and worked for a time at the university, but opted to join the company. She runs the branch concerned with letting apartments. His younger daughter runs a restaurant located in the company building. She established the restaurant herself and works to develop it further.

Fein Winery (HU): The winery was founded by Tamás Fein, who worked as economist, vintner, corporate leader, bank account manager at that time. The Fein couple decided to develop the wine cellar and press house in 1998. They bought 11 ha field and their estate was broadened to 21 ha in 2002. Fein Winery was officially founded as Limited Liability Company in 2003. The Fein family produces traditional, quality wines. The territory of the vineyard is 21 ha. The production results an average of 130 000 bottles per year. The wines produced from red grape varieties are merlot (5 ha), cabernet franc (4 ha), blue franc (4 ha), kadarka (2.8 ha) and syrah (1.2 ha). They have viognier (1.1 ha), pinot noir (0.6 ha), sagrantino (0.5 ha), tannat (0.5 ha), and portugieser (0.3 ha). The Fein Winery's distribution channels are a wine company[6] and its own sales channel. They operate ten shops in Budapest and five in other cities. Their own sales channel organizes wine tastings, dinners and an annual celebration. The founder and manager, Tamás and his wife, Zsófia, have two sons, the elder one is Károly, who will be the successor.

Parodan (UK): Parodan is a design and manufacturing company that produces special purpose production line machinery primarily for the Food and Drink, Automotive and Medical sectors of the economy. They have a diverse product range including robotics, ultrasonic welding, ultrasonic cutting, conveying and advance handling and control systems. Their main market is domestic business to business, with the food and beverage industry currently accounting for about 60% of their turnover. Harry Wood, the owner and founder of Parodan Engineering Ltd, started his career as a maintenance fitter. After retirement age, he decided to leave from the company. Harry and his wife are still the majority shareholders. All three of their sons have worked for the company at some point and two remain fully engaged, currently holding directorships in the company. Since 2012, the new MD (Harry's son Paul) has restructured the company, appointed a board of directors, modernised production and stabilised the finances

Pillar (PL): The Pillar company was set up in the Eighties in Krakow, Poland, as a micro-business offering small refurbishing and construction services. Martin and Helena founded the business at the age of 35. At first the company based its existence on the housing deficits on the Polish construction market, but in the Nineties its profile changed into a 'classic' developing business: they bought land and built apartments and commercial premises for sale, mainly in

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Krakow. At present the company employs 70 people. They are highly qualified specialists, who have been with the company for many years. The owners have two sons working at the firm and the company will be inherited by them.

Plantex (PL): Plantex Horticulture Farm has been on the market since 1981, and since its beginning it has been dealing with innovative plant propagation. The company offers high quality products: young, healthy plants for further cultivation in nurseries and on plantations. At present the farm employs 81 people on a regular, full-time basis, and sells around 4 m cultivars per year. The plant hosts administration buildings (150 sq. m), laboratory warehouses (300 sq. m) and 1 500 sq. m of glasshouses. The village premises comprise a 1200 sq. m production hall and 7500 sq meters of land under foil. The founders have three daughters. The two elder ones have their own businesses and the youngest one is about to take over the business with her husband.

Podiums (UK): Paul Morton started out as a scaffolder working in the construction industry. In 1977 he saw an opportunity to collaborate with a business partner to establish Podiums Ltd. to hire out, and later sell, scaffolding equipment. During almost 40 years of operation Podiums Ltd. has been through a number of phases of growth and consolidation. The company website describes Podiums Ltd. as 'a leading company that provides workplace access solutions'. The company designs and manufactures bespoke access equipment and specialised tubular structures using aluminium, steel and fiberglass. The products are designed and fabricated to customers' particular requirements and to meet prevailing industry standards. Podiums Ltd. currently has a turnover of approximately £4m p.a., employs 29 people and has plans for further organic growth in the short to medium term. After a family incident Paul decided to step down from direct management and to delegate leadership to his son, Tim.

Quality Meat (HU): After having become unemployed due to the dissolution of the Farmers' Co-op, the two owners Károly Kovács and his wife decided to buy an old slaughterhouse and meat processing plant from their savings in 1992. The company started to grow and in 2004 a new and modern slaughterhouse was built and the meat processing unit was also revamped. The company's main line of business is meat processing and preservation. Every day an average of 100 to 130 pigs are slaughtered and processed depending on seasonality. The total capacity of the slaughterhouse is 60,000 pigs per year. The couple have two sons who joined the business and gradually took over daily management. The founder only kept control over finances.

WAMECH (PL): Prior to establishing the WAMECH Company, Piotr Wąsik worked as a designer in the Krakow-based Centre for Research and Development for Construction of Chemical Installations in Krakow and later, as an engineer in the Tobacco Factory in Krakow. He then moved to the private sector, joining a private developer, where he was responsible for financial issues, customer care, cost calculations and project implementation. The experience he gained prepared him thoroughly for running his own business. The WAMECH Company was founded in 1989. The company manufactures machines which improve the economics of production processes in accordance with lean manufacturing principles. The main focus of operations is on the design and production of road transport vehicles and industrial trucks used for materials handling. From the very start, the company has operated as a family firm. Piotr's father-in-law is the engineer Józef Kielar, who helped construct the first prototypes. At the beginning, the business was based on Piotr's own work and that of family members. It took quite a while to establish a design team. Piotr's wife, also an engineer, joined the company to look after the company's finances and to support her husband. Piotr and his wife have three children and have always dreamt that one day their children would take over the company. The owner started preparations for the succession process some time ago, but the process had to be speeded up due to his illness. In 2010, his son, Wojciech, became the managing director just as the company celebrated 20 years of operation.

WITEK Centre (PL): During Poland's economic transformation, which began in 1990, Karolina and her husband started a trading business. They started with a small shop (20 sq. m) in the centre of Krakow, in which they sold china and glass crockery. As time went on, they managed to utilize another part of Karolina's parents' property, which extended their business activity. Growing demand for the furniture they were selling encouraged them to rent more and more retail space and their company continued to grow. The last stage of business development involved building a modern retail centre in the vicinity of Krakow, which continues to be expanded and developed. The company is active in the retail sector, selling furniture. Company assets were divided between Karolina and her children at an early stage. Today, each of them runs his or her own business independently, as separate legal entities.

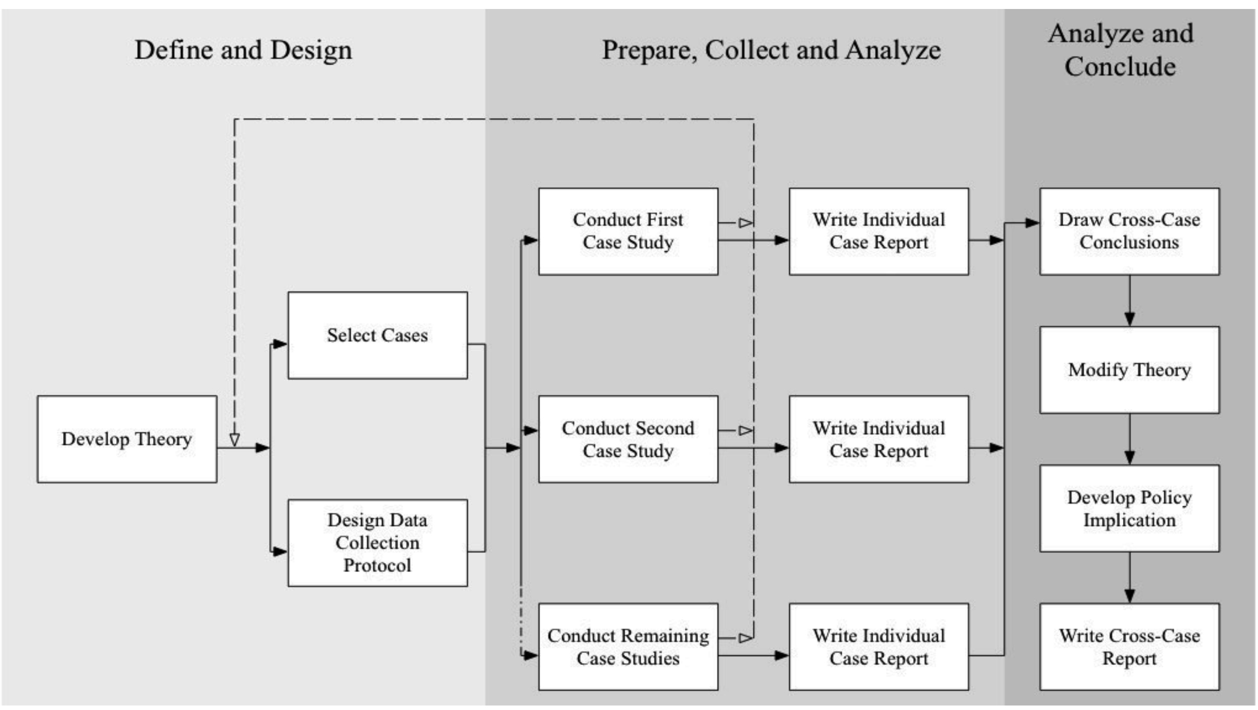
Main characteristics of the company cases investigated

	Country	Year of est.	No. of emp-loyees	Sector/Activity	Markets	Succession
Parodan	UK	1984	27	Engineering (design & manufacturing)	National	*
Podiums	UK	1977	30	Fabricating	Regional	*
DOMEX	Poland	1989	20	Real estate	Regional	**
Plantex	Poland	1981	81	Horticulture	Domestic / International	*
Pillar	Poland	1980s	70	Construction	Local	***
WAMECH	Poland	1989	77	Manufacturing (automo-tive)	International	***
WITEK	Poland	1990	260	Retail trade (furniture)	Regional	*
Fein Vinery	Hungary	1991	4	Food (wine producing)	Domestic / International	*
BI-KA	Hungary	1990	103	Logistics	Domestic / International	**
Quality Meat	Hungary	1992	45	Food (meat processing)	Local	**

**Management transfer completed without ownership transfer*
***Management and ownership transfer under process*
****Management and ownership transfer completed*

Annex 2. Case Study Methodology – COSMOS Corporation

((Yin, 2009, p. 57.) Yin Case Study Research Design and Methods. in: Tomory, 2014, p. 62.)



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FAMILY BUSINESS SUCCESSIONS IN AUSTRIA – SATISFACTION AND THE INCUMBENT-SUCCESSOR RELATIONSHIP

The transfer of businesses contributes to the dynamics and the development of the economy in Austria. Successful transfers generate numerous positive impacts. Securing both employment and investment, creating new jobs and stimulating growth are some of these effects. Failed transfers can contribute to negative effects, including the loss of jobs and an economic slowdown.

Over recent years the number of business handovers in Austria has been rising. The forecasts show that this number will remain high over the next few years. Between 2015 and 2024 more than 42,000 economically sound SMEs will face the challenge of finding an appropriate successor. This means that 26 % of all Austrian SMEs (excluding one-person businesses) and 29 % of all employees in these companies will be affected.

The aim of this paper is to provide a multi-faceted discussion of the relevance of affective components in family business transfers. A "good" relationship between the successor and the departing owner fosters the success of a transfer. This relationship involves, among others, the willingness to share relevant information, openness and respect. The satisfaction (with the completed business transfer) is closely interrelated with the relationship between the successor and the departing owner. Consequently, we can assume that affective and emotional components can indeed shape the success of business transfers. Based on that, new future research opportunities are outlined.[1]

Keywords: **business transfer, family firm, Austria, SME, successor, incumbent**

The year 2006 marks an important date concerning family business succession. The history of the family company K. K. Kongō Gumi ended, after a lifecycle that had endured for 1428 years. The Takamatsu Construction Group took over the company from Masakazu Kongō. He was the 40th and the last Kongō in the lead of the family business (Daspit et al., 2016). These numbers are certainly not representative of the actual situation in Austria or elsewhere, yet it is a fact that on average family companies are older and provide more stability than other companies in Austria (Doerflinger et al., 2013).

There is a great need for research into the structure and characteristics of family companies in Austria as 9 out of 10 companies are run as family businesses[2]. 71 % of the labour force in Austria and 68 % of the employees work in family companies. There are more than 260,000 family companies, more than 1.8 million labour force and nearly 1.6 million employees. 61 % of revenues are generated in family businesses or, in other words, family companies generate revenues of nearly € 383,000 million per year.[3] Nearly 60 % of the business transfers in the next 10 years are expected to happen in the context of family companies.

These numbers make clear that failed business successions could have significant impacts on the Austrian economy. Failed successions are not always the result of weak business decision making. According to Henkes (2005, p. 58) *conflict is the greatest destroyer of value in family enterprises.*

Satisfaction with a transfer can be analysed on two levels, the satisfaction with the process and on a personal level (i.e. the relationship to the incumbent and the activity in his/her role as successor). The perspectives of the successor, of the incumbent and of the employees have to be considered. All constructs are likely to be interrelated. The aim of this analysis is to reveal these correlations.

It seems that subject-related literature has not devoted enough attention to these aspects so far. The issue of emotional factors in incumbent–successor relationships and the complex social ties (as well as the different perceptions) within the family have to be considered through research. Frey et al. (2005) underline that open communication and a clear picture of the future direction can ease conflicts and raise prospects of success. There are only a few investigations hitherto that specifically work on these aspects.

In addition, researchers emphasise that multi-dimensionality is one of the guiding principles when studying business successions. Others explicitly demand a stronger post-succession perspective when approaching the topic (Nordqvist et al., 2013).

This paper aims at fulfilling all these requirements by focusing on affective and psychological determinants and their relevance for successful business successions.

Business Successions in Austria

The number of succession transfers in Austria is on the rise. 6.700 companies were taken over by successors in 2014. Considering a 10-year period, this amounts to a rise of 22 % (2004 to 2014). This trend is very likely to continue.

A high rate of transfers can be expected in the medium term, granted that entrepreneurs, who are older than 50 are potential departing owners: 53 % of them are planning to transfer their companies within the following 10 to 15 years. Speaking of SMEs in Austria, successful transfers have the potential to secure the employment of 424,000 people (including employers). This equals 29 % of all employees in SMEs in Austria. In the period between 2015 and 2024, all the SMEs affected could generate cumulated revenues of around € 520 bn. Assuming that revenues grow linearly, this corresponds to 15 % of all revenues generated in this period (for more details see Ziniel et al., 2014).

The future potential for business transfers in the context of family companies seems to be high. The Austrian Institute of SME Research has revealed a figure of 25,000 companies (family companies without sole proprietors) that are to be transferred between 2015 and 2024. This amounts to 59 % of all potential transfers in that period of time in Austria (ibid.).

The potential transfers of family companies are very unevenly distributed among the different sectors of business for structural reasons. The craft and trade sector is in the lead with 37% of all transfers, followed by the retail sector (26 %). The tourism and leisure industry will be responsible for 23 % of the transfers. 6 % of them will occur in the information and consulting branch, 2 % in industry. This distribution can partly be explained by the proportion of family companies and the transfer intensity in the branches. The traditionally high number of family companies in the leisure industry goes hand in hand with a high intensity of transfers. The information and consulting industry exhibits only low levels of family businesses and thus a low intensity of transfers (ibid.).

Economic Transferability

The economic transferability of companies in Austria has improved. Studies (Mandl et al., 2008; Ziniel et al., 2014) consider companies as economically sound enough to be transferred when they have met two criteria over a period of three years: their equity ratio has to exceed 20 % (equity in the books of the total capital) and their profitability needs to surpass 5 % (of the turnover).

Earlier studies reveal that 9 % of the companies in Austria do not meet these criteria (see for instance Mandl et al., 2008). However, current data indicate improvements: only 6 % remain below the thresholds. In this context we should point out the heterogeneity of the economy. In the tourism and leisure industry 13 % cannot be considered as economically fit to be transferred (Ziniel et al., 2014).

The years that precede a transfer are often characterised by a lack of innovation. The departing entrepreneur cannot be sure that his/her innovations will be reflected in the future revenues and in a potential business valuation. Innovation but also investment backlogs often lead to a lower enterprise value, declining competitiveness and to problems when it comes to finding suitable successors. The data at hand show that more than one third of the entrepreneurs did not implement innovations in the three years prior to the transfer (ibid.).

At a Glance: Family Businesses in Austria

A large-scale study carried out by Doerflinger et al. (2013) could serve as a recent benchmark survey of family companies in Austria. The survey involved a random sample of 2,500 entrepreneurs. The numbers and insights in this chapter come from this publication.

The economic situation of family businesses in Austria is stable: 53 % of them have declared rising revenues and the number of persons employed remains unaltered in 50 % of the companies. A substantial number of entrepreneurs show high levels of satisfaction concerning their economic development. This is particularly true for larger family companies and for those in the production and business related services sector. By contrast, the economic performance is perceived as stagnant to weak in the retail and the tourism sector, as well as in small family companies with ten employees or less.

Family businesses in Austria are usually characterised by their formative personalities. 61 % are headed by one person who is the proprietor at the same time. In approximately one fourth of the companies there is more than one proprietor. 16 % of the companies are led by more than one person.

On average, Austrian family companies are 29 years old. The majority of the family companies (90 %) are led by only one generation: 50 % of the companies still by the first family generation, 20 % by the second generation, and 12 % by the third. A mere 8 % of the family companies are owned and managed by the fourth or latereven later generation of the family. Family companies become older than other companies and thus provide a stable basis for the business in Austria (Doerflinger et al., 2013). Persistence is a decisive characteristic of family companies.

Today, a considerable part of management in the family business is female. When more than one person leads a family business, usually one of the people is female. In half of the cases one man and one woman share management. Thus access to executive positions seems to be easier than in other companies. The older and the bigger the family company, the more family members are engaged.

According to Doerflinger et al. (2013) family companies often favour stability over advancement. Merely one third of them have plans to grow. Only one section of the entrepreneurs reveals the spirit to open new business segments and to broaden competitiveness. It is not surprising that economic dynamics within the companies are inversely related to the age of the company.

When it comes to business sectors, the tourism sector is in the lead containing 93 % family companies, followed by the retail sector (92 %) and the construction sector (91 %) as well as "business related" services. The production sector is characterised by the lowest number of family companies. It has to be noted that the number of one-person businesses varies a lot among these sectors. While the tourism sector contains 19 % only, the business related services sector is in the lead, containing 59 % of one-person businesses.

Family companies in Austria are characterised by long-term relationships concerning their workforce. 6 out of 10 employees stay for more than 5 years in the company, more than 25 % longer than 10 years. The staff turnover is low. Within the last five years 36 % of the companies have not seen any fluctuation in staff turnover.

The Concept of Succession

Thinking in terms of family businesses, succession means the transfer of the leadership from one family member to another (American Family Business Survey, 1997). Such a process may sustain or even achieve competitive advantage over non-family firms (Cabrera-Suárez et al., 2001). This is the case when *idiosyncratic knowledge of family character* (Bjuggren – Sund, 2001) is preserved or when *familiness* is present (Habbershon et al., 2003). In this context the concept implies all *resources and capabilities related to family involvement and interactions"* (Chrisman et al., 2003, p. 468.).

However, also several disadvantages become visible when successions in family firms are compared to successions in non-family firms. The most critical sources of conflict arise from relationships within the firm/family and from emotional and psychological aspects (see Davis and Harveston, 2001 and Frey et al., 2005 as well as the discussion later in this contribution).

In this paper we define business successions as ownership transactions within the owner family, typically from one generation to the succeeding one. Family firms are broadly seen as firms that are owned by two or more family members in a household (spousal couple) or in a biologically linked family (fathers, mothers and children), who live in the same or another household (Wennberg et al., 2010).

The transfers of ownership and management in family companies often go hand in hand (Block et al., 2011). Consequently, the paper will focus on successions where both ownership and management are transferred.

Satisfaction and the Succession Process

Literature links numerous variables to the success of a business succession process. Sharma et al. (2003) tested a model that shows that the incumbent's propensity to step aside, the successor's readiness to take over, the mutual acceptance of the individual roles and the extent of succession planning have significant influence on the level of satisfaction with the succession process (in the view of the incumbent and/or the successor). The family's agreement to continue the business reveals no significant effect.

A model presented by Venter et al. (2005) focuses on successor-related factors and their impact on the continued profitability of the business and the satisfaction with the succession. Their structural model shows that the harmony within the family has a significant (positive) effect on the relationship between owner-manager and the successor. This relationship then exerts a significant and positive effect on the continued profitability of the business and the satisfaction with the succession. The same effect is measured for the successor's willingness to take over. For a review and in-depth discussion of success factors see Filser et al. (2013), Nordquist et al. (2013), Sharma (2004) and Venter et al. (2005).

Success

Dyer (1986), Lansberg (1999) and Miller et al. (2003) stress the issue of emotional factors in incumbent-successor relationships as well as the complex social ties within the family. These authors draw a clear connection between these factors and the success of business transfers.

Succession processes are among or even the most critical subjects that family businesses are confronted with. Successful successions are most often crucial prerequisites of a business's survival from generation to generation (Harveston et al., 1997; Ibrahim et al., 2001).

The success of a succession process could be determined by the subsequent positive performance of the company. Apart from that, successful successions are also defined by the ultimate viability of the business and the satisfaction of all focal stakeholders with the succession process (Cabrera–Suárez et al., 2001; Dyer, 1986; Handler, 1990; Morris et al., 1997; Sharma et al., 2001).

Multi-dimensionality

Researchers underline that multi-dimensionality is one of the guiding principles when studying business successions. This multi-level perspective allows us to understand how the succession process and the related decisions in family context are interwoven. This includes all relationships and interdependencies between individuals, the family and the firms involved. Furthermore researchers explicitly ask for a stronger post-succession perspective when studying the topic (Nordqvist et al., 2013).

Psychological Factors

The relationship between founders and successors changes over the course of a family /internal succession process. According to Fattoum and Fayolle (2009) the relationship can be described in terms of a three-phase model: In the first phase an intense relationship accompanies the start of the succession process. In this first phase it is hard to find a way to patiently handle the interaction processes occurring. In the next phase harmonized actions accompany the establishment of a partnership that is often amicable, and based upon involvement and trust. The third and last phase is characterised by the retirement of the predecessor. Again, the atmosphere can get tense, as the predecessor has to (fully) hand over responsibility.

Intergenerational conflicts can harm and even destroy relationships between the successors and the incumbents in family companies. Davis and Harveston (2001) demonstrate that a high level of interaction between the family members reinforces the degree of conflict among all generations and people involved. The more a family works together, the higher the potential for conflicts within the generations.

Various aspects could harm the succession process. Frey et al. (2005) find that emotional and psychological aspects are decisive success factors. Different perceptions of the predecessor and successor regarding the future strategy are often the key area of conflict. An open communication and a clear notion of the future direction can ease conflicts. An independent and competent consultant can help reduce conflicts during the succession process. The consultant may mediate and provide support (Frey et al., 2005). The authors underline that so far only a few investigations have specifically looked at these aspects. It is revealed that psychological aspects can lead to a major area of conflict either before or after the succession and can thus represent a main reason for succession process failure.

However, mutual respect and understanding are key factors for a positive succession process. Handler (1990) formulates the hypothesis that the more mutual respect and understanding with the predecessor in the succession that a next–generation family member achieves, the more likely it is that the individual will have a positive succession experience.

Positive succession is always a subjective phenomenon that is differently perceived by each family member. The success of company successions is highly dependent on the personal relationship between the parents and the child taking over the company. Mutual respect plays a central role for effective transfers. Furthermore, a lack of intergenerational understanding is mentioned as the main reason for dissatisfaction, hence making respect and understanding the critical factors for the succession process. Frustration can be attributed to a lack of communication and understanding on the part of the predecessor whereas clear and open communication that includes proper notions of the future direction and feedback enables a positive succession process (Venter et al., 2003).

An increased amount of trust in the ability of the successor has proved to have a positive effect on the overall satisfaction with the succession process. Family harmony and satisfaction with the succession process are positively correlated so that well-functioning family relationships and harmonious atmospheres increase the probability of successful successions. This implicates an honest exchange of opinions and open communication patterns (Venter et al., 2003).

The psychological aspects range from the interpersonal relationship between the predecessor and successor, the imaginary line between family and business, to the knowledge-creating and decision-making hierarchy in families. Numerous studies demonstrate that the failure rate in the succession process is very high. Only one-third of family businesses make it into the second generation. Only about 10–15 % make it into the third (Beckhard – Dyer, 1983; Bierly – Chakrabarti, 1996; Solomon et al., 2011; Ward, 1987).

Miller et al. (2003) examined failed successions. Three different succession patterns were identified: conservative, wavering, and rebellious. It is suggested that the processes *'are very much plagued by problems of passage'* and characterised by *'an inappropriate relationship between past and future'* (Miller et al., 2003, p. 528.).

Research Model and Working Hypothesis

Business transfers usually focus on objective and subjective performance goals that are interrelated (Morris et al., 1997). The subjective component comprises the satisfaction with the success of a transfer. The objective component includes the effectiveness of the succession and the impact on the firm's performance.

Subject-related literature has not fully covered the relevance to success of the relationship between the incumbent and the successor. In an exploratory research approach the correlation between satisfaction and the relationship between the incumbent and successor is measured. Based on the relevant literature and the exploratory pre-study with experts, the working hypotheses are set up as follows:

- The relationship between a successor and an incumbent is significantly correlated with the *successor*'s satisfaction with the business succession.
- The relationship between a successor and an incumbent is significantly correlated with the *incumbent*'s satisfaction with the business succession.
- The relationship between a successor and an incumbent is significantly correlated with the *employee*'s satisfaction with the business succession.
- All *three* relationship items are significantly correlated with each other.

Data and Analysis

Data

The data were collected during the research project *Business Transfers in Austria – Current Situation and Future Developments*. A large-scale online survey among Austrian entrepreneurs in December 2013 addressed the perspectives of three different groups: potential departing owners, successors and incumbents. The selection basis was a list of companies containing these target group companies in Austria. This random sample technique yielded a sample size of more than 1600 questionnaires. The paper addresses the two latter groups, i.e. the perspective of the successors and that of the incumbents. After data cleaning procedures and data quality checks 79 completed questionnaires by successors and 69 by incumbents could be analysed. For further details see Ziniel et al. (2014).

Measurement

All the items were developed based on a qualitative pilot study among experts in the field of business succession in Austria. A 4-point rating scale is employed that ranges from „fully applies" (1), „largely applies" (2), to „partially applies" (3), and to „does not apply at all" (4).

Three satisfaction items are used in the questionnaire. The first one focuses on the satisfaction with the succession process as perceived by the successor / incumbent. This self-image is measured via the single-item measure "Overall, I am satisfied with the succession process." The external image is measured via the item "According to my mind, the successor / incumbent is satisfied with the succession process". Finally, in order to measure the employee satisfaction the respondents are confronted with the following statement: "According to my mind, the employees were satisfied with the succession process". It has to be mentioned that all three items are answered by one and the same person, i.e. the successor or the incumbent evaluates the satisfaction of the three perspectives involved.

- The relationship to the successor / incumbent is measured via the following items:
- "The relationship to the successor / incumbent was / is cooperative."
- "There was a confrontation during the succession process." (neg.)
- "The succession process was a period of free expression of opinion and an open exchange of views."
- "The successor and the incumbent willingly shared information."

Principal Component Analysis (PCA) gives evidence that the relationship construct is unidimensional in the successor as well as in the incumbent sample. The eigenvalue criterion suggests a one-factor solution in both cases. The total variance explained by the one-factor model amounts to 74.9 % for the incumbents' sample and 60.4 % for the successors' sample. KMO scores exceed 0.7. Subsequently the regressed factor scores predict the location of each respondent on the construct. The alpha values for the construct are at 0.752 in the successors' sample and at 0.877 in the incumbents' sample. Consequently, the reliability coefficients are higher than the conventionally accepted baseline value of 0.70.

Univariate Results

Successors

On average, successors in the sample are 37 years old (min=22 and max=65) when taking over their company with 47 % being female and 53 % male. They employ an average of five people. The mean founding year of the company taken over is 1969, with the oldest company founded in 1711 and the youngest founded in 2013. The annual revenues of the companies observed tend to be evenly distributed, ranging from €50,000 to more than €2bn.

The majority of the successors experience positive economic development. Nearly 60 % increased their revenues; one quarter increased both revenues and employment. These results indicate that the overall situation of the companies in the first three years after the succession is satisfactory. Economic stability and growth characterise most of the companies. Only a minority of them lost revenues or employees.

Incumbents

The average age of the incumbents when transferring their company is 54 years (min=28 and max=80). Before transferring they had an average of four employees. Most of the annual revenues of the companies transferred are evenly distributed ranging from €50,000 to less than €1bn. 65 % of the incumbents are male, 35 % female.

Incumbents most often transfer their business for reasons of age. Two thirds take this step when they reach the legal pensionable age. 11 % hand over their company because of health reasons. Only a small number of them switch to other (independent) work or change to employment at another company. Recently, age-related transfers have been rising. On average, the departing owners remain in the company for three years, either in an informal or formal position.

Within the three years that precede the transfer nearly three out of ten companies face heavy pressure from decreasing revenues and constant employment. 17 % of the companies are able to increase revenues at a constant employment rate, 15 % increase both revenues and the number of employees.

Descriptive Statistics

In a first step the descriptive statistics are displayed and discussed. The second analytical step analyses the correlations and the respective significance levels in the research model.

Perceived relationship refers to the standardized factor scores. Successors perceive the relationship between incumbents and successors on average as better than the incumbents do (0 and 0.13). Apart from that the scores of the successors show a smaller range (3.45 vs. 3.66) and thus seem more homogenous.

Concerning the satisfaction with the succession both sides evaluate congruently. The satisfaction of the incumbent is slightly higher when rated by the successors; the same is true for the satisfaction of the employees. This more positive perception by the successors might be due to the fact that they are now in the control of the company. (Table 1)

Table 1.

Descriptive Statistics

	Successor's Perspective		Incumbent's Perspective	
	mean	sd	mean	sd
Perceived relationship	0	1	-0.13	1
	min -0.80, max 2.65		min -0.73, max 2.93	
Satisfaction successor	1.57	0.79	1.56	0.91
Satisfaction incumbent	1.43	0.70	1.48	0.80
Satisfaction employees	1.49	0.91	1.75	1.06

Relationship and Satisfaction from the Successor's Perspective

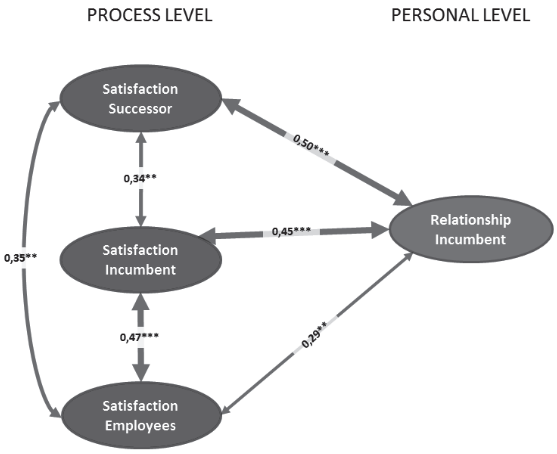
All the results originate from a correlation approach (Pearson correlation coefficients) and therefore the relationships are undirected and may not be interpreted as causal. Nevertheless, useful insights into the concept of satisfaction with business transfers are provided.

Figure 1 reflects the perspective of the successors. Firstly, it becomes evident that the satisfaction of one stakeholder is closely interlinked with that of the others. All the correlation coefficients measured are above 0.34 and show high or highest significance levels.

Secondly, there is a strong connection between the process level and the personality level. The correlation between the satisfaction of the successor and the relationship to the incumbent measures 0.50 and is highly significant. The same is true for the satisfaction of the incumbent (r=0.45). The employees' satisfaction is also significantly correlated with the relationship to the incumbent (r=0.29). All the relationships studied support the working hypothesis set up in the previous section.

Figure 1

Structural relationships concerning satisfaction from the successor's perspective



**** highly significant (P < 0,001),*
*** high significant (P < 0,01),*
** significant (P < 0,05).*

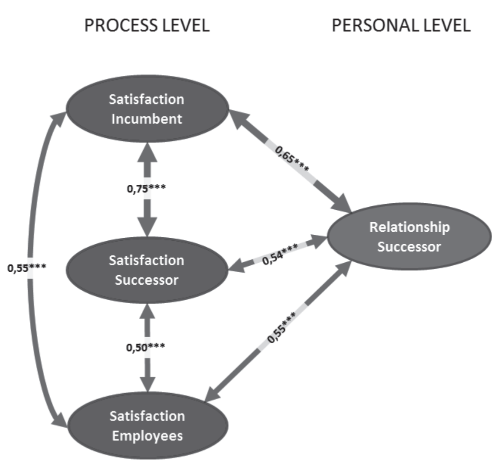
Relationship and Satisfaction from the Incumbent's Perspective

The perspective of the incumbents shows a similar yet even clearer picture. Again, the satisfaction of each stakeholder is closely interrelated with the satisfaction of the others. The correlation between the satisfaction of the incumbent and that of the successor is highly significant with r=0.75. The employees' satisfaction correlates highly with the satisfaction of the incumbent (r=0.55***) and that of the successor (r=0.50***).

Again, the satisfaction measures are considerably connected to the relationship construct. The correlation between the incumbent's satisfaction and the relationship to the successor is highly significant (r=0.65) as well as the satisfaction of the successor (r=0.54) and the satisfaction of the employees (r=0.55).

Figure 2

Structural relationships concerning satisfaction from the incumbent's perspective



**** highly significant (P < 0,001),*
*** high significant (P < 0,01),*
** significant (P < 0,05).*

The results also support the working hypothesis of a strong link between the business process perspective and a psychological level. (Figure 2)

Discussion and Conclusions

Family business researchers suggest that the perceptions of successors and incumbents could differ significantly (Poza et al., 1997). Therefore we collected data on both sides: on the side of successors who took over their company within the last five years and on the side of departing owners (incumbents) who transferred their company during the last five years. Incumbents especially are often underrepresented in subject-specific research (Venter et al., 2005).

Family succession is always a subjective phenomenon that is differently perceived by each family member. As outlined by Sharma et al. (2003) there is an urgent need to align the different perceptions of incumbents and successors. By doing so, the likelihood of satisfactory succession processes can be raised. The different positions and the satisfaction issue are explicit elements of this research. The article deepens the knowledge about the successor as well as the incumbent, but also includes the perspective of the employees.

The satisfaction measures show a high significant correlation to the relationship between successors and incumbents in both perspectives. This suggests that a "good" relationship between the successor and the departing owner fosters the success of a transfer. Consequently, we can assume that affective and emotional components can indeed shape the success of business transfers.

The relationship between the successor and the incumbent is significantly interrelated with the relationship of all three satisfaction measures. Therefore it may be assumed that the interpersonal level exercises a major impact on the success of transfers. All results support the hypothesis of a significant link between the business process perspective and a psychological level. In this context we have to remember that the attitude of one influences the other's satisfaction with the succession process (Sharma et al., 2003).

This relationship involves among others the willingness to share relevant information, openness and respect. The satisfaction (with the completed business transfer) is closely interrelated with the relationship between the successor and the departing owner.

For the practice this research highlights the relevance to success of the relationship between the incumbent and the successor. They should openly share relevant information. The two sides have to treat each other with sufficient openness and respect. The free expression of opinion, the sharing of relevant information and the open exchange of views are needed to avoid confrontation and to increase the probability of successful succession processes.

Apart from its contributions this piece of research has some limitations. All satisfaction items were measured from the perspective of one person. This means for instance that one successor evaluated the satisfaction of her/himself, the satisfaction of his/her incumbent and the satisfaction of the employees. Here it would have been be better if all three perspectives of one and the same firm succession had been included.

Due to the research and the methodological design the direction of the interrelationship remains unclear. Based on Pearson correlations we cannot answer whether satisfaction shapes the relationship or the other way round: Does a good relationship between the successor and the incumbent shape the satisfaction of the others parties involved?

Finally, the causal interrelationship of more constructs in the family succession process needs to be studied simultaneously: the influence of the incumbent's propensity to step aside, the successor's readiness to take over, the mutual acceptance of the individual roles, the extent of succession planning, the satisfaction of the stakeholders and the economic success factors of successions.

In future research regression approaches, structural equation models or graphical chain models might help to test these causal and influential relationships. By doing so, a broader understanding of what is important for successful family transfers could be developed.

Notes

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[2] This refers to the common European definition of a family business. For details see: http://ec.europa.eu/growth/smes/promoting-entrepreneurship/we-work-for/family-business/index_en.htm. In contrast to that, *Doerflinger et al*. (2013) employ a *narrow definition* of a family business, including only companies with one or more employees, excluding single person enterprises. The paper at hand will indicate when this narrower definition is used. Otherwise the common European definition is employed.

[3] All the numbers refer to the *business economy* in Austria excluding public service.

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WHAT DETERMINES THE INNOVATIVENESS OF POLISH FAMILY FIRMS? EMPIRICAL RESULTS AND THEORETICAL PUZZLES

This article will review and synthesize the existing research on the innovativeness of Polish family firms in order to separate universal factors that influence the degree of innovativeness of firms from the factors which distinctively influence the innovativeness of family firms. To better assess the innovation propensity of family firms the author will work out the typology by combining the variety of innovations with particular features of family firms and the industrial context. A more nuanced approach will help to understand why the academic literature is inconclusive with regards to the question of whether family firms are anti-innovative (as some authors claim), pro-innovative or ambivalent with regard to innovations. In particular it will be argued that when assessing family firms' innovativeness special attention needs to be paid to the impact of the management of intergenerational change on the propensity to innovate, as this process relates to the capacity for investments into innovativeness and the time horizon of the owner's decisions.

Keywords: **small business, family firms, innovativeness, innovation mechanisms; intergenerational change, innovation capacity, path diversity**

Family firms dominate all national economies, accounting for between 60 and 80 percent of their gross national product and slightly less for employment (La Porta et al., 1999, p. 471–517.).

According to a report of PWC (2014) between 60 and 85% of all European firms are family firms, which constitute 60% of employment and generate 60 million jobs in the private sector. The overwhelming majority of family firms is composed of small and medium sized companies, which are responsible for 85% of the new jobs. Family firms are increasingly seen as a secure part of a sustainable economy, since they are particularly resistant to crises – they are more rarely closed and they fire less frequently their employees, thereby reducing the negative social consequences of economic crises (Safin, 2007). The view of family firms radically alters when economic processes are analyzed from the point of view of the factors of economic development. From this perspective, the most important are the processes of effective innovation, since they lead to the creation of new fields of economic expansion involving the positive side of the process of creative destruction. This aspect is inseparable from technological changes and other economic chocks. In such conditions family firms are considered a hindrance to economic developments as they are deemed insufficiently innovative. But, is such a statement legitimate in light of economic and managerial theories? Is it backed by existing empirical evidence?

In this article we analyze the characteristics of family firms from the point of view of factors encouraging or discouraging innovativeness. We then confront theoretically derived generalizations through the use of existing empirical data concerning the innovativeness of family firms. Finally, we develop a conceptual model, which shows the possible areas of impact of intergenerational succession on the degree of innovativeness and the type of innovations that are likely to be developed or adopted by family firms.

A plethora of concepts of family firms: an attempt at their simplification

Many authors stress the fact that there is no universal agreement on a definition of family firms and that in the literature there are various concepts hidden behind the same term. This lack of a single definition has been recently indicated in the report for the European Parliament as an obstacle to the creation of a public policy towards family firms: „*...this lack of reliable and com-*

parable data can hinder policy decision-making and may mean that the needs of family businesses are not being met" (Niebler, 2015, p. 5.).

However, what policy makers bemoan as an obstacle to designing efficient public policy, might not be a drawback in academic debates, which need to recognize the nature of a research problem. Furthermore, this issue forces us to reject the search for a representative family firm in each national economy, since family firms strongly differ in ways the families are involved in the daily activities of family firms and family firms differ in the same industry, firm size, firm-level skills and wages, capital intensity and in firm-level productivity.

Despite this, several decades of family firm research has allowed us to simplify the picture of a highly heterogonous world of family firms and to single out the most important criteria which then allows us to distinguish family firms from non-family firms. The first criterion is the ownership of a firm (full ownership or dominant ownership), the second points to the influence of family on the management of firms, thirdly, sometimes considered the least important, involves taking into account the self-identification of owners and managers of a firm and the aspiration of incumbent owners to pass the ownership and influence over firm's management to the next generation (so called "dynastic aspirations").

Even if one applies just one criterion, such as ownership, it is possible to see the differences in the degree of ownership concentration (from 100% downwards) and its dispersion across various members of family, whose borders are defined by the strength of family ties and other cultural factors. The influence of such factors is easily seen, when we compare family firms across cultural areas (from Europe to China) or over time (19th Century European family firm with a family firm in Europe of changing family models). Furthermore a family can be an owner not of a singular firm, but of a group of firms (family business group) or control a whole chain of firms via the principle of a pyramid control, or create and discontinue firms (enter and exit) by managing a kind of family venture fund which operates with differentiated assets and differentiated investment temporal horizons.

If we add to the criterion of ownership the criterion of management, we need to consider the complexity of management structures and practices (family firm governance). This dimension is highly influenced by a firm's size. The larger a firm is, the more complex its organizational structures are and the limits to the managerial control by one or several family members are correspondingly firmer. Family firm governance may require an organizational form that solves the problem of delegating powers and monitoring the behavior of other (family and non-family) middle and higher level managers.

In general, newly founded firms are fragile and their „death rate" is high. The first critical threshold in the life cycle of a firm appears within first year, when the number of new firms falls by two thirds. The extinction of firms is a natural phenomenon and more surprising is the fact that approximately 14% of firms are transferred to the second generation. Dynastic aspirations of the founders and owners of new firms are faced with a decreasing survival rate, although their subjective aspirations are not necessarily emboldened by excessive optimism[1]. First generation family firms need however to nourish "dynastic aspirations" since they support the preparations of family members for just such an eventuality, assuming the sustainability of the firm. Assuming that three quarters of all firms are first family firms, three quarters of them will be also "last generation" family firms lacking the capacity to found a family business dynasty, but still with a strong presence of family in the ownership and management of a firm.

In the countries, which have recreated a private market economy, after the fall of the planned economy, most firms are first and last generation family firms. If on average 14% of newly created firms pass to the second generation, one can expect the formation of 210 thousand second generation family firms in Poland[2], 140 thousand in the Czech Republic, 70 thousand in Hungary and 57 thousand in Romania. (Table 1)

The combination of these three factors and other contextual variables generates strong heterogeneity of family firms resulting from the variety of ways in which a family interacts with the firm. This variety, on

Table 1.

Number of enterprises in selected EU countries in 2011 (in thousands)

Country	**Italy**	**UK**	**Germany**	**France**	**Czech Republic**	**Hungary**	**Poland**	**Romania**
Number	3825	1704	2190	2567	1007	529	1520	426

Source: Eurostat – Your Key to European Statistics – http://ec.europa.eu/eurostat/

the one hand, creates a continuum with self-employed and microenterprises in which family is an implicit, informal and contextual factor, and, on the other, firms which have grown so rapidly that within one generation they have become family controlled public companies quoted on stock exchanges, or they have become the source of personal or family wealth without dynastic aspirations[3].

Risk and orientation to socio-emotional wealth

Family firms are en masse considered less innovative than non-family firms, and this feature seems to originate from their propensity to avoid risks. The reasoning goes as follows: innovation requires risk taking, family firms are rise averse, hence family firms are less innovative. However, this thesis is more assumed than proven as empirical verification is methodologically challenging, if not outright impossible, due to the conceptual and factual complexity of innovations. In the literature we find similar statements to one based on an empirical study of a sample of Columbian firms. Its authors: González, Guzmán, Pombo and Trujillo write: „Risk aversion pushes firms toward lower debt levels, but the need to finance growth and the risk of losing control cause family firms to employ higher debt levels" (González et al., 2012, p. 2319.). Such ambivalent statements point to existing tensions between orientation towards growth and the fear of losing control over the firm and this tension influences the choice of the method for financing growth. If however growth is necessary, but impossible without innovation, family firms might overcome their aversion to risk. Risk propensity is strictly linked with the orientation towards growth, and the latter depends on the industry and life cycle of the firm. It is observed that family firms are chiefly present in mature industries since they are risk averse. However, this tendency might be due to the fact that we identify firms as family firms after prolonged periods of business activity and this means that interdependency is an endogenous factor. In new industries, like information technology, the newness of such industries and their turbulent conditions, make the presence of family firms (and especially 2nd generation family firms) less frequent and less visible.

Small family firms are also deemed as less innovative than small non-family firms since they are considered as plagued with inertia – in small firms the habits and routines shaped by owner/founder strongly frame the functioning of the company and the behavior of its employees. As a result family firms might misread market signals, be slow to react to market changes, badly adapt to changing circumstances or miss market opportunities. This means that the strong figure of a successful founder and owner might with time reduce innovative orientation of the family firm that he had founded.

Family firms are also often called seen as having a long term orientation embedded in strong family values and a commitment to keeping the firm in the hands of the family for future generations. In family firm "constitutions" – documents for owning families, it is often written that "this family business will last forever" (Harris et al., 1994, p. 159-174.).

Like all firms that care about innovativeness, family firms need to create a culture of innovation that is environmentally supportive of "creative change that produces meaningful results" (Schmieder, 2014, p. 18.). The culture of innovation is necessary "both to exploit existing resources (e.g., focus on efficiency enhancement) and explore new opportunities" (Schmieder, 2014, p. 21.).

In the contemporary environment of open markets the sustainability of family firms requires constant development based on innovation, as well as the selection of well skilled and committed employees who are able to adopt technological changes. The leaders of family firms are aware of the importance of such factors and they are aware that sustainable family firms need to create an environment suitable for knowledge creation, development and transfer, as can be seen in Table 2.

Table 2.

Key internal challenges for the family firms in the next five years

Types of challenges	2012	2014
Need to continuously innovate	62 %	84 %
Attracting the right skills talent	58 %	61 %
Retaining key Staff	46 %	48 %
Reducing costs	n/a	44 %
Need for new technology	37 %	41 %
Need to professionalise business	n/a	40 %
Company succession planning	32 %	36 %
Conflict between family members	9 %	11 %

Source: Makó et al. (2015): Recommendation to Policy Makers (Draft version). Intergenerational Succession in SMEs Transition, INSIST. Budapest: Budapest Business School – Faculty of Finance and Accounting, p. 4.

In large firms the processes of knowledge creation and knowledge sharing have a more formalized nature than in smaller firms. It seems that the size of the company is a decisive factor. A large family firm does not differ from a large non-family firm, since the number of employees, the pace of their rotation and the complexity of internal processes and interactions push for formalization (the creation of procedures).

In small firms the creation, development and the transfer of knowledge takes on an informal character

(Wach, 2014). This means that knowledge is strongly linked to the experiences generated by work and problem solving, and that such knowledge is rarely written in formal documents. This may generate the risk of a loss of acquired knowledge and the lack of the possibility to transfer it, if the persons that have accumulated knowledge and store it, go away or are fired by the firm.

If a small family firm is a first generation family firm, its main figure is the founder/owner. He is the central node for all of the most important business and social processes of the firm. His knowledge predominantly derives from his own experience or from sources with which he has had direct contact. The diffusion of knowledge in the firm depends on the quality of relations between him and key employees of the firm.

If analyzed from the perspective of socio-economic wealth, family firms are seen as endowed with high human capital (a high quality of social ties) and strong symbolic capital (Popczyk, 2014). This is a source of their strength, but it might also be a source of some problems. The symbolic capital is linked with the family identity of the firm, which might be linked with a given type of industry. For example the name of Rothschild is associated with finances, and not with food production, Barilla, on the other hand, is strongly associated with Italian pasta. If a family firm is strongly linked with a given industry, it is often assumed that the continuation of such an activity is always desired. But, if such continuity leads to losses, or eventually, to bankruptcy, then such a continuation is not a good solution. In this case the family of owners should build business alternatives and withdraw from loss-making activities before the possibility of bankruptcy emerges.

We can say that family firms face the problem of "symbolic stickiness". Usually they have to build their own symbolic capital and reputation around the family name and certain types of activities. For example, if a Polish firm like Blikle is associated with an image of a multigenerational family firm active in doughnut production, such a family firm is somehow symbolically constrained to continue this kind of business activity even if this may limit the firm's growth potential.

Facing uncertainty about the future and being oriented to the long run, the family of the owners might be induced into making personal sacrifices by self-commitment to a traditional activity, especially if there are public expectations that the family business should remain concentrated on a given enterprise.

It is worth noting that the tendency towards long term commitment to a given field of business activity is in a natural way strengthened by the specificity of family firm's assets (including specific managerial and technical skills and an intimate knowledge of a given sector of the economy). Both symbolic factors and the assets' specificity may cause the "innovative" decision to shift to a different type of business or to exit from a loss-making business activity to not be taken at all or to be taken only after a significant delay. It is certainly true that family firms "actively mix the resources of firms and the resources of family" in order to assure their business success (Haynes et al., 1999, p. 225–239.).

The interdependence of the development of firm and the changes in the owning family creates symbolic and real overlaps, which might in turn create obstacles to the identification of emerging business opportunities. If a family firm functions for several generations in a given branch, the likelihood of shifting to a different business activity is small and requires bold decisions. We can thus speak about 'identity induced blindness' to new business opportunities.

These factors have been noticed by family business researchers who observed that a strong emotional commitment to the activity which had been founded by ancestors, and a strongly felt moral duty and responsibility for employees and for local community all constrain family firm owners from following a certain path in the business. Lansberg (1999) observed that family members often avoid or delay the necessity to innovatively change the business track, not because they do not follow financial indicators, but because they are emotionally attached to the existing type of activity. Abandoning and exiting from a historically shaped activity might be seen as something that weakens the family status and its reputation in a community. The combination of such factors might lead to the situation in which family members suppress the idea of moving away from a given business activity.

The tendency of family firms to get locked into obsolete (loss-making activities) is well illustrated by Italian company Falck, which was founded in 1906 by Giorgio Enrico Falcka in Sesto San Giovani near Milan as a steel working company. After successful development in the first 5 decades, the company started to make losses in its core activity in the 1970s and after almost 20 years departed from steelmaking in the first half of 1990s. From then on the Falck Group has focused on renewable sources of energy, investments in real estate and financial intermediation. In his memoires one of the leaders of the 4th generation, Alberto Falck, wrote "in the past our firm passed through 3 succession processes, and each succession was a challenge to family values. In our case the commitment to steelmaking was winning over other factors. That is why we have stuck to the steel industry for so long" (James, 2006, p. 161-171.). The history of the successful transformation of Falck shows that the members of the owning family were aware of the fact that in an age of rapid technological change "an early exit might become something necessary in order to regain most of the invested assets and to redirect them into activities that generate a higher rate of return" (Harrigan, 1980, p. 599–604.). Contemporarily the sustainable development of family firms requires recognition of the importance of threats and opportunities created by technological change and the growing internationalization of markets. Maintaining economic activities in sectors of low growth or not adjusting to technological change have diminished the likelihood of passing the company to the next generation, thus it undermines the aspirations for dynastic succession.

Types of innovation and heterogeneity of family firms

Innovativeness relates to the capacity of a firm to make discoveries and to create new solutions through experimentation and creative problem solving (Lumpkin – Dess, 1996). Such a general statement creates no obvious need for a more precise definition. In the academic literature there are many definitions of innovation which stress various aspects of the concept. Still, it seems reasonable to reduce the complexity of innovation to three criteria, which highlight the essence of innovations:

1. innovation is a novelty (something new, a new product, service or process) understood in absolute or relative (contextual) meaning,
2. the scale of innovation might be different: from relatively minor innovation to large scale (disruptive) innovation,
3. innovation is created not for the sake of itself, but it needs to be accepted by consumers.

If we take into consideration only these three criteria, we realize how many varied types of innovation there are in firms: from absolute innovation, which has a large scale impact and create new branches of the economy to local innovations, tiny in scale and exploiting market niches.

Sometimes it is expected that family firms need to create disruptive innovations, despite the fact that such innovations are extremely rare, and when they appear, they might not come from one source, or from a single firm. The Internet is one such disruptive innovation. Its origins go back to academic research and attempts to create tools for the transmission and exchange of data. It is a result of public spending and the work of many anonymous researchers, but public opinion ascribes the greatest innovativeness to companies, which, as in the case of Google, have designed algorithms for the data search and the most accurate information matching. In economic development one large scale innovation that was finance from public sources opened the way to many smaller, but more effectively commercialized, innovations.

For economic development a crucial problem exists in the passage from an invention to a (patented) innovation. The growth of basic knowledge is the main source of inventions. Inventions, such as new drugs are patented by their creators (or firms) in a form of patent race and they might have great importance to patients (customers) as they might prolong their lives (or greatly increase utility). For firms the patented innovations might be a source of increased profits, but innovations as such might depend on earlier scientific discoveries. One should note that innovative firms might designs health products (dietary supplements) which do not rely on any significant scientific discoveries, they are not innovative in an absolute way, but still they serve to offer valuable market products. For example, the market of dietary supplements in Poland was valued at 850m euro in 2015 (Puls Biznesu, 2015) and the domestic supply is provided by approximately 300 small and medium sized enterprises which almost without exception can be counted as family firms. From a more general perspective it seems that there is a positive correlation between the type of industry and the density of innovative firms. In industries such as semiconductors and electronic components, chemicals or computer hardware a large share of firms can be classified as innovative. In traditional industries such as bakery there are much less opportunities for innovative companies.

The analysis of forms and degrees of innovations get complex if we take into account the four types of innovations: product innovation, process innovation, marketing innovation and organizational innovation. Two types of innovations, namely process and organizational innovations, are internal to a firm – they cannot be captured from outside without targeted research. The public attention is directed to product and marketing innovations, which are visible from outside and sometimes spectacularly attractive.

The innovativeness is fostered by external factors (Kellermanns et al., 2012). Innovations of firms depend on several institutional factors like the quality of tertiary education, basic research and technological infrastructure, economic openness, R&D expenses, active labour market policies for retraining and supporting job searches and the availability of equity financing. That is why the Global Innovation Index shows generally a high positive correlation between the degree of innovativeness and the GDP per capita, which in turn is strongly correlated with the quality of the institutional environment.

International comparisons of innovativeness measure input and output of innovativeness, namely the number of patent applications, the number of researchers and the expenditures on R&D. Inputs and outputs are linked by processes, which take place within enterprises and in an external environment. For example, the number of granted patents depend on the design of patent law. The US has the highest number of patent applications: in this country the number of patent applications increased from 164.5 thousand in 1990 to 578.8 thousand in 2014[4], but when interpreting such numbers one should take into account the peculiarity of national patenting systems. In the case of the US the patenting system allows for cheap and relatively cheap patenting of even small inventions. Furthermore a strong system of property rights allows for the existence of secondary markets of patents where patents are resold and find their ways to commercialization. Thus, it is legitimate to speak about national systems, which influence the innovativeness of companies and are decisive for the level of private returns on innovations and more broadly on research and development.

In some countries the process of defending innovation and the registration costs create obstacles for small firms. The administrative costs of patenting distort patenting and their commercial utilisation in favor of larger firms. That is why researchers such as Galasso and Schankerman (2015) have confirmed the importance of patenting offices and administrative courts for the patenting activities of small firms. They have discovered that the court's decisions on which patents to invalidate decrease the future likelihood of firm's patenting by 50%, and they have documented that the significance of patent protection depends on the size of the firm, the importance of patented technologies for competitive strategies and on the competitive environment. If a small firm gets its patent invalidated in the court trials and the patent relates to its core technology, then its innovativeness efforts get harmed. Such an occurrence does not affect large firms, which continue pro-innovativeness activities and attempts to register patents even if they lose one of their key patents. Generally speaking higher protection granted by patents does increase the market power of an innovator (Hopenhay – Mitchell, 2001, p. 152.), but patenting regulations, as noted by Galasso and Schankerman (2015), do influence the innovativeness of small firms in following ways:

- they can strengthen the market position of small firms by permitting them to sell licenses to large firms that can develop them and commercialize,
- they can facilitate the access to financing and venture capital,
- they can improve the bargaining position of small firms in their attempts to use the inputs composed of licensed products or solutions.

It is generally recognized that conducting R&D activities and developing innovative products, services and processes requires appropriate resources and especially appropriate human capital and financing resources. If however firms do not aspire to developing proper innovations, still they need similar resources to absorb (buy and implement or identify and imitate) existing innovations. From this perspective small firms are at a disadvantage in comparison to large firms and this factor seems more important than the familiness of the firm.

The innovativeness of Polish family firms: empirical results

The discussion so far has served to show the complexity of innovativeness analysis and the ambiguity of empirical research results. It has been shown that innovations are contextual and their meaning needs to be understood in the local market and institutional environment. That is why all international comparisons suffer from the flaw that they reduce the complexity of innovativeness to some simple indicators of inputs, process or outcomes. Still they might provide some useful, although preliminary information. Thus, the widely known Global Innovation Index developed by Cornell University and INSEAD indicates that the Polish economy is not very innovative. In the 2015 Ranking Poland is placed in 46th position behind Hungary (35th), France (21st), UK (2nd), and with Switzerland ranked as number one[5]. The empirical results regarding Poland need to be interpreted against such general conditions.

The existing empirical research about the innovativeness of family firms is scarce and relies on the analysis of small samples and cases. Quantitative, representative research with large samples, on the other hand, do not differentiate between family and non-family firms, while focusing dominantly in Poland on the category of small and medium sized enterprises. Thus, the research conducted in 2015 with a sample of 7,000 micro- and small enterprises showed that the majority of them did not implement any innovation, and only 5% prepared innovations whose cost exceeded 25,000 euro (Wedziuk, 2016). When asked about the type of implemented innovations, 26% of inquired companies answered that they introduced product innovation, whereas 17% said they implemented process innovations. The conclusions of this and other similar research empirically confirm the theoretical prediction that the overwhelming majority of micro- and small firms does not innovate and does not grow. Still the companies that grow do innovate, but researchers select them because they have grown since they rather illustrate and not test the link between innovation and growth. Based on an educated guess one can state that among the firms that innovate and grow almost all are family firms. For instance Fakro – a company owned by the Ryszard Florek family has become the second largest European producer of roof windows and has for years been researched and shown as an innovative company which introduces technological changes improving the quality of products. It uses new technologies like 3D printers to develop new products and runs its own research laboratory to develop and test new products. But, sampling from the group of visibly successful and innovative family firms introduces a strong bias in an estimation of the likelihood of similar cases.

More generally the empirical research of innovativeness of family firms suffers from the longevity bias. Family firms become family firms through internal perception and external recognition only after a substantial time: a firm existing for one to five years can hardly be called a family firm. Still in most innovative sectors (like pharmaceuticals or informatics) innovations are generated by young, small firms that develop patented products or, after dynamic growth, are purchased by larger firms that develop and commercialize their products. Similarly start-up entrepreneurs increasingly depend on large firms as suppliers or customers, for venture finance, exit opportunites, knowledge (production, markets and R&D) and for opening new markets. In academic research and in public perception family firms are older firms in more mature (less disruptive) industries. Hence, the perception of family firms is as conservative, choosing and functioning in traditional industries and sectors. To disentangle the link between the size, age and innovativeness of firms is an investigative challenge yet to be resolved.

An interesting, but under-researched problem relating to family firms regards the impact of succession on a firm's innovativeness. Based on existing research we can estimate that on average 14% of family firms are transferred to the second generation and 3% to the third generation. It seems thus that succession is not a phenomenon with heavy economic importance, but if one considers, as it is in the case of Poland, that there are approximately 1.5 million functioning firms, of which 85% are family firms and 14% are transferred to the second generation, the efficient succession relates thus to approximately 180 thousand firms. Furthermore, family firms that have completed succession, are undergoing succession or plan succession are relatively larger, better managed family firms. This adds to the economic importance of the problem. The academic and policy weight of the problem is evident: badly managed (or not prepared) succession might undermine innovativeness and sustainability of family firms. But, in Poland there are no empirical results allowing for an estimation of the scale of the problem.

Conclusions

The academic literature is inconclusive with regards to the question of whether family firms are anti-innovative (as some authors claim), pro-innovative or ambivalent with regard to innovations (König et al., 2013). If researchers avoid easy conclusions, then it seems family firms themselves struggle with the myth of family firms' inherent anti-innovativeness. Innovation research seems to focus on a sample of highly visible large scale innovations in the sectors in which family firms are not visible. However, a growing academic base of literature identifies other types of innovations and forms of innovativeness in which family firms excel (Więcek-Janka – Pawłowska, 2014).

The precise diagnosis pushes us not towards a too broad question of whether family firms are innovative or not, but towards a question of which family firms are innovative, in which dimensions and to what degree. This leads to methodological problems with designing research allowing to identify pro- and anti-innovativeness mechanisms which might characterize family firms (Marjański – Sułkowski, 2014).

In the case of Poland it seems confirmed that a generally low level of innovativeness reduces the need to innovate. Furthermore, small family owned companies do not have the resources necessary to develop innovative activities or to meet the challenge of innovative external competitors. Moreover, the innovativeness of firms is not stimulated by the institutional environment, including the quality of the legal system and weak links between firms and universities.

Polish family business research converges with international academic literature concluding that family firms are not inherently anti-innovative. In order to last over generations they need to be innovative. Future research, due to the high heterogeneity of family firms, could advance our understanding of innovativeness mechanisms by contextualizing general knowledge through including family, firm and industry specific factors. The attention of the public policy makers should focus on the improvements of the general institutional environment, since the attempts to identify and support transformational entrepreneurial family firms – those that introduce major innovations and make substantial contributions to growth – are methodologically and operationally untenable.

Notes

[1] Not only entrepreneurs overestimate the likelihood of an effective „dynastic" succession. Similar tendencies characterize other professions as well. Thus, for example, 94% of professors from American universities believes they are better than an average professor (Price, 2006).

[2] In countries like Poland the actual share of firms that will be transferred to the second generation will be likely lower due to the small size of private

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firms: an average number of employees in a firm amounts in Poland to 5.5 persons, whereas in all EU countries it amounts to 6.1 persons.

[3] Microsoft or Google are here obvious examples.

[4] See: U.S. Patent Activity Calendar Years 1790 to the Present, available: http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm)

[5] See: Global Innovation Index – https://www.globalinnovationindex.org/content/page/data-analysis/ – access 26 May 2016.

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FINANCIAL CHARACTERISTICS OF FAMILY BUSINESSES AND FINANCIAL ASPECTS OF SUCCESSION

Family businesses are special in many respects. By examining their financial characteristics one can come to unique conclusions/results. This paper explores the general characteristics of the financial behaviour of family businesses, presents the main findings of the INSIST project's company case studies concerning financing issues and strategies, and intends to identify the financial characteristics of company succession. The whole existence of family businesses is characterized by a duality of the family and business dimensions and this remains the case in their financial affairs. The financial decisions in family businesses (especially SMEs) are affected by aspects involving a duality of goals rather than exclusively profitability, the simultaneous presence of family and business financial needs, and the preferential handling of family needs at the expense of business needs (although it has to be said that there is evidence of family investments being postponed for the sake of business, too.

Family businesses, beyond their actual effectiveness, are guided by individual goals like securing living standards, ensuring workplaces for family members, stability of operation, preservation of the company's good reputation, and keeping the company's size at a level that the immediate family can control and manage. The INSIST project's company case studies revealed some interesting traits of family business finances like the importance of financial support from the founder's family during the establishment of the company, the use of bootstrapping techniques, the financial characteristics of succession, and the role of family members in financial management.

Keywords: **family business, family business finances, succession, bootstrapping, trust**

In 2014, an ERASMUS+ Strategic Partnership Project – Inter-generational Succession in SMEs' Transition (INSIST) was started with the coordination of the Budapest Business School. Based on desk-top analysis and case-study research the main aim of the project was to develop vocational curricula and training systems in generational succession or transmission of family businesses. The members of the INSIST project's multi-actor partnership were: the European Multi-Actors Cooperation Network, ADINVEST International, Budapest Business School, the Confederation of Hungarian Employers and Industrialists, Cracow University of Economics, the Employers Union of Malopolska LEWIATAN and Leeds Beckett University (www.insist-project.eu).

Combined research methods were applied in the INSIST research project. Project team members carried out desk-top analysis based on the existing (national) literature and conducted empirical research in order to provide a detailed picture of the importance of family business in the particular economies, focusing on such issues as the economic weight of family businesses, the socio-cultural and financial-legal environment of family firms, the succession process, and some psychological aspects of managing family enterprises.

In order to gain a deeper insight into the succession process and to understand the company- and family-level micro-mechanisms shaping ownership and management transfer practices, each participating country had to carry out two company case studies with the succession in focus. The company case studies were based on semi-structured, problem-oriented in-depth-interviews with different stakeholders (owners/employers and also employees) of family businesses, dealing with issues like rules of entry and exit, commitment of the next generation, management practices, etc. The Hungarian team compiled three, the Polish team five and the British team two case studies (Makó et al., 2015).

A case study is a particular strategy for qualitative research, which offers researchers opportunities to explore or describe a phenomenon in context using a variety of data sources. While quantitative methods are insufficient to investigate a phenomenon, which involves multiple levels and has dynamic and symbolic components, case studies using a variety of lenses allow for multiple facets of the phenomenon to be revealed and understood in its real life context (Yin, 2009; De Massis – Kotlar, 2014; Vohra, 2014). Rowley (2002) points out that the case study research method has traditionally been viewed as lacking rigour and objectivity, when compared with other social research methods. At the same time, case study strategy is widely used due to the insights (soft processes, leaders' experiential decisions) that might not be achieved with other approaches (Rowley, 2002; Prahalad, 2009). De Massis – Kotlar (2014) highlight the importance of the case study method in family business research. They claim that case study based research papers are often considered the "most interesting" and impactful works in the academic community.

The case study design is multi-coloured. This paper is based on research results from multiple-case studies. Multiple-case studies provide a strong base for theory building or explanation, allow the researcher to carry out analysis within each setting and across settings. By examining several cases similarities and differences can be understood across and between the cases (Baxter – Jack, 2008; Yin, 2009; De Massis – Kotlar, 2014). The multi-case study method focuses on holistic description and explanation (Merriam, 2009). The aim of this paper is to summarise the main findings of the desk-top research on the financial characteristics of family businesses and the succession process as well as examine the completed case studies from the aspect of family business financing and finally draw conclusions as to their financial characteristics, particularly the financial/funding features appearing through the succession process.

Finances of family businesses – Review of the corresponding literature

As the parallelism of the family and business dimensions characterize the whole existence of family businesses, it is also present in their financial affairs. The financial decisions in Hungarian family businesses (especially SMEs) are affected by the following factors:

- the primary goal of business decisions is not exclusively profitability,
- the simultaneous presence of family and business financial needs requires careful coordination,
- the preferential handling of family needs at the expense of business needs, though there is also evidence of postponing family investments for the sake of business, too.

Hungarian family businesses, beyond the actual effectiveness, are guided by individual goals like securing living standards, ensuring workplaces for family members, stability of operation, preservation of the company's good reputation, and keeping the company's size at a level that the immediate family can control and manage. These goals are in accordance with the SEW (socio-emotional wealth) concept (Csákné, 2012). The unique features of family business finances are most importantly reflected in the refusal of external equity funding and the intermingling of family and business finances. Family businesses are comparatively conservative in the type of financing they use. Their most important sources of funding are internal financing from cash flow, shareholders credit and bank loans (Peters – Westerheide, 2011; European Family Business Barometer, 2014). In case of family businesses that already operate successfully, the major sources of financing are reinvested profits, short-term bank loans and the savings of family members, relatives or friends.[1] Gere (1997) pointed out that Hungarian family businesses relied heavily on family savings (36.3%) during their operation, and often reinvested profits (30.4%) were the main source of financial needs.

As reported by the European Family Business Barometer (2014), financing their operations and growth is not an issue for family businesses. 80% of them confirm that they do not have difficulties with funding. Keasy et al. (2015) also point out that the majority of business owners prefer to raise finance via debt rather than dilute their position via equity. They highlight that young family firms are typically characterized by the presence of the founder, who may be reluctant to dilute family control given their long-term perspective. The emotional attachment of the founder to its business also explains family firms' refusal to opt for equity financing. Peters and Westerheide (2011) examined the financial behaviour of German family and non-family businesses. They have found that family businesses are prepared to accept higher financing costs in order to preserve their financial independence and flexibility. This particularly applies to family businesses that are larger and generally more creditworthy, which confirms that for family businesses independence from external capital providers has central importance.

Other researchers explain the particular financial behaviour of family businesses by the pecking order theory, which ranks internal financing as the most economical form of financing followed by external debt

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rather than external equity financing (Myers, 1984; Romano et al., 2001; Gallo et al., 2004; Koropp et al., 2013). In family businesses (especially smaller ones) the business and family finances are often mixed. The most common reason for this is that the liquidity imbalance can be solved by a reallocation of either the company's or the family's resources. Mandl (2008) states that if family and business finances are not treated separately, the expenses of family life events such as marriage, divorce, birth of children, retirement and death may affect the financial stability of the family business. However, before judging family businesses for mixing family and business finances, it is worth examining the table compiled by Yilmazer and Schrank (2010) that compares intermingling and bootstrapping (which is considered a very effective business financing method). The comparison highlights that intermingling and bootstrapping have overlapping areas and therefore one cannot clearly criticize the intermingling of family and business finances (Table 1).

Table 1

Bootstrapping and intermingling in family businesses

	BOOTSTRAPPING	
INTERMINGLING	***Use of owner resources to benefit the business*** Loans from relatives Cash from relatives Personal savings Use of personal credit card Household property used as collateral for business loans Family labour receives no pay or below-market rates Manager works another job and takes no pay from business Manager foregoes pay for a time Business uses home space and utilities	***Use of business resources outside the business*** Loans from business to relatives Business cash used to help household cash-flow problems Business purchases items used by family Business pays family at higher than market rate Business assets used as collateral for family loans Drawings by owner
	Business strategies related to customer / supplier / community resources Accounts receivable management methods (e.g. speed up invoicing, choose customers who pay quickly, cease business with late or non-payers) Sharing or borrowing resources from other firms (shared space, equipment, employees) Delaying payments (suppliers, tax and employees) Minimizing of resources invested in stock through formal routines Use of subsidies	

Source: Yilmazer T. – Schrank H. (2010, p. 402.)

There is rapidly growing reference in international literature to socio-emotional wealth (SEW) (first defined by Gomez et al. in 2007), which describes those non-financial aspects of the family businesses that shape their particular behaviour. However, the aim of the SEW concept is not to describe family businesses' financial behaviour; it gives an explanation for family businesses' long-term financial orientation, profit realisation and growth characteristics. The concept states that family members' main goal with their business is not only to maximize financial returns, but to increase the socio-emotional endowments they derive from the business (Miller – Le Breton-Miller, 2014). The following table summarizes the main financial issues of small family businesses, their peculiar features and the family business' characteristics that affect the firms' financial behaviour (Table 2).

Finance-related findings of the INSIST research project

The INSIST research project team compiled 10 company case studies. As mentioned earlier, the Hungarian team compiled three, the Polish team five, and the British team two case studies. The Table 3 summarizes the main characteristics of the company cases investigated (Table 3.).

Table 2

Financial peculiarities of family businesses

<table>
<tr><th>Issue</th><th>Special financial features</th><th>Family business characteristics</th></tr>
<tr><td>Parallel financing of family and family business, and financing succession</td><td>• intermingling of family and business financing
• using family assets as collateral
• the family business represents a significant portion of the owner family's wealth
• succession requires careful financial planning and preparation</td><td rowspan="3">• desire to keep the family business ownership and management within the family
• commitment
• long-term approach
• ensure the family's financial independence
• importance of preserving a good reputation
• risk avoidance
• paternalism
• intermingling of family and business affairs
• family dominance in the management of the business
• refusal to employ non-family managers
• nepotism</td></tr>
<tr><td>Financial management, borrowing and indebtedness</td><td>• avoiding financial risks
• less sophisticated financial management
• preference of debt financing over equity financing
• lower debt ratio than in non-family firms</td></tr>
<tr><td>Source of capital, raising external (non-family) capital, selling the family business</td><td>• maximum usage of family resources
• rejection of raising external (non-family) capital
• defining the value of family business is difficult</td></tr>
</table>

Source: Csákné (2012, p. 17.)

The literature review has shown that family businesses have peculiar financial characteristics. In the pages that follow, the authors will examine the finance-related topics of the INSIST project company case studies. The next chapter of the paper has been divided into five parts. The first part deals with the importance of the founder's family for financial support, the second part examines the bootstrapping techniques found in company case studies. We consider the questions: which are the most preferred alternate financing techniques and how are family businesses using them? The third part reviews the family businesses' behavior examined in period of tough (crisis) times which is followed by an overview of the financial aspects of succession, with the questions: how does the financial health of the business affect succession decisions and what are the most important aspects of financial management of succession? Finally, the last part analyses the importance of trust and its effect on family business finances.

The companies examined are at different stages of the succession process with different strategic aims. Although the main purpose of the case studies is to reveal the special features of the succession process, valuable findings about the financial features of family businesses and family business succession can be discovered.[2]

Sources of starting capital

In the early days after their founding, most businesses have incomplete financial data and plans, the available collateral is insufficient and so it is very common that at the beginning, the only source of finance for family businesses are the prospective owners and their families. Gere (1997) in her research has shown that almost 90% of family businesses used the family's savings to

Table 3

Company cases of the INSIST project

	Country	Year of establishment	Number of employees	Sector/Activity	Markets	Succession
Parodan	UK	1984	27	Engineering (design and manufacturing)	National	*
Podiums	UK	1977	30	Fabricating	Regional	*
DOMEX	Poland	1989	20	Real estate	Regional	**
Plantex	Poland	1981	81	Horticulture	Domestic / International	*
Pillar	Poland	1980s	70	Construction	Local	***
WAMECH	Poland	1989	77	Manufacturing (automotive)	International	***
WITEK	Poland	1990	260	Retail trade (furniture)	Regional	*
Fein Winery	Hungary	1991	4	Food (wine production)	Domestic / International	**
BI-KA	Hungary	1991	103	Logistics	Domestic / International	*
Quality Meat	Hungary	1992	45	Food (meat processing)	Local	**

**Management transfer completed without ownership transfer*
***Management and ownership transfer under process*
****Management and ownership transfer completed*

Source: Makó et al. (2015, p. 16.)

get started, and it was also typical that sale of family property and loans from relatives provided the initial capital. Based on Czakó's (1997) research, 70% of the Hungarian family businesses founded in the early 90's needed additional financial sources for starting up. One-fourth of them used bank loans and two-thirds used households' savings as initial financial sources.

According to Kuczi (2000), due to scarce financial resources, family and relatives also played an important role in the establishment of those businesses that originally weren't meant to be established as family businesses. Rather than being funded by equity and/or debt, the mass of the financing at the start of a new enterprise and in the early stages of its growth is provided by informal sources, which are colourfully called the four F's: founders, family members, friends, and foolhardy investors—the last one being angel investors, who may have a personal or professional interest in the founder (Brophy, 1997; Szerb et al., 2007; Tomory, 2014).

The company case studies also confirm the importance of family assets for the foundation of the family business. In the case of Fein Winery, the founder-manager financed the operation in the early stages of the business and even later his personal wealth was the main source of investment: *"The founder-manager, Tamás wanted to give a position to Péter Sr. (Tamás's father), thus he financed the operation of the family vineyards and Péter managed it. In this period the founder-manager worked as economist, vintner, corporate leader, bank account manager. …Tamás provided financial support and investment for the building of the family estate"* (Gubányi, 2015, p. 1-2.).

One of the most prominent Hungarian logistics companies BI-KA Logistics was also founded with the help of the founder's parents-in-law (Hungarian – BI-KA Logistics, Kiss, 2015). At Quality Meat Ltd. the early stages were also financed from family savings: *"The first task at the start was to provide the founding capital. The company was set up from savings and in the early period they tried to operate by keeping costs very low. They moved forward in small steps, always reinvesting the profits and developing their assets"* (Szentesi, 2015, p. 14.).

The INSIST project's company cases confirm the importance of the founder's family financial support in establishing a new family business. In the examples the main financial supporter of the founder is usually the nuclear family which can be explained by the high-level of trust and emotional ties between nuclear family members.

Bootstrap financing of family businesses

Bootstrap financing or the creative acquisition of resources by a business is considered one of the most effective financing methods (Tomory, 2014). Bootstrapping techniques are considered an important element of modern financial management, but the motivation behind their use is not only the pursuit of efficiency, but especially in case of small businesses, which are not creditworthy, the necessity of finding an alternative for debt financing (Béza et al., 2013). Family businesses, due to their general rejection of external financing, usually rely heavily on bootstrapping techniques. In their work Helleboogh et al. (2010), point out that the use of bootstrapping techniques does not depend on the family business owner's education; it is rather a skill absorbed from self-employed parents or during the owner's prior work and management experience.

Tomory (2014) in her dissertation compiled and analyzed a wide range of definitions of bootstrap financing from which perhaps Freear et al.'s (1995, p.395) is the most applicable for family businesses: „Highly creative ways of acquiring the use of resources without borrowing money or raising equity financing from traditional sources". Winborg and Landström (2001) collected a detailed list of bootstrapping methods and classified them as bootstrapping measures for capital minimization and bootstrapping measures to meet the need for capital. The INSIST project's company case studies confirm family businesses' preference towards bootstrap financing. In the Table 4 based on Winborg and Landström's (2001, p. 251.) work, we collected some examples of when the family businesses examined employed bootstrapping techniques (Table 4).

The Polish Witek Centre company case (Konopacka, 2015) is a great example of alternate financing. During the succession process, the founder's company helped the establishment of the children's own businesses, which can be considered a special and interesting form of bootstrapping. The Witek Centre company case is particularly interesting as the family managed to transfer the entrepreneurial spirit and "bootstrapping knowledge" over three generations:

Table 4

Examples of bootstrapping techniques

Bootstrapping Methods	Example from the INSIST project's company cases	References
Seeking out best conditions possible with supplier(s)	The company was set up from savings and in the early period they tried to operate by keeping costs very low.	Szentesi, I. (2015, p. 14.) Quality Meat Ltd., Hungary
Withholding manager's salary for shorter/longer periods	Agreed equal remuneration for father and sons, the suspension of payments at times of crisis has developed the sense of responsibility and solidarity among them.	Gorowski, I. (2015, p. 8.) Pillar Ltd., Poland
Obtaining capital via manager's assignments in other businesses	At the foundation of the company, Sofia had been on maternity leave with her two children and Peter Sr. retired and became passive. The founder-manager, Tamás wanted to give a job to Peter, thus he financed the operation of the family vineyards and Peter managed it. In this period the founder-manager worked as economist, vintner, corporate leader, bank account manager.	Gubányi, M. (2015, p. 1-2.) Fein Winery, Hungary
Obtaining loans from relatives/friends	Further, in times of hardship, such as during the recession, the Wood parents and Paul put all their personal resources into the business to keep it going and avoid reducing staff numbers. Indeed, the parents invested their home and pensions against the business to ensure its survival for the next generation	Wymer, P. (2015, p. 8.) Parodan Engineering, UK

Source: Own compilation based on (Winborg and Landström, 2001, p. 251.).

"The first generation, (the grandparents), were farmers in the Cracow region. The second generation, led by the mother, Karolina, now 76, started a poultry breeding farm in 1961, which developed into a netting manufacturing business, but became unprofitable by the end of the 1980s. With the economic-political transition of Poland they switched for retailing opening a

shop in the centre of Cracow selling first household goods (china and glass crockery). The restitution laws gave back some of Karolina's parents property which enabled them to extend their business by renting more retail space and diversifying their retail activities into furniture, carpets, curtains, household appliances, interior accessories, lighting, etc. The business continued to grow and led to the building of a modern retail centre in the vicinity of Cracow.

Company assets were divided between Karolina and her children, a daughter and a son, at an early stage. Today all of them run their own businesses independently as separate legal entities. Each family member runs his or her business at their own risk and expense. The areas of business activity overlap to some extent, but as a rule, they focus on different retail sectors and do not compete with one another.

Karolina has developed the company by adopting her parents' philosophy that everyone has to make his or her own living and learn to be self-reliant. When the children started their own businesses, they rented commercial space from their mother. From the very beginning it was assumed that the children would strive to achieve their independence. As the business developed over time, Karolina turned over part of her estate to the children. Her son is still engaged in interior accessories, lighting and crockery, while the daughter has branched out in the hotel sector and successfully runs a conference hotel venue while still selling carpets, curtains and wallpapers. Karolina still owns several properties but has drawn up a will in which she has assigned properties to her successors. For the moment, her legal successors do not intend to take over her part of the company (furniture)" (Konopacka, 2015).

Evidence from company case studies suggests that bootstrapping techniques are the preferred financing methods of family businesses. It is not only the effectiveness of bootstrap financing that motivates their employment, but the fact that at times of crisis only the family's financial resources are available for the company. Knowledge of using bootstrapping techniques can be handed down from generation to generation, helping entrepreneurial-minded families to start more and more new ventures.

Family businesses' resilient behaviour in tough (crisis) times

The financial performance of family businesses differs from non-family ones. Kachaner et al. (2012), highlighted that during good economic times family companies have slightly lower earnings, but during downturns they outperform non-family businesses. They argue that the reason for this characteristic feaure is family businesses' focus on resilience, not short-term performance, which influences the following strategic choices: family businesses are frugal in both good times and bad; carry little debt; keep the bar high for capital expenditures; and acquire fewer companies. Furthermore, they are diversified, internationalised, and good at retaining talent.

Despite family business performance and survivability during a recession being a frequent research topic, there is no clear and reliable evidence as to whether the family businesses' performance and survivability chances are higher than their non-family competitors. However, company cases offer insights into their struggles:

"... in times of hardship, such as during the recession, the Wood parents and Paul all put personal resources into the business to keep it going and avoid reducing staff numbers. Indeed, the parents invested their home and pensions against the business to ensure it survived for the next generation. These experiences have helped to shape the values and priorities of the next generation and Paul has resolved to put the business on a firm financial footing. In 2014, he was able to renegotiate the company's banking arrangements to release his parents' equity from the firm with the borrowing now being against the business rather than their personal assets" (British – Parodan Engineering, Wymer, 2015, p. 8.).

"Agreed equal remuneration for father and sons, the suspension of payments in times of a crisis has developed the sense of responsibility and solidarity among them" (Gorowski, 2015, p. 8.). *"During the economic downturn, both of the sons still at the company were gifted 5% of the shares by their parents as a reward for staying with the business"* (Wymer, 2015, p. 2.).

Although research cannot reliably confirm if family businesses are more successful in handling periods of crisis than their non-family competitors, experiences from company cases suggest that their behaviour is more resilient, they are willing to use family savings and strive to the end with the creative use of their resources.

Financial aspects of succession

Succession, i.e. the act of transferring the business itself to the next generation, is a very important event in the life of family businesses. Wiktor (2014) points out that family business owners that are planning business succession need to focus on timing, transition and taxes. One can view a family business in two ways: as an 'investment asset' or an 'operating entity' (Isaac, 2014). In most cases the family business is the main source of family wealth and it is the family's largest investment (Wiktor, 2014). For these reasons it is important for family business owners to consider their company as an asset, and an investment which is particularly relevant at the time of a transfer of ownership.

Small and medium sized family business owners usually do not pay too much attention to the value of the family firm. Defining the value of a family business can be a challenging task but there are moments when it is inevitable. In the life of a family business, succession or 'generational transfer' can be one of these moments. Family business owners may decide on the sale of the family company rather than succession to family members. Vecsenyi (2009) states that the main reasons for selling the family business can be: fatigue, developmental pressure, an emergency, a good offer or a good opportunity. If the owners decide to sell the company, a reliable business evaluation is absolutely necessary. Defining the value of a family business is a particularly difficult task. The additional value created by the founder and the owner's family is hard to define. A very important question is how much the family business is worth without the family.

Astrachan and Jaskiewicz's (2008) family business valuation model determines the value of the company from the owner's family perspective. According to their theory, the value of the business is not solely determined by the value of the assets and the future financial benefits; the emotional factors should also be equally evaluated. The emotional value depends on the emotional costs and emotional benefits. If the benefits are greater than the costs, the final value of the business will be higher, and if the emotional costs are greater, the difference reduces the company's financial value. The future of family businesses highly depends on the success of the generational transfer. Family business succession is a complex management challenge with significant financial aspects. Leadership transfer within the family requires more sophisticated financial solutions than company sale where the buyer, having paid the agreed price, becomes the owner of the company.

If the family business owner decides to keep the firm within the family, careful financial planning is needed to define the future income of the founder (one-time money withdrawal, regular income from the business), whose most important personal wealth is probably the family business. Planning the financial aspects of a business transfer requires creativity, foresight and devising specific solutions (Csákné, 2012).

The company cases, of course, do not cover all types of business transfer outcomes. They focus on the most preferred solution when the business ownership and management is kept within the family. The evidence obtained from the Parodan Engineering company case suggests that financial problems within the company may become a burden for succession:

"A succession plan was implied but never discussed in any detail by Harry. As he reached statutory retirement age, Harry hinted at stepping back from the business but it was never openly discussed with his sons. Sometimes Rob and Paul would hear about various scenarios from third party advisors and clients but a clear plan was never formulated and communicated. Paul surmises that this reluctance by his father was due to the financial pressures of the business and the lack of clarity for its future" (British – Parodan Engineering, Wymer, 2015, p. 5.).

Financial management can be an important area where the predecessor and successor approaches differ. As happened at Parodan Engineering, successors (often as a lesson learned from the economic downturn started in 2008) are more rigorous when it comes to financial control:

"Throughout the majority of his tenure, Harry took a keener interest in the production process, the people the company employed and the perception of the business in the local community, and spent little time on financial matters such as cash flow, only dedicating time to finances when there was a serious problem. However, in the last five years of his ownership this changed and the financial pressures the business faced (not least because of the economic downturn) became a huge burden on Harry and undoubtedly affected his health. Perhaps having observed his father's approach to financial management, Paul is far more commercially oriented, with ambitious growth plans and a keen eye for financial details that can make a significant difference to the bottom line performance of the company" (British – Parodan Engineering, Wymer, 2015, p. 7.).

One of the most challenging tasks of business transfer within the family is dealing with its financial aspects. The financial solution should be satisfying for the family members that are stepping down without requiring too many resources from the successors or the company. The solution at Pillar Ltd. can be considered as best practice:

"As far as the process of ownership transfer was concerned, the founder, Mr Pillar was gradually passing over his parent company shares to his sons in 25% stock tranches per year. The owner passed all the shares to his sons having only kept within his personal property the minority shareholding of one of the partnerships that deals with renting municipal flats. From the economic point of view, taking financial control over the company didn't require any resources from the successors other than their own work for the company. Both sons hold equal stakes in the company, so none of them is able to formally solely control the group. The father remains an employee of the capital group and

receives a monthly salary equal to the salary of each of his sons. All additional income is re-invested in the activities of the capital group" (Gorowski, 2015, p. 7.).

Financial aspects of succession are complicated but with a clear succession strategy optimal financial solutions can be worked out. A very important message from the company cases is that financial problems within the company may become a burden for succession.

Trust and family business finances

If we want to get deeper insight into the structures and peculiar company cultures built up by the private individuals founding family businesses, we need to have a closer examination of the trust which defines the degree of spontaneous sociality in general in society, which in turn will have an impact on company cultures and also on organisational structures (Fukuyama, 2007). The trust developed between individuals is very important because later it will function as the keystone of co-operation and the motivation for meeting each other's expectations. Thanks to family bonding the level of trust in family businesses does not 'start from zero', however when misused it may head in the wrong direction or result in a passive, aloof stance in the business and family communities.

Trust can be further inceased by empathy and the appropriate communication, whereas the lack of trust can cause a lot of problems and conflicts (between business and client, manager and subordinate, and even between family members). This can result in a tense atmosphere at the workplace and also within the family, and may ultimately lead to the termination of the business and the breakup of the family (Karmazin, 2011). In the course of the INSIST project, among the benefits of employing family members, a parallelism between a greater degree of trust and a more intensive level of control was revealed, especially with closer family members (Makó et al., 2016). However, this approach may bring about favouritism or a „glass ceiling" effect, which may restrict the advance of non-family members within the business (Surdej, 2015).

The trust inherent in individuals forming a community and affecting the demeanour of that community naturally appears as a skill within the given organisation. Expanding this line of thought, we may conclude that the level of trust developed within the particular businesses will eventually have an influence on the co-operation between the companies as well. This notion is supported by Fukuyama's (2007) remark about an individual approach, which was born as a result of forwarding the concept of new organisational forms and joint 'working', namely that „the ability of companies to convert from large hierarchies into a flexible network of small firms depends on the degree of trust existing in the entire society and the social capital" (Fukuyama, 2007, p. 45.). If we further examine the role of trust and its impact on the co-operation of family businesses, we can conclude and confirm Fukuyama's point that the level of trust existing among the members of the community forming a family business will in turn influence the quality of co-operation not only within the company, but with its connecting companies as well (e.g. concerning the flexibility of co-operation) (Karmazin, 2014).

A lack of trust causes serious losses to both society and the economy. For family businesses, the minutes of business meetings and agreements have to be carefully recorded and interconnecting contracts have to be drawn up even in cases when they will not necessarily be needed due to a lack of trust (Karmazin et al., 2013). This lack of trust within a family business can lead to very serious problems and substantial costs, therefore the authorisation and involvement of a selected member from the next generation in management can play an increasingly important role in the life of family businesses. For example, this ownership attitude yielded significant returns as a management tool in the hands of the owners of SMEs during their recovery from the 2008 financial crisis (Lelkes – Karmazin, 2012).

Adding to the above we can refer to the findings of Chikán et al. (2006), who concluded that if we can increase the level of trust among the members of a community, it will have a favourable impact on productivity within the company and contribute to the competitiveness of the firm. Economic organisations, including family businesses, have started their activities with the objective of making a profit in the course of their operations (thereby increasing the wealth of the family), while also creating value for the customer which they are willing to pay for (Mester – Tóth, 2016). For their operation small and medium size enterprises need a properly devised financing structure which has become a key issue in the life of every family business in the years following the crisis starting in 2008.

The findings of research completed in Hungary identify the biggest problems faced by Hungarian family businesses as short operation periods and capital shortages due to rapid growth (Mester – Tóth, 2015). An earlier investigation also revealed that only about half of SMEs reach the fifth year of their operation (Kállay et al., 2003), a significant part of which are family businesses. Number one among the reasons for failure is the lack of financing sources although international surveys show that family businesses tend to be more crisis-resistant as the owners are willing to sacrifice even the family silverto save their business they think of the company as their beloved baby (Simon, 2010).

Table 5

Family members' role in financial management

Company case	United Kingdom	Poland	Hungary
Pillar Ltd.		Founder's elder son	
Fein Winery			Founder's wife
The WAMECH Company		Founder Management board Founder's wife Founder's daughter-in- law	
Quality Meat Ltd.			Founder Founder's wife
Parodan Engineering	Founder's wife Founder's son (managing director) Non-family finance director		

Source: Own compilation based on company cases (Gorowski, 2015; Gubányi, 2015; Konopacka, 2015; Szentesi, 2015; Wymer, 2015)

In all three countries there are examples where finances are controlled by family members (Table 5).

Financial management of the company is often a task entrusted on women, especially in smaller family businesses where usually the founder's wife has a key role managing the business's daily finances and she is willing to train herself to effectively support the family business:

"The founder's wife has been supporting her husband since the very beginning of the company and has also been engaged in the family business. She learned book-keeping and accounting in order to help her husband in running the company" (Konopacka, 2015, p. 7.).

As an anonymus reviewer of the paper highlights, dealing with financial issues within the family business is often treated as a support function and the quality of trust relations within the family is often associated with that. Controlling finances, however, is also an important source of power. As a further research direction, it would be interesting to analyse the interplay between financial control, decision-making and the traditional family roles and power relations within the family business.

The founder generation's attitude toward finances is interesting. Very often during the succession process they keep the financial control for themselves, which can cause problems in the future as the successors do not have the possibility to learn the financial management of the company under their parents mentorship:

"The doyen still works in the company. He is always present and ready to offer his son advice and support. The doyen and his successor split responsibilities between themselves: the doyen looks after the financial security of the company (deals with accounts and payments), helping to solve technical problems and provide advice to his son as needed" (Konopacka, 2015, p. 5.).

"After the managerial/ownership transfer Sofia would like to supervise the financial matters, but she will find other complementary activities. Her hobbies are gardening, cooking, singing" (Gubányi, 2015, p. 12.). *"The daily tasks are still shared. The parents and the two boys meet and discuss their work each morning. The founder is responsible for the classification of the livestock and the control of finances. His wife deals with cash flow and co-operates with the accountant"* (Szentesi, 2015, p. 2.).

As profit is the main driving force behind every venture the fact that family businesses prefer to keep finances in the hands of a family member is not surprising. Trust between family members reduces the monitoring cost and provides emotional security. During the succession process, the predecessors often keep control of finances for themselves which can lead to future problems as the successors do not have an overview or practical experience in such an important part of company management. Further research into family members' role in the family business finances, mapping areas that family businesses tend to keep for themselves may yield interesting insights.

Conclusions

In the INSIST research project combined research methods were applied. Project team members carried out desk-top analysis based on the existing (national) literature and empirical research. In order to gain a deeper insight into the succession process and to understand the company- and family-level micro-mechanisms shaping ownership and management-transfer practices the Hungarian team compiled three, the Polish team five and the British team two case studies.

The literature review indicated that the peculiar features of family business financing are most importantly reflected in their refusal of external equity funding and the intermingling of family and business finances. Family businesses are comparatively conservative in the type of financing they use. Their most important sources of funding are internal financing from cash flow, shareholders credit and bank loans. The size of the family business may influence the presence of the above-mentioned unique financial characteristics. While in micro and small family businesses their occurrence can be more significant, in case of medium-sized and large family businesses a more professional organisational structure, operation and decision-making processes can overshadow them.

Although the main purpose of the INSIST research project case studies was to reveal the special features of the succession process, valuable patterns of the financial features of family businesses and family business succession were discovered. Company cases confirm the importance of financial support from the founder's family in establishing a new family business. In company case examples the main financial supporter of the founder is usually the nuclear family which can be explained by the high-level of trust and emotional ties between nuclear family members.

Bootstrapping techniques are the preferred financing methods of family businesses. It is not only the effeciency of bootstrap financing that motivates their use, but the fact that at times of crisis only the family's financial resources are available for the company. Knowledge of applying bootstrapping techniques can be handed down from generation to generation, helping entrepreneurial-minded families to start more and more new ventures. Although research cannot reliably confirm whether family businesses are more successful in handling crisis periods than their non-family competitors, we can state that their behaviour is more resilient, they are willing to use family savings and strive very hard throughout the crisis by creatively using their resources.

The financial aspects of succession are complicated but with a clear succession strategy optimal financial methods can be devised. A very important message from the company cases is that financial problems within the company may become a burden for succession. As profit is the main driving force behind every venture, the fact that family businesses prefer to keep finances in the hands of a family member is not surprising. Trust among family members reduces monitoring costs and provides emotional security. During succession the predecessors often keep control of finances, which can lead to future problems as the successors do not have an overview or practical experience in such an important part of company management.

Although the case study method has its limitations in the generalization of results, the paper revealed many interesting aspects of family business financing. Gender aspects of division of labour within the family business, and the interplay between financial control, decision-making and the traditional family roles are probably the most promising directions for further research.

Further research into family businesses' bootstrapping techniques, the role of trust in family business financial management, and the family members' role in family business financing, as well as mapping areas that family businesses tend to keep for themselves may also yield interesting new insights.

Notes

[1] Global advisory firm – KPMG – in its recent report analyzed high-net-worth individuals' (HNWI) role in family business financing. HNWIs are usually close friends or relatives of family business owners. They share family businesses' long term view, and are trusted, flexible partners. HNWIs are usually high-level experts who contribute with their advice and expertise to family business development (KPMG, 2014). The term HNWI is rather used in a large company context but some similarities can be discovered between relatives' and friends' financial support for micro and small family businesses and HNWIs activity in large company financing.

[2] The company case studies are available at the following link: http://www.insist-project.eu/index.php/about-insist/deliverables-outcomes/207-o1-comparative-research-report-on-intergenerational-enterprise-transmission.

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MANAGING SUCCESSION AND KNOWLEDGE TRANSFER IN FAMILY BUSINESSES: LESSONS FROM A COMPARATIVE RESEARCH

The most natural mode of family firm succession is the intergenerational ownership transfer. Statistical evidence, however, suggests that in most cases the succession process fails. There can be several reasons as a lot of personal, emotional and structural factors can act as an inhibitor to succession. The effectiveness of the implementation of any succession strategy is strongly dependent on the efficiency of intergenerational knowledge transfer, which is related to the parties' absorptive capacity and willingness to learn.

The paper is based on the experiences learned from the INSIST project. In the framework of the project different aspects of family business succession have been investigated in three participating countries (Hungary, Poland and the United Kingdom). The aim of the paper is to identify the patterns of management, succession, knowledge transfer and learning in family businesses. Issues will be examined in detail such as the succession strategies of companies investigated and the efforts family businesses and their managers make in order to harmonize family goals (such as emotional stability, harmony, and reputation) with business-related objectives (e.g. survival, growth or profitability).

Keywords: **family business, succession, knowledge transfer, learning**

Family businesses are at the heart of the economy. Their function is not exclusively restricted to the contribution to economic wealth, but they play a significant role in employment creation and stabilisation as well as in intergenerational knowledge transfer. When trying to provide a detailed picture of the current situation of family businesses there are two main barriers researchers have to face. The first problem is that a widely accepted definition is still missing. There are more than 100 definitions and concepts of family businesses available in the literature, furthermore the term 'family business' itself is quite heterogeneous, as well: *family business, family firm, family company, family-owned company, family-controlled company*. When defining the term 'family business' usually three different aspects are taken into account, namely: ownership, governance, and participation in daily operation. Ownership refers to the assets the family possesses in the company. Governance is related to the extent to which family members are represented in decision-making bodies (board of supervision, board of directors etc.) and exercise control over the company's strategic direction. The third aspect is the involvement of the family members in the day-to-day managerial activities. Family businesses may differ with respect to what combination of the above presented practices they apply in their everyday operations. The complexity of the issue means a serious challenge for both the scientific community and policymakers when searching for a broad-based concept of family business that captures each aspect of the phenomenon.

During their life-cycle, most businesses have to face the problems associated with growth. Leadership and management become more and more complex, and in case of family firms a further difficulty emerges, namely the complex and sometimes contradictory relation between family and business goals. It is also worth stressing the importance of personal interactions within the family or between family members and non-family members. The management of family firms is in a distinctive situation when trying to balance rational business motives with the emotional aspects of family life. The necessary skills can be obtained only in practical situations that, in most cases, are spontaneous rather than planned in advance.

When trying to capture the specificities of family businesses several issues may have to be taken into account. Without being exhaustive in this paper we will discuss three of them, that we believe are of particular importance. The first one is the *management of the relationship between family and business*. Both family and business are complex social systems with different logics, values and interests that can overlap each other and can also be in conflict. Ward (1987) makes a distinction between four basic models concerning the variations of family and business orientations in family firms. 'Family first' enterprises prefer family goals, 'business first' enterprises favour business, 'family business' enterprises seek a balance between the two and 'floating enterprises' focus neither on family nor business issues. According to empirical evidence the family firms that perform outstandingly in the long run are those that perform well in both the two dimensions (Sharma et al., 2013). The embeddedness of family owners in the family affairs strongly influences their family- or business-orientation: the more family-owners are entrenched in with their family, the more family-oriented their motivations will be (Miller – Le Breton-Miller, 2014). It is especially true in the case when the family business is a relatively closed system; there is a lack of external perspectives (e.g. few externally recruited managers or a lack of experience of family members outside the business). On the other hand, however, this closeness may have advantages for the family business by ensuring that cultural synergies exist within families (Dalpiaz et al., 2014).

In case of family firms business take-over is one of the most crucial concerns. In 2006 the European Commission estimated that in the next 10 years, one-third of Europe's family businesses would have to transfer ownership either within the family or elsewhere. Succession is a general problem in Europe, but different aspects are affected within each country. In case of the post-socialist countries, for instance, the first generation of company founders after the collapse of state socialism is about to retire and these countries have no prior experience relating to the successful management practices of ownership transfer. In the UK, one of the central problems is the commitment of the next generation(s), while in Germany the legal restrictions concerning family business succession are of particular importance. For this reason, the second issue to be discussed in this article is *succession planning and management*.

Survivability of firms in turbulent environments largely depends on the resources they possess (Lockett et al., 2009). These resources can be tangible (e.g. physical capital, materials, land etc.) and intangible (e.g. human capital, organisational capital etc.) (Barney 1991). Intangible resources are mostly immaterial and tacit. They also provide competitive advantage as they cannot be easily imitated (Huybrechts et al., 2011). One of the most important intangible resources is knowledge retained by the firms. The last part of this article is therefore devoted to the issue of how family firms accumulate, develop and transfer knowledge in order to provide a better understanding of the specific characteristics of family businesses in this respect.

Managing family-business relations

In the case of family firms two overlapping sub-systems should be balanced. Family goals, such as emotional stability, harmony, reputation, etc. run parallel with business-related goals, like survival, growth or profitability (Sharma et al., 2013). Family firms follow different strategies in seeking a balance between these dimensions. The first issue that we will discuss in more detail is therefore the management of family and business relations, focusing on involvement of family and non-family members, governance and management.

The effectiveness of family firm management heavily depends on the extent family members are involved in ownership and management. Another important aspect of family businesses is the management of tensions and contradictions between family and business. Both the family and business are complex social systems with different specific logics, values and interests that can overlap each other and also be in conflict. As Devins (2015, p. 13.) puts it, '*…businesses with tight family ownership and management structures are more likely to report family-objectives as a high priority, while first generation businesses or those with a lower proportion of family managers were less likely to report the same*.'

There is, however, a common feature of the firms investigated. Independent of the founders' original aspirations, family businesses are an integrated part of identity formation in families. Identity is based on a shared cognitive and emotional narrative that serves as a tool to strengthen family ties and also works as an interpretative framework helping to understand the external world. In some cases it is created consciously, in other cases it is the result of spontaneous actions. Fein winery is a good example of a company encouraging traditions as well as conscious efforts towards identity formation. The founder's father was the president of an agricultural co-operative and was a highly reputable and influential person. His and his fathers' story serve as a basis for the family narrative about traditions passed from one generation to another. Second generation members, while being children, are socialized in an environment where the family business is always present. They learn that '*parents are equivalent to the firm*', even when the founder tries to separate family and business matters. Here the role of the wife in making a balance between the family and business dimensions of family life must be stressed. In most of our cases when a couple decided to start running the family business together, once children were born, the wife had to step back and, at least partly, give up her career in the company in order to take care of them. The case of Parodan Ltd. illustrates this process well: *'Parodan Engineering was started primarily to provide security and a future for the Wood Family. Harry was very much the head of the family business with his wife Elizabeth playing a key role in the development and administration of the company and ensuring things ran smoothly both at work and at home. Paul recalls that as a child the sons saw the company staff as 'part of the family', with their father being head of the family and their mother being the 'mother hen' who looked after all the staff. Even when the company was incorporated and each Wood parent owned 50% of the business, the company was always viewed as 'their dad's' by both the sons and the employees'* (Wymer, 2015, p. 8.). In the case of the Hungarian Quality Meat both the family and organisational culture were created "spontaneously" by the founders. The successors just grew into it. As the founder, Károly puts it like this: *'We always knew how to accommodate our pleasure with our purse, so I managed to make them* [the children] *understand that in this business the working time is not 8 hours a day and the working week is longer than five days'* (Szentesi, 2015, p. 6.).

Another aspect is that of family-business balance. It should be mentioned here that it is the involvement of non-family members in the management of the company that strongly influences the company's performance. As mentioned earlier, it is important to stress the distinction between ownership, i.e. the capital and assets the family possesses in the company, and governance, i.e. the extent to which family members are represented in decision-making bodies and the involvement of family members in everyday management activities. It is also worth making a distinction between family-controlled

Table 1.

Family control and influence in the INSIST company cases

Cases	Ownership/Governance	Management
Podiums (UK)	Shared ownership between family and managers with family majority.	Shared management with family and non-family members.
Parodan (UK)	Founder and his wife are majority and successors are minority shareholders.	After restructuring management went from the hands of family members to non-family member managers. Only production is controlled directly by the family.
DOMEX (PL)	The founder, his wife and his daughter share ownership. The management board of the company consists of the family doyen, his wife and two daughters and a person from outside the family. The board meets every month to deal with ongoing business issues.	Shared management between family members.
Plantex (PL)	The founder and his wife keep 100% ownership and share neither with family members nor with external stakeholders.	Management is shared between family members with no external partners.
Pillar (PL)	Family ownership with the possibility of involving external investors. The founder passed on ownership gradually to his sons.	Management is shared between family members with no external partners.
WAMECH (PL)	Shared family ownership.	The founder's eldest son became the managing director.
WITEX (PL)	Ownership is shared between the founder and the children.	Each family member runs their own business within the company group.
Quality Meat (HU)	The founders keep 100% ownership and share neither with family members nor with external stakeholders. Next generation has no ownership.	Management is shared between family members with no external partners.
BI-KA (HU)	The founder keeps 100% ownership and do not share neither with family members nor with external stakeholders. Next generation has no ownership.	Founder-owner retired from daily management routines and delegated responsibility to a non-family manager.
Fein Winery (HU)	The founders keep 100% ownership and do share neither with family members nor with external stakeholders. Next generation has no ownership.	Management is shared between family members and an external partner is planned to be involved in administration.

and family-influenced firms. Some families will take a role in the day-to-day running of the business whilst others will take a more hands-off approach and involve professional non-family managers (Devins, 2015). The successful cooperation of family and non-family members depends on various factors, not least the way the two stakeholder groups can accept each other's social norms and values.

In our cases more combinations were identifiable with respect to family control and influence and involvement of both family members and non-family members in governance and management. The Table 1. summarizes our experiences.

According to our research experiences there are two critical dimensions of family business governance and management: the relation between family members (especially between generations) and the relation between family and non-family managers. One of the tools of the founders' control over both family members and non-family members is ownership. Sharing ownership with the members of the next generation as (potential) successors is also a symbolic gesture that signals the symbolic transition from childhood to adulthood and can strengthen the children's commitment to the family business and, through this, more loyalty and bearing responsibility can be expected. In this respect the Hungarian cases are interesting, since the founders' generation does not share ownership with the successors, not even to a lesser extent. It reflects a paternalistic leadership style where exercising control takes place in the form of strong direct control. In the case of Quality Meat the founder couple expressed openly that their ownership would be transferred to their sons only after they have fully retired. At the emotional level it may lead to personal dependence and compulsion to conform, at the organisational level, restricted autonomy, low-level trust and commitment. In the case of Quality Meat family ties are very strong; although the children already have their own families they spend a significant portion of their free time together. For instance, they organise each year a common summer holiday.

The other important issue is the management of relations between family and non-family members. According to the experiences gained from the case studies this problem often takes shape in the conflict between the owner and managerial roles. One of the main motivations of the founders is to ensure a secure income for the family, and the family business serves as a basis for that. This perspective sometimes may lead to conflict with the managerial approach that favours risk taking and growth even at the expense of short-term security. This problem can only be solved with the mutual commitment of owners and managers and requires intensive communication and the ability to take on others' perspectives. As the owner of the Hungarian BI-KA puts it: *'We are worried about what we have created since it is the fruit of our work. It ensures the existential basis of the family. If we saw something that would threaten our existence, we would immediately intercede'* (Kiss, 2015, p. 7.). This attitude is also illustrated by Paul Morton, founder of Podiums Ltd. in the UK, who, *'having experienced the uncertainties associated with the financing of the business in the early years, including personal guarantees and a mortgage on the family home, is keen to place the business and the family on a firm financial footing and he is far more risk-averse now than in the past. Paul has planned the transfer of wealth to the next generation largely through property holdings and investments, made gradually over the years and held in a separate company'* (Davins – Marran, 2015, p. 6.).

An important aspect of the family-business relation is the attitude towards those employees who are not family members. There are two basic perspectives in this respect. According to the first one it is assumed that *'family businesses tend to have better relationships between upper management and employees, particularly in terms of job satisfaction, employee loyalty, staff turnover etc.'* (Devins, 2015, p. 14.). This view stresses that 'familiness', e.g. applying family behavioural patterns in business life, can be a strength for family firms when compared to non-family enterprises. According to the second approach, such attitudes can, however, lead to negative consequences as well. As mentioned earlier employing family members can be an advantage because of the higher trust level and management's range of possibilities for exercising control over family member employees (especially in case of close relatives), but it may effect nepotism and create a "glass ceiling", limiting the opportunities of promotion for non-family members (Surdej, 2015).

In our case studies we could identify some 'family-like' patterns in the family businesses, such as personal relations with employees, empathy and patience towards their problems (e.g. in case of sickness or poor timekeeping), mutual commitment, emotional involvement, etc. It seems, however to be the case that family patterns are not automatically applied in relationships within family businesses. In some cases the founders started working with people in a very similar social situation, e.g. labour market entrants whilst having young children in the case of the Hungarian BI-KA or people made redundant during the privatisation of the co-operative in case of the Quality Meat. Similar life experiences resulted in high social interaction, common interests beyond the workplace and created the basis for community building. During the interviews these family business leaders expressed their social responsibility towards their employees and their families: they see themselves rather as a community than purely company leaders. It may sometimes lead to internal conflicts, as well, as illustrated in the following example of BI-KA: *'When I decided to retire from daily management and delegate the responsibility to my successor, it was a question of whether the employees are committed to me or the company'* (Kiss, 2015).

The other pattern we could identify was the personal commitment of the family business founders to applying family-like practices in treating non-family member employees. In the case of Parodan Ltd in the UK a conscious early strategy was to *'put friends and family members on the payroll – especially those in need (for example employing friends who had been made redundant or were related to, for example, their son's wife etc.). Whilst this sometimes led to a mismatch between the skills required and the skills available in the business, it did create a very loyal workforce with low staff turnover and strong morale'* (Wymer, 2015, p. 4.). In the other case in the UK, the Podiums Ltd has initiated an interesting and efficient model for increasing the commitment of its workforce: *'For a variety of reasons (not least achieving effective tax efficiency for the owner, employees and the company) an Employee Benefit Trust was established to transfer 10% of the business to eight key employees. When the company makes a profit, the managers share in the profit equally under this scheme. The Employee Benefit Trust acts as an incentive for managers to help make the business more successful and encourages retention, whilst maintaining the principle of family ownership'* (Devins – Marran, 2015, p. 5.).

Succession planning in family businesses

When leaving any business entrepreneurs have three exit options: liquidation, selling the business to a third party or passing it to a successor. In case of family firms the most natural form is through intergenerational ownership transfer as a means of ensuring continued family control. Statistical evidence, however, suggests that in most cases the succession process fails. There can be several reasons for this; a lot of personal, emotional and structural factors can act as an inhibitor of succession, from the unsuitability of successors through governance failures to the unfavourable financial and taxation environment. One of the most important preconditions of avoiding failures in the succession process is planning and creating a formal or informal strategy that can pick up on the early warning signs of problematic succession and thereby cope with them effectively (Miller et al., 2004).

Our case studies show different pictures with respect to succession planning. There were two basic modes of succession identified. The first way that can be labelled as typical is when the successor comes from the next generation. The other mode is when the successor is not a family member. In the latter case the founder preserves ownership control but retires from the daily management of the company, e.g. the firm is transformed from a family-controlled into a family-influenced one. In the first mode there are also different ways of ownership transfer. The Table 2. summarizes the different ways of succession with regard to planning.

Three main factors were identified that influence the succession strategies of the investigated companies. The *first* decisive factor is the characteristic of ownership transfer. It can be seen in the same light as the management transfer and responsibility delegation, i.e. as a gradual process. The other option is when founders do not share ownership until they have fully retired. It is a more controlled form of succession. The *second* factor is the formal or informal character of the succession process. The scale varies between preliminary planned to fully spontaneous modes of managing succession. The *third* factor is at what level the successor is involved in management transfer. It can take place gradually when successors have to start in a low position at the company and go through an internal career and learning process or the other way, when the successor immediately starts in a leading position. In this respect it is also interesting whether he or she collected work experience outside the family business that can serve as an external knowledge source and a basis for his/her legitimacy, as well. The various combinations of the different aspects may lead to heterogeneous outcomes in terms of the succession process but it seems that autonomy of the successor is a key issue with regard to the characteristics of the process. It can be argued that the greater the autonomy given to the successor (e.g. management transfer accompanied by gradual ownership transfer), the less tension and internal conflicts can be expected during the succession process.

Knowledge transfer and learning in family businesses

In family firms one of the most critical factors with regard to effective succession is knowledge transfer between generations. Knowledge transfer is far from being unidirectional; learning may take place between all generations and within generations, as well. It is important to stress its fairly informal character and relation to the socialization process, e.g. the mainly unconscious incorporation of rules, values, behavioural roles and models, etc. Knowledge in case of the family

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Table 2.

Summary of succession planning strategies of the INSIST company cases

Cases	Succession strategies
Podiums (UK)	The successors initially pursued their careers outside the family business, but one of them decided to join the company and the other one supports the family business from the outside. The founder did not press their children to take over the business, but ensured familiarity with the firm even in their childhood. Succession takes place gradually and financial advisors are involved.
Parodan (UK)	The three successors had the possibility of familiarising themselves with the company, but they were not forced either directly or indirectly to be involved. All of them gathered external work experience and received an opportunity to join the company at a low position in order to learn and prove their ability.
DOMEX (PL)	The founder plans to pass the operational management of the company to his successors, and remain involved only in strategic decisions. His older daughter completed a variety of studies and worked for a time at the university, but opted to join the company. She runs the branch concerned with letting apartments. His younger daughter runs a restaurant located in the company building. She established the restaurant herself and works to develop it further.
Plantex (PL)	Succession is a consciously initiated process with a formal plan. The succession process is planned for about 5-7 years and now it's the second year of its implementation. The first two years have been devoted to: • reorganizing/clarifying the job descriptions of the successors and non-family employees, • introducing the successors to the decision-making processes and strategic planning, • renting a new, better accounting office that would be more competent and helpful in the succession process, • employing a Legal Advisor who specializes in company successions. He's already helped to draw up the succession plan and now assists in modifying it according to new developments.
Pillar (PL)	The founders are expected to ensure continuity and keep the firm in the hands of the family, but the children did not take a career in the family business for granted. It was a surprise for the parents and they then decided to plan the succession process. They convinced their children to take over the company and a gradual succession process started on a democratic basis ensuring equal rights for the participants. In order to avoid internal conflicts the competences and responsibilities of each successor are written down and continuously re-evaluated.
WAMECH (PL)	The owners of the company have three children. Since their teenage years, the parents have tried to talk to them about a possible future with the company and potential succession. The parents' priority has been to provide their children with an all-round education and give them the opportunity to see the world, so that they will enter the labour market with knowledge, experience, an open mind and self-esteem. The eldest son decided to start his own business with friends from university. The owners' daughter chose medicine as a profession. The youngest son decided to get involved in the family business. In consultation with his father, he prepared a plan for his succession in the company. The first step of the plan involved education. This involved gaining practical experience in working at other companies, mainly abroad, through internships and on-the-job training. After graduating from faculties that his father thought essential, the son started systematically taking over responsibilities and ownership of the company. When he became a 51% shareholder of the company, he also became its managing director. The shares were formally transferred to him, allowing him to become a co-owner of the company.
WITEK (PL)	The founder has developed the company by adopting her parents' philosophy that everyone has to make his or her own living and learn to be self–reliant. When her children became adults and were ready to start their own business activity, she divided the company between them. Each family member is independent and must take care of his or her own business. The founder still owns several properties, but has drawn up a will in which she has assigned properties to her successors.
Quality Meat (HU)	Succession is a consciously decided but never planned process. The delegation of management duties and involvement of successors took place gradually. Successors were not pressed to support the family business during their childhood and studies but family values have been strongly succession-oriented. The succession process is tightly controlled; the founder has not fully retired from decision-making and kept 100% ownership.
BI-KA (HU)	The founder consciously decided to step back and transfer the company management to a non-family member. He retained influence through ownership. Management transfer is a planned process with scheduled milestones and the involvement of external advisors.
Fein Winery (HU)	Ownership transfer is not intended yet; at the moment management of the business is shared. The successor is not directly forced but is socialised through family values to continue the business.

firms is all the skills and competencies family members accumulate during their education, work and life experiences and possess collectively (Martínez et al., 2013). Knowledge transfer refers here to the process of exchanging knowledge between different family members and the creation of a common understanding family business. When trying to capture the specificities of knowledge transfer within family businesses, at least three domains should be taken into account. The first issue is the relational character of knowledge transfer that is determined by such factors as the family businesses' embeddedness into social networks, the cognitive capabilities and reflexive capacities of the family members and the affective aspects of their relationships (Higginson, 2010). The second issue is the close social distance between the various actors, which also concerns the relatively high frequency of their interactions even outside business. On that basis family firms may create a common language that supports them in communicating effectively and in more privacy (Martínez et al., 2013). As Le Breton-Miller and her colleagues put it: *'knowledge transfer often begins at the dining table, builds up during summer jobs at the company, and continues through a career at the family firm'* (Le Breton-Miller et al., 2004). On the other hand, close social relations and common but rigid interpretative frameworks may also act as cognitive barriers for openness to absorbing external knowledge effectively. The third important factor affecting knowledge transfer in family businesses is the emotional ties between the family members (Sobirin – Sofiana, 2015) that may support the creation of idiosyncratic knowledge, but through negative feelings and family conflicts can also hamper effective knowledge transfer.

Knowledge transfer is often associated with different aspects of learning. In the last two decades two basic paradigms of learning have emerged in the literature. The standard paradigm of learning describes learning as an *acquisition* process (Sfard, 1998). The traditional or standard paradigm hinges on the implicit assumption that knowledge is an objective entity existing externally to the learner who is able to „acquire, internalize, possess and transfer" it (Sfard, 1998, p. 5.). This model puts the emphasis on individual learning and on the rational, cognitive aspects of learning while the non-verbal, context-dependent and implicit ways of learning are irrelevant (Engeström, 1999). The other basic approach to learning is the so-called *participation* paradigm ('learning as participation') (Sfard, 1988) that describes learning as a process of becoming a member of a community of practice through social interactions (Lave – Wenger, 1990). In this perspective learning is an organic process, which is often an unintended effect of other human social actions. Learning takes place in a concrete context of practical situations and is based on the cooperation of different actors (Lee et al., 2004). In the acquisition model the learner acquires external knowledge and at the end of the learning process he or she will possess it. In contrast to that, in participation theory learning is equal to the participation *process* itself. Engeström (2004) calls attention to the fact that knowledge and skills that can be acquired during the learning process are often unstable, preliminarily not defined, and in many cases are being constructed even as a result of learning. He suggests introducing a new paradigm of learning. This third model describes the learning process in which new knowledge is constructed by the mutual interaction between the learners, the learning process and the external environment. He calls this model the *'learning as construction*' paradigm.

Based on the experiences collected from our case studies, the following picture emerges with regard to learning and knowledge transfer. Knowledge is transferred between and within generations containing various, mainly non-coded elements. Both professional and leadership skills are of particular importance. These types of knowledge are in most cases tacit and are accumulated and stored collectively. The character of the learning process is informal and the dominant mode of learning is participation, accordingly. Learning is an informal socialization process that often starts in early childhood.

As mentioned earlier, the family business is an integrated part of the identity formation of the families. Successful family business owners can create an atmosphere where children are emotionally attached and that serves as a basis for making common narratives, which are the building blocks of the family's identity. Family history that is transmitted over generations, as in case of the Fine vinery, creates the foundations of those (family) values that make children identify themselves with the family and constitutes an attractive pattern for the second generation stepping into the business. Wry et al. (2011) distinguish two types of entrepreneurial narratives. The first one is the identity story that serves for creating, cementing and sustaining collective identity, while the other one is the growth story that supports promoting firm expansion among family members and/or employees. In our experiences family businesses rely on both types of narratives when trying to ensure the legacy of the family and to stimulate entrepreneurial willingness in younger generations.

The core family business-related values identified in the case studies are the following: independency; ensuring the wealth of the family; being proud of building an independent life; mutual support of each other; and a commitment to family affairs, emotional security, etc. As referred to earlier, second generation members, while being children, are socialized in an environment where a family business has always been a part of every-day life, so children unconsciously learn that business is an integrated part of family affairs. Family meetings, like common dinners for instance, remain important areas of knowledge transfer and learning, even when children have grown up and joined the family business. Family members can share their experiences, thoughts, and visions with each other, and possible conflicts can be managed during these events. Social interactions taking place at these meetings also contribute to the creation of the rules and norms regulating the behaviour of family members towards each other and to the non-family members. The Polish Plantex serves as a good example: *'The succession process is supported by the whole family. Joanna and Jan get a lot of help and advice from the parents, but also from the sisters and brothers-in-law. Most of the current decisions and problems are discussed on a day-to day basis, via telephone and during family meals and gatherings'* (Paszkowszka, 2015, p. 3.).

As for the development of professional skills, it seems to be typical that second generation members become familiar with the activities of the family firm even during their childhood years when they helped out in the business during weekends and/or holidays. There are variations as to the extent to which second generation members are pressed by the parents to continue their profession, but a common practice seems to be to involve the potential successors even in their childhood years in the business as helpers in order to make the family business and the related profession attractive to them.

With regard to professional training and work experience there are two typical learning and career paths. In the first case successors start their professional education and/or working life outside the family business. It is sometimes spontaneous and sometimes encouraged by the founders' generation. As the case of Podiums, (UK) illustrates: *'Paul has two sons, both of whom studied at university and initially pursued their careers outside the family business. Joe has become a freelance graphic designer and currently works in London. He provides professional services to Podiums Ltd including the design of the company website. He is about to embark on the production of a company film to commemorate the 40-year anniversary of the founding of Podiums Ltd. Tim is directly involved in the strategic and day-to-day management of the company. He has taken an interest in the business from an early age. Throughout his childhood Tim spent school holidays and weekends in the business helping out and getting to know it. He went to university and studied Product Design, with a year-long placement back in the family firm. After university Tim spent some time in Australia, in his words 'playing rugby and growing up'; when he returned to England he worked in sales for a year for a company in the East Midlands. When a vacancy for a driver came up at Podiums Ltd. he decided to work in the family business. He has worked there ever since, taking on a variety of roles, learning through experience and progressing through the company'* (Devins – Marran, 2015, p. 6.).

When successors decide to join the family business such formal and informal methods, like learning on the job, mentoring and coaching by the founders, peers or other colleagues become the dominant mode of personal development. In case of Parodan Ltd (UK) *'Both Rob and Paul have had periods of working for other companies – for their own personal development and to escape the pressures of the family business setting – but ultimately both returned, settled into their careers and committed to a future with the family firm. Danny, the youngest son has had two distinct spells of employment at the family firm, both for relatively short periods of time and he decided to develop his career elsewhere. (…) As the two older sons settled into the business, Harry started to delegate more responsibility to them. The company had a very informal organisational structure for many years with Harry taking a very visible role as leader of both the operations and strategic direction of the firm. As the business grew and the span of control widened, Harry was advised by a business consultant to develop a more formal structure and to provide opportunities for his sons to progress in the business. Over a period of time both sons moved from hourly-paid entry-level jobs to salaried management positions'* (Wymer, 2015, p. 5.).

In most cases we found that the founder started his/her business after collecting experiences in his/her profession at various companies. In this respect, the Hungarian Fein winery represents a different pattern. The founder started his career as an economist and worked in various positions before opting for a winery. His younger son (the successor), on the contrary, is professionally trained and studied viticulture abroad. They represent two different perspectives that are sometimes difficult to harmonise. As the founder says: *'I am an economist; I can speak foreign languages and have travelled the world. I have collected experiences as a merchant, manager and change agent. In the long run I see the economy from a broader perspective than winemakers do'* (Gubányi, 2015, p. 6.).

Beside strong emotional ties between the family members, learning as acquisition is also the basis for identification with the family. The founder started introducing his son to the local social-organisational environment of the firm and attempted to transfer his network-

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ing skills to the successor. The founder also encouraged the successor to set up his own international businesses, while at the same time wanting the successor to see the family winery as a means for the family's survival. Intergenerational cooperation and different expectations are the source of competitive advantage and creativity for this firm: *'The founder manager, his wife and their son are strong personalities, but they fully trust each other. All of their discussions are focused on professional or strategic issues, such as when they experiment with the blending of wines. This is a time-consuming but fruitful process. They have different ideas and visions with regard to the various paths leading to the strategic goals. It can be traced back to the differences of age, experiences and professional background. They have developed their own culture for discussion that helps them to learn from each other'*, as stated by a close friend about the learning style of the Fein family (Gubányi, 2015). During these informal debates the successor and the founder's wife represented the professional aspects, while the founder the strategic and business-related ones. When attempting to create a balance between the two viewpoints a collective learning process takes place where the stakeholders can incorporate those social skills that help them to initiate mutual understanding and commitment. This is a very important precondition for the grouping of local wine producers, which is one of the strategic goals of Tamás, the founder.

Formal knowledge transfer is one of the key issues in a successful succession process. In the case of the Polish WOMECH company, the education and knowledge development of the successor was an integrated part of succession planning. *'In advancing the succession process, the doyen has always been keen to mentor his children and support them in areas relevant to managing the company. (…) The youngest son decided to get involved in the family business. In consultation with his father, he prepared a plan for his succession in the company. The first step of the plan involved education. This involved gaining practical experience in working in other companies, mainly abroad, through internships and on-the-job training. The assumption was that the person taking over the company should be a graduate of technical and business management studies and be fluent in foreign languages with practical experience of working in other companies. The plan has been realized successfully. After graduating from courses that his father thought essential, the son started systematically taking over responsibilities and ownership of the company. When he became a 51% shareholder of the company, he also became its managing director. The shares had been transferred to him formally, allowing him to become a co-owner of the company'* (Konopacka, 2015b, p. 5.).

Knowledge transfer in family businesses is often an altruistic process untinged with preliminary calculations. It is a necessary investment in the future accompanied by the risk that the second generation members may decide not to join the business despite all the efforts made by the founder(s). Knowledge transfer not only serves business goals, but it may also contribute to the emotional wealth of the family – cementing ties between family members. The Polish Plantex case illustrates well this function of knowledge transfer and teaching in the family: *'Knowledge transfer is absolutely the key issue in this case. Antoni willingly and enthusiastically keeps passing his incredibly broad knowledge to his children, while they are keen to learn and develop it as well as only they can. The willingness to transfer knowledge to younger generations without any conditions or calculations is probably the crucial key to a fruitful succession of Plantex to Joanna and Jan; a succession that is currently in progress. It is also one of the most important elements in maintaining a good atmosphere and friendly relations in the family. All the family members have been taught from childhood and have it deeply incorporated in their minds that whatever each of them learns or finds out belongs to the family and may contribute to their prosperity. Like father, like children'* (Paszkowska, 2015, p. 6.).

Lessons learned from the case studies

In our paper we intended to draw attention to some issues that are of particular importance in providing a better understanding of family businesses. Our results are based on an empirical investigation carried out in three European countries: Hungary, Poland and the United Kingdom. Based on our research findings we could identify some decisive factors determining the effectiveness of the succession process. The most important lessons we have learned from the case studies can be outlined as follows.

Firstly, different succession strategies were identified, but there are three basic factors that strongly influence the character and effectiveness of succession. *Ownership transfer* is often treated as a technical and/or taxation issue, but it also serve as an important control over the succession process. According to our research, ownership sharing is a critical dimension of effective succession. Sharing ownership with the next generation is a symbolic gesture that signals entering adulthood and enhances loyalty and responsibility taking. It also seems to be obvious that *conscious succession planning* may contribute to smooth and effective ownership and management transfer, as well as the *involvement of the successor* in leadership transfer. According to our empirical results the more autonomy is delegated to the successor, the greater the commitment and the more predictable the succession process is. The literature, however, devotes relatively little attention to the successors' legitimacy that, according to our results, should be ensured by professional and work experiences accumulated either within or outside the company.

Secondly, particular attention has been devoted so far to the involvement of external actors (non-family) members in the succession process. Our results suggest that in some cases an inherent conflict may emerge between the founders and the non-family company managers, as the eagerness for risk taking is different in the two groups. External managers tend to be more radical in their financial and business decisions, while the founders tend to represent a more conservative approach. The latter attitude can be traced back to their responsibility and commitment towards the long-term financial stability of the family, which sometimes overwrites a purely economic rationale.

Thirdly, besides transferring ownership and delegating managerial responsibilities, knowledge transfer and collective learning are one of the most critical issues both in the successful operation of family businesses and from the perspective of an effective succession process. Professional and leadership skills are of particular importance in knowledge transfer. These types of knowledge are in most cases tacit and accumulated collectively. The dominant mode of learning in family businesses is participation: a process of becoming a legitimate and acknowledged member of the family business through social interactions. Learning in this case is an informal socialization process that is strongly connected to the identify formation of the family. Successful families create positive narratives that form and sustain a collective identity and can be transferred over generations in order to ensure the legacy of the family and stimulate entrepreneurial willingness. A neglected issue is that even in family businesses knowledge is mainly context-specific and should be *translated*, i.e. verified and applied in various settings. In this case, the integration of the experiences of different family members or generations is a must. Positive family narratives may support a multi-directional knowledge flow, but may also serve as barriers to the successful integration of knowledge by sustaining rigid social order. This may serve as a means of ensuring the absolute superiority to the founder(s), but it also leaves little space for the newcomers (next generations) and may represent a closed cognitive framework hindering the absorption of external knowledge and experiences.

Fourthly, knowledge transfer is far from being a purely business-oriented activity; it also contributes to the 'socio-emotional wealth' of the family cementing the ties between family members. There are two typical ways of learning and collecting work experiences in the succession process. In the first case, successors start their professional education and/or working life outside the family business. In the second case, the successor commences his or her career immediately at the family business. As mentioned, in both cases serious investments are required to ensure the successor's legitimacy in the firm. The position of the successor should be affirmed by all relevant actors in the firm. Legitimacy-building should take place step-by-step and has to be accompanied by management practices that allow the actors to engage in a reflexive learning process (where mistakes are allowed and learning from failures is encouraged).

Conclusions

Family business succession is a very complex and challenging process that requires serious efforts from all the involved actors. It has several different dimensions that should be taken into account. In our paper we reflected to some of them, with a special emphasis on structural characteristics of succession and the role knowledge transfer plays in it.

Our conclusion is that both family business owners and policy makers have to pay increased attention to the issues mentioned briefly above. Family businesses should be supported in developing their competencies related to succession planning and knowledge transfer in order to ensure smooth succession between generations and preserve the resources and values accumulated in the family businesses. If the succession is well prepared, the financial, social and emotional costs of succession will decrease and the whole community will benefit from them.

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RUNNING IN THE FAMILY – PATERNALISM AND FAMILINESS IN THE DEVELOPMENT OF FAMILY BUSINESSES

The study focuses on two features of family businesses (FBs), namely familiness and paternalism. These two concepts are inseparable in two ways: inseparable from family businesses and also from each other. Family businesses differ from one another in the degree of family involvement, leadership and management in the business.

Paternalism as a leadership attitude is naturally present in FBs, especially in the founding stage of development. This feature provides the solid bases for establishing a strong and proud culture built around the personality and success of the founder. This characteristic however can become a major hindering factor upon succession. Through a review of the literature and the INSIST studies for Central Europe this study aims to identify the supportive and limiting factors of both phenomena and examine the case studies of the INSIST research project for signs of the existence of these supportive and limiting factors.

It is found that the degree of familiness in these firms is a sliding scale and a lack of familiness is not a precursor for failure. Paternalism is found to be broken down into authoritarian, benevolent, moral and enlightened. After discovering studies claiming that paternalism is a stage in the process of leadership style changing from participative to autocratic (or vice versa) and that Central Europe and the current era of instability and uncertainty lead to employees preferring a more autocratic or paternalistic style, our findings suggest that there are more driving than restraining forces for family firms adopting a paternalistic style. Furthermore many cases appear to be on the path from an authoritative towards a more enlightened paternalistic leadership style either out of choice in the search to shake off the drawbacks of other types of paternalism or as part of a natural evolution of this particular leadership style within the context of this study.

Keywords: **familiness, paternalism, succession**

"One day, lad, all this will be yours!
What, the curtains?
No. Not the curtains, lad. All that you can see,
stretched out over the hills and valleys of this land!
This'll be your kingdom, lad."
Excerpt from Monty Python and the Holy Grail (1975)

When the proud founder tells his son or daughter "all this will be yours someday", the first thought may be that of a proud father wanting the best for his family. However, the rationale and actions of leaders of family firms set themselves apart from most other types of organisation. Family firms are often distinguished from non-family firms in terms of governance, purpose, the importance of networking, leadership and career paths, to name but a few. Dyer (2006) identified the factors that could increase or decrease the performance of family firms.

If we consider Table 1 then it can be seen that the family factors have the potential to improve or decimate the performance of family firms. These family factors may be seen within the concept of familiness, which will be considered in greater detail in the following section.

The notion of familiness

Familiness is seen as a resource that originates from family relationships (Pearson et al., 2008), thus when we consider this concept of familiness, we are assuming that it is a resource relating to family firms consisting of more than one generation of family operating within the firm (Irava – Moores, 2010).

According to Pearson et al. (2008) there are three dimensions to familiness: structural, which involves the construction and maintenance of networks; relational,

Table 1

Family factors and performance in family firms

Family Factors Contributing to High Performance	Family Factors Contributing to Low Performance
Agency Benefits	*Agency Costs*
Lower agency costs due to the alignment of principal-agent goals	Higher agency costs due to conflicting goals in the family
Lower agency costs due to high trust and shared values among family members	Higher agency costs from opportunism, shirking, and adverse selection because of altruism (i.e., family members fail to monitor each other)
Family Assets	*Family Liabilities*
Human capital: the family has unique training, skills, flexibility, and motivation	Family lacks necessary skills and abilities due to small labor pool, lack of talent, or inadequate training
Social capital: the family develops relationships outside the family with employees, customers, suppliers, and other stakeholders that generate goodwill	Family fails to develop social capital with key stakeholders due to distrust of outsiders (i.e., "amoral familism")
Family "branding" of the firm or of the firm's goods and services may generate goodwill and a positive image with stakeholders	Family relationships lead to complex conflicts among family that may undermine image and goodwill with stakeholders
Physical/financial capital: the family may have physical or financial assets that can be used to support the firm	Family uses firm assets for personal use, thus draining the firm of financial and other resources

Source: Dyer (2006, p. 259.)

which considers relationships in terms of trust, cultural norms, obligations and identification; and cognitive, which relates to aspects such as having a shared vision and business jargon (language).

Some studies separate familiness into different groupings. For example, one part of familiness relates to a combination of informal family-like relationships between non-family and family members and is referred to as *Interorganisational familiness*. This highlights how individuals in a family business share norms and values, often due to a long-term orientation found in family firms (Lester – Cannella, 2006) and the building of trust with customers (Carrigan – Buckley, 2008). Although Interorganisational familiness has been studied per se, in this study we will consider this aspect under the umbrella of familiness as a concept in general.

The effects of familiness on family firms

Familiness can be seen as having both positive and negative effects on a firm's operations. Habbershon and Williams (1999) found both these sides of the coin when they maintained that family influence can increase resources (familiness as a positive factor) or decrease resources (familiness as a negative factor), and thus familiness can be productive or counter-productive. Similarly, familiness can be distinctive (with a positive influence on the firm's performance) or constrictive (with a negative influence on the firm's performance) (Chrisman et al., 2003, 2005; Minichilli et al., 2010; Zahra et al., 2004).

If we consider the distinction between principals and agents, then in the case of family firms we can see that the distinction between ownership and control is somewhat blurred. Managers may also be owners and thus, not only is the agency perspective negated, but we may also consider this lack of distinction as causing a certain degree of cognitive bias or perhaps resulting in leaders of family firms seeing the business environment, both internally and externally through a very different lens.

When we consider the objectives of organisations, they are often listed as the triple helix: profit; planet (environment); and people. If we consider the context of the family firm then economic prospects appear paramount at first glance, but within the concept of familiness we see that leaders of family firms also have objectives relating to family welfare, which include secure employment for family members, succession of family members and other personal interests such as protection of the 'family wealth'. Arregle et al. (2007) refer to this as *dynastic stability*. Schein (1983) and Dyer (1992) both found that leaders view their family firms as extensions of themselves and this lens pushes leaders of family firms to not only look at the profit of the firm but also income generation that can be passed across family generations, or as Habbershon and Pistrui (2002) refer to it: *transgenerational wealth*. In a nutshell, leaders of family firms may be seen to "act in ways that protect their vision, family business reputation, and survival or continuation of their business lineage" (Lim et al., 2010, p. 200.). Having covered the objectives of leaders in family firms, the actions of leaders will be considered in the following section in relation to paternalism.

The notion of paternalism in family firms

Leadership style is seen as achieving sustainable competitive advantage through the balancing of four competing criteria: 1) profitability and productivity, 2) continuity and efficiency, 3) commitment and morale, and 4) adaptability and innovation. This balancing is a competence referred to as behavioural complexity and it was found by Hart and Quinn (1993) that higher levels of behavioural complexity lead to better overall form of performance. However, this does not mean that all leadership styles manage to achieve a suitable balance in their given context.

Farh and Cheng (2000) define paternalistic leadership as "a style that combines strong discipline and authority with fatherly benevolence" (Farh – Cheng, 2000, p. 91.). The first aspect of a strong disciplinary and authority figure has been emphasised by Bing (2004), who suggested that a boss is essentially a carbon copy of one's original authority figure: the parent. Leaders of this kind guide both the professional as well as the personal lives of their subordinates in a manner resembling a parent (Gelfand et al., 2007). The second aspect relates to benevolence. This refers to an individualized concern for subordinates' personal well-being (Pellegrini – Scandura, 2008, p. 567.). Recent research also has broken down paternalistic leadership in family firms into three types: *authoritarian, benevolent* and *moral* (Rivers, 2015). The authoritarian paternalist controls and expects obedience, which is reminiscent of the first part of the definition put forward by Fahr and Cheng (2000), when referring to "strong discipline and authority". Benevolent leadership means that employees are respected and cared for, their needs are satisfied and support is given. This type certainly exemplifies the more positive aspects of 'fatherly benevolence'. The moral paternalistic leadership style results in the leader taking the helm with personal values, being seen as superior and leading by example. This third type seems difficult to contextualize in the definition of Farh and Cheng (2000) – seeing values as superior to others certainly appears very authoritative, whereas leading by example is not covered in Farh and Cheng's definition as it doesn't appear overly authoritarian or benevolent, and if anything, seems closer to an authentic leadership style. Aycan (2006) summarises the characteristics of paternalistic leadership styles as follow. (Table 2.)

Table 2.

Characteristics of three types of paternalistic leadership

PATERNALISTIC LEADERSHIP			
	Benevolent paternalistic leadership	Authoritarian paternalistic leadership	Moral paternalistic leadership
Characteristics	The leader demonstrates an individualised, holistic concern for familial and subordinates' personal wellbeing.	The leader asserts absolute authority and control; expects subordinates to display strong performance.	The leader's behaviour does not hinder subordinates' rights and development or harm the organisation. The leader's behaviour demonstrates moral values, superior personal virtues, self-discipline.

Source: adapted from Aycan (2006)

The literature indicates that these types of leadership may be linked to national culture. Paternalism is a strongly opposed leadership characteristic for Western scholars. It has increasingly been perceived negatively in Western management literature, describing paternalism as benevolent dictatorship (Northouse, 1997, p. 39.). Other scholars defined paternalistic leadership as a development stage between autocracy and consultative participative models (Schein, 1981). Likewise, Collela et al. (2005) defined it as a 'hidden and insidious form of discrimination'. The argument was supported by the findings of Heidrich and Alt (2009), where 'circles of trust' were found in organisations with paternalistic leadership. For those ones who are not in the mutual circle of loyalty, the style left is rather autocratic on the task level and less humanistic on the relation level. Western scholars even question the benevolent intent in paternalistic leadership relations (Padavic – Earnest, 1994, p. 389.). As Uhl-Bien and Maslyn (2005) argue this benevolence is expressed by the leaders because they want something in return and through this benevolence indebtedness and oppression is created. In light of these more oppressive aspects of paternalistic leadership, a paternalistic leader is perceived clearly as an X type leader.

If we consider literature outside the context of family firms then we find a fourth type of paternalistic leadership, referred to as enlightened paternalism. This concept was referred to by Kaufman (2003) in his study of Delta Airlines and related this to high-performance HRM where workplaces adopt a more participative strategy. In fact the term has been in use for some time: Lawrence (1979) referred to this term when looking at the governance of a micro-region in Mexico and found that there was greater participation and autonomy than usually associated with a paternalistic form of leadership. The scope of our study extends to all four of these forms of paternalism and we will examine the cases for evidence of the existence of these types, their impacts upon family firms and familiness.

Since this study is focussed on family firms in Central Europe, the following differences can be perceived between paternalism in the West and in Central-Eastern Europe (Bakacsi – Heidrich, 2011). Firstly, before 1990 the dominant leadership style was the paternalistic (benevolent-authoritative) (Bakacsi, 1988). Furthermore, managers from the Central European region tend to make more autocratic decisions than their Western counterparts (Jago et al., 1993). Central-Eastern European cultures tend to score higher on "Hierarchy" and "Conservativism" (Smith, 1997; Smith et al., 1996). If we consider Power Distance then societal practice has a significantly higher score in Central-Eastern-European cultures (House et al., 2004; Bakacsi et al., 2002) often with the tendency of leading to Self-protective leadership behavior (House et al., 2004). In a national culture context for leadership, GLOBE research revealed low scores for participative leadership (second order GLOBE leadership variable) compared to world cultural clusters (House et al., 2004). GLOBE defines the Participative (second order) leadership variable as follows: "a leadership dimension that reflects the degree to which managers involve others in making and implementing decisions". Bakacsi and Heidrich (2011) maintain that "due to the cultural heritage, the unexpected level of uncertainty on both the social and organizational level, employees are still (or again) in need of a more nurturing, thus less democratic type of leadership", and possibly edging more towards the paternalistic one. If we consider the wider context of this study not only from a cultural perspective but an employee perspective then we can see that since the financial crisis of 2008 (and beyond) crisis leadership, with tight deadlines and the need for fast decision making precipitate the need for an autocratic (dictatorial, ruler) leadership style.

Earlier in this section we considered that paternalistic leadership had two aspects: discipline and authority on the one hand and benevolence on the other. Many of the above factors indicate a strong tendency for firms to adopt a less participative and more authoritarian style of leadership in Central Europe. Furthermore, the current era of uncertainty and the need for nurturing as a part of this region's cultural heritage point to a strong likelihood for leadership behaviours to have a certain degree of benevolence. Finally, Bakacsi and Heidrich (2011) claim that the paternalistic style is merely a stage in a leadership style changing from participative towards autocratic, and thus it seems highly likely, given the arguments presented here, for the paternalistic style to be highly prevalent in this region, and this potential trend includes family firms.

The effects of paternalism on family firms

When the proud founder tells his son or daughter "all this will be yours someday", as mentioned in the introduction, this may also be considered as part of reward management (Lubatkin et al., 2007, p. 1025.). Paternalism often results in an attitude of *take it or leave it* in terms of their leadership style towards children. Paternalistic drives result in leaders believing that they know best and even when faced with disagreement, they may continue on the same path as they are acting in the 'children's best interest'. This belief in knowing best and acting with best intentions has been found to result in the use of influence tactics such as calculative, coercive and transactional behaviour (Lubatkin et al., 2007). The knock-on effect of this may well be that the children resent being coerced and manipulated and thereby resist and rebel. This in turn is likely to be viewed by the leader as the 'necessary cost of parenting'. The rebellion and resistance on the part of children of paternalistic leaders was found by Lim et al. (2010) to be directly related to paternalism i.e. "the more driven by paternalism, the more dysfunctional their firms intergenerational relationships become" (Lim et al., 2010, p. 206.).

In terms of familiness, paternalistic leaders in family firms are likely to see the benefits of familiness as a trade-off with formal governance. Lim et al. (2010)

claim that this may particularly be the case in family firms where paternalistic leaders see familiness as the means by which their own values and judgements are passed to their children.

Familiness and paternalism as resources

The notion of familiness as a resource-based perspective to understand FBs has been most strongly argued in the works of Habbershon and Williams (1999). According to their point of view familiness is a unique combination of those resources, which derive from the interrelated system of the family, family members and the enterprise, thus providing long term competitive advantage for FBs. On the other hand, Chrisman et al. (2003) define familiness as an interaction of the competences and resources and commitment, which stems from family ownership.

Familiness has its positive and negative impacts on business operations, as well as the short and long term performance of the enterprise. The impact is positive when trust, sincere communication, unconstrained devotion, long term interest are present in the organisation (Klein, 2008; Milton, 2008). However negative influence emerges when the organisation is driven by short term interest, manifested in apathy, rigidity, nepotism and inertia (Bruch – Groshal, 2003; Feito-Ruiz – Menéndez-Requejo, 2010).

If we consider the resources of family firms in terms of capital, then a number of researchers have indicated the types of capital available to family firms. (Table 3.)

If we consider the basic resourced based model then sustainable advantage achieves core capability differentials in firms through skills and assets. If we also take Filep's (2012) detailed breakdown of capital within family firms, then we can merge these two models together to create a strategic resource model for the specific context of family firms. This can be seen in the Figure 1.

Table 3.

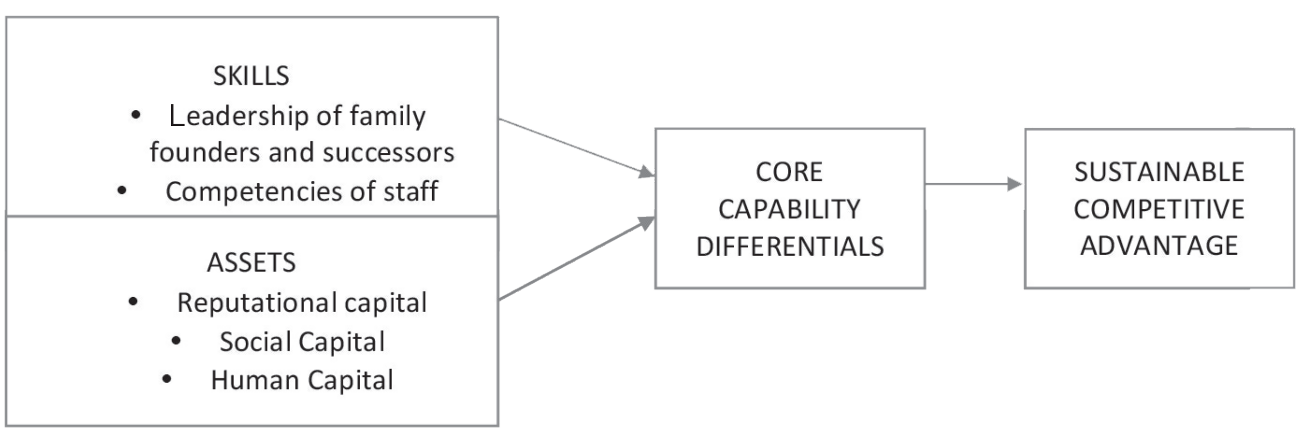
Types of capital within family firms

Author	Types of capital within each model	Focus
Filep (2012)	Human Capital of family members Social Capital Survivability Patience Governance structures	Internal External Both Both Internal
Dyer (2010)	Human Capital Social Capital Financial Capital	Internal External Internal
Poza (2007)	Span of responsibility (of managers and owners) Ownership structure Market / customer focus Protection of family name and reputation Relationships between family, owners and management	Internal Internal Internal External External Internal

Thus we can consider that leadership style as relating to the skills of the founders and successors, whilst familiness relates to the assets of the firm as literature seems to indicate familiness has aspects relating to reputational, social and human capital. These two elements as core capability differentials will be examined with the use of cases from the INSIST project.

Figure 1.

A strategic resource model of sustainable competitive advantage in family firms



Source: adapted from Filep (2012)

The INSIST project: cases

Project team members carried out desk top analysis based on the existing (national) literature and empirical research in order to provide a detailed picture about the importance of family business in the particular economies, focusing on such issues as the economic weight of family businesses, the socio-cultural and financial-legal environment of family firms, the succession process and some psychological aspects of managing family enterprises. Part of the focus of this study was on company- and family-level micro-mechanisms shaping ownership and management practices. Each participating country had to carry out two company case studies. The company case studies were based on semi-structured, problem-oriented in-depth-interviews with different stakeholders (owners/employers and employees) of family businesses, dealing with issues, like rules of entry and exit, commitment of the next generation, management practices, etc. The Hungarian team compiled three, the Polish team five and the British team two case studies. As this study concerns familiness and paternalism in Central Europe, we will omit the British case studies. The findings from the Polish and Hungarian cases are as follows:

DOMEX (PL) (Konopacka, 2015a)**:** The founder, Tomasz inherited two factory buildings and started to run his own enterprise in them in 1989. The company rents apartments, office and commercial space and operates as a developer. Currently the company employs 20 people. They are administrative employees and maintenance team workers. They are all employed with full time contracts. The company helps them gain new qualifications through training and conference participation. The wife and daughters of the doyen are company shareholders, but he also remains a shareholder. His aim is to introduce his family members to running the business so that when he decides to leave the company, they will know how the company works and what projects and issues are of key importance to company success. Aside from her involvement in the company, the doyen's wife has her own business venture – a small bookshop. His older daughter completed a variety of studies and worked for a time at the university, but later opted to join the company. She runs the branch concerned with letting apartments. His younger daughter runs a restaurant located in the company building. She established the restaurant herself and works to develop it further.

WAMECH (PL) (Konopacka, 2015b)**:** Prior to establishing the WAMECH Company, Piotr Wąsik worked as a designer in the Centre for Research and Development for Construction of Chemical Installations in Cracow and later, as an engineer in the Tobacco Factory in Cracow. He then moved to the private sector, joining a private developer, where he was responsible for financial issues, customer care, cost calculations and project implementation. The experience he gained prepared him thoroughly for running his own business. The WAMECH Company was founded in 1989. The company manufactures machines, which improve the economics of production processes in accordance with lean manufacturing principles. The main focus of operations is on the design and production of road transport vehicles and industrial trucks used for materials handling. From the very start, the company has operated as a family firm. Piotr's father-in-law is the engineer Józef Kielar, who helped construct the first prototypes. At the beginning, the business was based on Piotr's own work and that of family members. It took quite a while to establish a design team. Piotr's wife, also an engineer, joined the company to look after the company's finances and to support her husband. Piotr and his wife have three children and have always dreamt that one day their children would take over the company. The owner started preparations for the succession process some time ago, but the process had to be speeded up due to his illness. In 2010, his son, Wojciech, became the managing director just as the company celebrated 20 years of operation.

WITEK Centre (PL) (Konopacka, 2015c)**:** During Poland's economic transformation, which began in 1990, Karolina and her husband started a trading business. They started with a small shop (20 m^2) in the centre of Krakow, in which they sold china and glass crockery. As time went on, they managed to utilize another part of Karolina's parents' property, which extended their business activity. Growing demand for what they were selling encouraged them to rent more and more retail space and their company continued to grow. The last stage of business development involved building a modern retail centre in the vicinity of Krakow, which continues to be expanded and developed. The company is active in the retail sector, selling furniture. Company assets were divided between Karolina and her children at an early stage. Today, each of them runs his or her own business independently, as separate legal entities.

Pillar (PL) (Gorowski, 2015): The PILLAR company was set up in the 1980s in Krakow, Poland, as a micro-business offering small refurbishing and construction services. Martin and Helena founded the business at the age of 35. At first the company based its existence on the housing deficits on the Polish construction market, but in the1990s its profile changed into a 'classic' developing business: they bought land and built apartments and commercial premises for sale, mainly in Krakow. At present the company employs 70 people. They are highly qualified specialists, who have been with the company for many years. The owners have two sons working at the firm and the company will be inherited by them.

Plantex (PL) (Paszkowska, 2015): Plantex Horticulture Farm has been on the market since 1981, and since its beginning it has been dealing with innovative plant propagation. The company offers high quality products: young, healthy plants for further cultivation in nurseries and on plantations. At present the farm employs 81 people on a regular, full-time basis, and sells around 4 m cultivars per year with 1.5 ha in City outskirts and 3.5 ha in a village. The city plant hosts administration buildings (150 m^2), laboratory warehouses (300m^2) and 1,500 m^2 of glasshouses. The village premises comprises a 1,200 m^2 production hall and 7,500 m^2 of land under foil. The founders have three daughters. The two elder ones have their own businesses and the youngest one is about to take over the business with her husband.

Quality Meat (HU) (Szentesi, 2015)**:** After having become unemployed due to the dissolution of the Farmers' Co-op, the two owners Károly Kovács and his wife decided to buy an old slaughterhouse and meat processing plant from their savings in 1992. The company started to grow and in 2004 a new and modern slaughterhouse was built and the meat processing unit was also revamped. The company's main line of business is meat processing and preservation. Every day an average of 100 to 130 pigs are slaughtered and processed depending on seasonality. The total capacity of the slaughterhouse is 60,000 pigs per year. The couple have two sons who joined the business and gradually took over daily management. The founder only kept control over finances.

FEIN Winery (HU) (Gubányi, 2015)**:** The winery was founded by Tamás FEIN, who worked as an economist, vintner, corporate leader, and bank account manager at that time. The FEIN couple decided to develop the wine cellar and press house in 1998. They bought 11 ha field and their estate was broadened to 21 ha in 2002. FEIN Winery was officially founded as Limited Liability Company in 2003. The FEIN family produces traditional, quality wines. The territory of the vineyard is 21 ha. The production results an average of 130 000 bottles per year with a wide range of red and white wines. The FEIN Winery's distribution channels are a wine trade company and its own sales channel. They operate ten shops in Budapest and five in other cities. Their own sales channel organizes wine tastings, dinners and an annual celebration. The founder and manager, Tamás and his wife, Zsófia, have two sons, the elder one is Károly, who will be the successor.

BI-KA Logistics (HU) (Kiss, 2015): After graduation, György Karmazin started his carrier at an agricultural trading company as a transport organizer in 1991. He realized that he had both the connections and the knowledge, and he could try to start a business in logistics on his own. Established in 1991, BI-KA Logistics was founded by György with the help of the parents-in-law. The small, family-owned, bootstrapping company has outgrown itself into one of the regional leaders in transport and logistics in the last 23 years. BI-KA Logistics provides domestic and international transport services and transportation, rail transportation, as well as transport of oversized, air, container, marine or hazardous goods, warehouse logistics services, full customs clearance, cargo insurance and consultancy in logistics. The business is exclusively business-to-business in nature and serves its customers in 30 countries, mainly in the European markets. Closing the 2013's business year with a turnover of 16 million EUR, which means a 20.7% growth compared to the previous business year, in 2014, they could increase the turnover by 12%, even if their main partner remarkably cut orders.

Findings and discussion

The INSIST cases were used to find examples of paternalism and familiness in organisation and look for indications of potential affects and other considerations. As mentioned earlier, we found that familiness relates to shared ownership between family members and the management of the company was found to rest with the founder and / or family relatives, usually the children of the founder. Table 4. highlights this aspect of familiness for the cases within the specific context of Central Europe (Poland and Hungary).

These findings raise further questions rather than reaffirm what has been found in the literature. It seems that familiness cannot be assumed to exist in family firms, or that at the very least familiness is a sliding scale with some family firms being tightly knit amongst relatives and other firms trusting the management and the future of the company to non-family members. DOMEX (Konopacka, 2015a) in Poland seems to be the prime example of familiness with family members all active within the firm and sharing ownership. However, if we consider the example of WAMECH (PL) (Konopacka, 2015b), it was found that there had been decades of self-reliance embedded in the family, the founder supported all the children starting their own business in order to diversify the family holding (Konopacka, 2015). In this way, perhaps familiness is not seen solely in the continuation of the existing family firm but rather the establishment of a family empire with a diversified range of business units existing under the family umbrella. The fact that family members of WAMECH have not continued the original family firm may initially sound like a lack of

Table 4.

Ownership and management of INSIST cases in Central Europe

	Ownership/Governance	Management
DOMEX (PL)	The founder, his wife and his daughter share ownership. The management board of the company consists of the family doyen, his wife and two daughters and a person from outside the family. The board meets every month to deal with on-going business issues.	Shared management between family members.
Plantex (PL)	The founder and his wife keep 100% ownership and share neither with family members nor with external stakeholders.	Management is shared between family members with no external partners.
PILLAR (PL)	Family ownership with the possibility to involve external investors. The founder passed his ownership gradually to their sons.	Management is shared between family members with no external partners.
WAMECH (PL)	Shared family ownership.	The founder's eldest son became the managing director.
WITEX (PL)	Ownership is shared between the founder and the children.	Each family member runs their own business within the company group.
QUALITY MEAT (HU)	The founders keep 100% ownership and share neither with family members nor with external stakeholders. Next generation has no ownership yet.	Management is shared between family members with no external partners.
BI-KA (HU)	The founder keeps 100% ownership and do not share neither with family members nor with external stakeholders. Next generation has no ownership yet.	Founder-owner retired from daily management routines and delegated responsibility to a non-family manager.
FEIN Winery (HU)	The founder keeps 100% ownership and does not share neither with family members nor with external stakeholders. Next generation has no ownership yet.	Management is shared between family members and an external partner is planned to be involved in administration.

familiness, however this occurred as family members were looking to build a dynasty and so familiness was evident but based upon broader horizons than a single family firm. If we now consider the BI-KA case in Hungary (Kiss, 2015), where the founder retired from management at an early age (47 years), and passed the management to a well-mentored non-family member of the management team (Kiss, 2015), then it can be seen that this company may lack the resource of familiness and may be less likely to have adopted a paternalistic leadership style. Despite this fact, the family firm still enjoys success with income improving by 20% and business results by 56% in 2013 (Kiss, 2015:3). Thus whilst familiness and leadership style are classed as resources, it seems that there are other means of success within family firms. In the case of BI-KA (Kiss, 2015), the owner György, was found to display a strong focus on growth with the motto *'if it is not growing, it is decreasing'*. It is plausible that this focus on growth may be the counterweight that allows for not having the benefits relating to familiness. Conversely, the apparent lack of a paternalistic style at BI-KA may arguably mean that the destructive aspects relating to this style are also missing. Further research would be needed to consider these notions further.

If we consider our second variable of paternalism, then the literature indicates a number of types of paternalism: authoritarian, benevolent, moral and enlightened (altruistic) paternalism. The INSIST cases indicate some signs of these typologies in Table 5.

The cases seem to reinforce the findings in previous literature in relation to the types of paternalism as well as extend our understanding of paternalism – such as when the founder of the DOMEX case refers to his behaviour as 'enlightened paternalism' (Konopacka, 2015, p. 5.). It is also interesting to note that the founder of DOMEX is aware of his paternalistic nature and possibly even its modified form as enlightened paternalism. Furthermore, it was found in this particular case that although the founder was rather paternalistic in approach, external consultants were employed as mentors to the future successors (Devins – Marran, 2015). This does not mean that the paternalistic behaviour was simply outsourced as external staff are less likely to adopt a paternalistic style, but that the paternalism was marginalised to some extent and it may well be the case that the negative effects of paternalism may also have been lessened as a result.

If we now consider the adoption of paternalism in relation to the familiness of family firms, then we have a

Table 5.

Findings from interviews – evidence of paternalism types

Paternalism type	Comments from owner of family firms
Authoritarian paternalism	"That's why the position of Antoni, *the founder and owner is so strong*. Not only has he built a sound business but the family admire him for enormous professional knowledge, expertise and willingness to share it with the new generation. *His leadership style is strong and individual*, but he has no problems with delegating or sharing responsibilities. If there is any reluctance against undertaking managerial duties it's due to the successors' unwillingness to take over rather than any barriers on Antoni's side" (Plantex, Poland).
Benevolent paternalism + Moral paternalism	"For an owner, who is the founder of a private/family business, the company is similar to his/her own children" (BI-KA, Hungary).
Enlightened paternalism	"The doyen is the principal manager in the company. He calls his management style *'enlightened paternalism'* – everyone has freedom in his or her field of action and decision making. However, decisions which need to be taken collectively must have his final say. There are no concessions when it comes to such values as reliability, honesty or justice. The company's success and its market position demonstrate that such management policy is effective and worth pursuing" (DOMEX, Poland).

number of supportive (driving) and limiting (restraining) forces for this adoption. Firstly, two of the driving forces for the adoption of paternalism centre upon the context of our study. It was found in the literature that there is a strong preference for paternalism amongst employees in central Europe. The uncertainty and instability that have emerged since the financial crisis are seen in the literature (Bakacsi – Heidrich, 2011) as driving employees in search of leadership forms that encapsulate certainty, namely the autocratic and paternalistic forms of leadership. Therefore within the context of central Europe and the current recession, there are drives towards paternalism. Bakacsi and Heidrich (2011) also refer to the high levels of In-group collectivism found in Central-Eastern-European cultures. This is particularly interesting as in-group collectivism is "the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families" (House et al., 2004, p. 30.). The clan-like nature of family firms and the security provided by them was highlighted in the comment by family successors in the cases of WAMECH (Konopacka, 2015b) and FEIN Wein (Gubányi, 2015):

"Paul recalls that as a child the sons saw the company staff as 'part of the family', with their father being head of the family and their mother being the 'mother hen' who ***looked after*** *all the staff." (Wamech)*

"She (the daughter of the founder) ***feels less threats*** *toward dismissal, she does not become lax, she can use time effectively and decide, communicate rapid". (FEIN Wein)*

According to the literature there is an argument that negates the darker side of paternalistic leadership and this is the emergence of enlightened paternalism. This type of paternalism was also found in the case studies when the principal manager of the DOMEX (Konopacka, 2015a) referred to his management style as 'enlightened paternalism'. The negation of restraining forces in the adoption of a paternalistic style represents a strong driving force towards paternalism, if we consider solely this type.

The paternalistic style results in benefits that may be considered as driving forces such as mentoring and guiding family members, and the enforcement of 'familiness' through the passing on of the family owner's values and judgements to the children. The conscious education and training of a successor, regardless of whether they are family- or non-family member was found in the cases (Gubányi, 2015; Kiss, 2015) as well as the encouragement of a formal education for gaining a wide international perspective, as with FEIN Winery (Gubányi, 2015) and also in-company integration throughout the years as in the case of QUALITY MEAT (Szentesi, 2015).

The ideological factors of protection and guardianship, traditions and ownership are also emphasised. The owner may also consider it a driving force that this style enables him or her to maintain control over employees as well as the family wealth. The passing on of family values was found to be heavily emphasised in the case of DOMEX (Konopacka, 2015a):

"The doyen has taught his daughters the principles and ***values passed*** *onto him by his mother, as he believes that they have been the key to his*

*success. His goal is to instill the **'entrepreneurial gene'** in his children, which will smooth the succession process and assure efficient company operations after he leaves. … The doyen's daughters **respect their parents' values**. Bringing up the children, the parents always emphasized such principles as honesty, empathy and positive attitude towards other people."*

If we now consider the restraining forces against the adoption of paternalism in family firms in Central Europe then we are faced with a number of causes of reducing familiness in family firms. Firstly, the paternalistic style may lead to resistance and resentment by family successors. This is a self-defeating aspect of the paternalistic style since it was found in the literature to have been adopted as a means of promoting familiness as found in our list of driving forces. However, our cases seem to indicate that the conflict, resistance and resentment associated with a paternalistic style are not automatic responses and a lot depends on the culture of the firm. In the case of PLANTEX (Paszkowska, 2015) we can see that even generational differences appear to have been handled in a sensitive and concordant way:

*"It happens the members of the young generation go with the problems to Antoni or Marta who try to solve them without anybody losing their face. **Harmony** is one of the most **important values** for Plantex family firm."*

The scope for conflict and resistance due to a paternalistic style has also been reduced in other firms. In the following example from PILLAR in Poland (Gorowski, 2015), it seems that the family successors are given a certain degree of autonomy and respect, which seems indicative of a more enlightened form of paternalism:

*"Management model, where each of the sons is responsible for his departments, and father acts as an **arbitrator** and advisor, especially during frequent meetings and deliberations. Father and each of two sons have the **right to block strategic decisions**, but such situations are very rare."*

The father of the firm appears to have the desire to alleviate the conflict and tension in the firm rather than be the cause of it, as he acts as an arbitrator and has given equal authority to his two successor sons to block his (and each other's) decisions, if necessary.

The anchoring of familiness found with owners adopting a paternalistic style also was found in the literature to potentially result in family inertia, i.e. organisational rigidity and a lack of responsiveness to external factors and an overdependence between family members. This can be seen in this comment by QUALITY MEAT (Szentesi, 2015):

*"The emotional attachment of family members to one another **can affect** the **efficiency** of work, and consequently, the **performance** of the firm."*

Another restraining force against the adoption of paternalism is that it is not a long term choice i.e. it is not sustainable. The literature indicated that after each generation of succession the paternalism decreases in family firms, likewise when external managers are chosen then these external managers are unable to adopt a paternalistic style. Furthermore, successors are likely to have a different mind-set even if they are the children of the founder. All of these factors highlight the unsustainability of a paternalistic style in family firms in the long term. We see the adoption of a different mind-set by family successors in the case of Witek (Konopacka, 2015c):

*"Each member of the family has developed his or her **own style** of business management. Karolina's son has travelled a lot and had periods working abroad. This gave him the opportunity to learn **new management methods**, which he now uses successfully in running his business."*

However, if we look at the cases in relation to external managers being less likely to adopt a paternalistic style, it seems that the familiness of the culture and the values thereby related to familiness, are passed on to newcomers as found in the case of PLANTEX (Paszkowska, 2015):

"The 'newcomers' – daughters' new husbands at the beginning complained that the firm was too dominant element of the family life, but with time they adapted to such family culture. There more involved they become in the family company activities, the more obvious such lifestyle was for them."

It is interesting to note in this case that the newcomers were initially against the familiness of the firm but adapted over time. Further research would be needed to discover if values relating to paternalism are also passed on within this family culture, but certainly this case casts doubt on whether external managers are truly unable to adopt a paternalistic style, if we were to consider cases where the owner has spent considerable time mentoring the manager and reinforcing the values and approaches associated with paternalism.

When we consider the restraining and driving forces for the adoption of paternalism in family firms, there is one particular force that is hard to distinguish based upon our findings. According to the literature a negative aspect of paternalism can be the loss of focus on profit in favour of other aspects such as succession and protecting family wealth. However, the cases seem to indicate that a focus away from profit may not necessarily be a bad thing as can be seen in the following quote from the case of Wamech (Konopacka, 2015b):

> *"As with many family businesses, as the company grew the Woods tended to employ friends and family members to the payroll – **most especially those in need** (for example employing friends who had been made redundant or their son's wife etc.)."*

It seems that the employment of friends that have fallen on hard times might not be entirely profit focussed. If we consider the triple helix of profit, people and planet then perhaps it could be argued that the adoption of the triple helix or looking beyond simply profit is another example of enlightened paternalism. Further research into this area of what constitutes enlightened paternalism would shed light on this concept and its implications for family firms.

Conclusions, limitations and future research

Our paper reviews familiness and paternalism in family firms in Central Europe in the hope of shedding further light on these two elements found in family firms. We reviewed existing literature on these two elements and then considered the findings of the INSIST project in this light. We found that familiness cannot be assumed to exist in family firms just because it is a family firm. It also seems that a lack of succession to family members does not negate the existence of familiness as family members may be working on independent projects or businesses with the primary aim of building a family empire in the long term. Furthermore, familiness seems to be a sliding scale rather than simply existing within firms or not. Although familiness is a distinct resource in firms, it does not mean that a lack of familiness results in failure of family firms. The drive and strategies of the owner of family firms seems to counterbalance a loss of familiness, although further research would be needed to confirm this. It is also found that although familiness may result in a lesser degree of focus on profit, the focus towards people or planet in addition to profit does not seem any the less worthy and may in fact highlight that such small and developing firms are able to look beyond profits towards greater sustainability, although further research would be needed to confirm this.

We found a long list of restraining forces for family firms in this region adopting a paternalistic approach, but the list of drives for adoption is even longer. This appears to be due to the range of paternalistic types that was found in the literature and cases. The findings from the INSIST cases developed this line of thought further as we found that enlightened paternalism exhibited in the family firms in examples such as: an owner stepping back into an arbitrary role and leaving successors to make decisions autonomously; reinforcement of values encouraging harmony and approachability; and successors taking on new management methods. Further research is needed into this area, as enlightened paternalism may well be the way that owners of family firms simultaneously accept paternalistic leadership as the most suitable approach for family firms, and yet search for ways to adapt paternalism in order to overstep the hurdles associated with adopting a paternalistic style.

There are a number of limitations in this study which bear consideration. Firstly, the sample was small for this qualitative study but further cases may shed light on certain apparent contradictions between the literature and the cases studied. Furthermore, there is a methodological limitation in that the interviewees, as owners, had been given time to prepare their answers and appear to give a somewhat rose-tinted view. It seems only natural within the concept of familiness to have a degree of pride in showing one's best side, whilst being protective of the family name and its members. Future researchers in this area will need to find ways to avoid this limitation, which has proved rather challenging with the method used in our study.

In summary, the main aim of this study was to understand the two elements of paternalism and familiness and raise issues for further research. Despite the limitations of this study, paternalism has been found in its varying forms in the INSIST cases as well as clear examples of familiness as an asset for family firms. Further research may examine whether enlightened paternalism is the result of a natural evolution (survival of the 'fittest leadership style') or is in fact the Holy Grail of leadership style in family firms in Central Europe that all paternalistic leaders are searching for.

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FAMILY WARS OR PROFESSIONAL EXCELLENCE, CONTINUITY AND SUCCESSION?

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GOVERNANCE IN FAMILY ENTERPRISES: MAXIMIZING ECONOMIC AND EMOTIONAL SUCCESS

LONDON: PALGRAVE MACMILLAN, 2014: 272 P.

Family businesses have a strong economic significance regarding the contribution to GDP and the number of employees on a macro level, as shown in several international studies. Approximately 70-80% of the operating firms in Europe are family businesses (Mandl, 2008). According to estimates, family businesses' contributions to global GDP vary between 70 and 90%, while more than 30% of the Fortune Global 500 companies belong to this category (Elstrodt – Poullet, 2014).Many of the world's oldest companies are "family-founded" and family-owned firms. They include very successful companies with a strong family identity and a professional family governance system. For instance: Cargill, Samsung, LVMH, BMW, Clarks Shoes, H&M, Heraeus Holding and so on.

This book contains global models and excellent representative examples of multigenerational family enterprises. It can help family businesses in Central and Eastern Europe to improve their governance structure and methods.

The family business has a specific recipe for the success, namely the so called "familiness". This is a unique combination of resources which come from the family, the interaction of the family and the business sub-system. It provides a long-term competitive advantage for family businesses. In a lot of family firms we can find various roots of conflict relating to nepotism, intergenerational struggles, sibling rivalry, marriage, parenting, the free-rider problem, age differences, family size, scapegoating and so on. There are some general remedies for maximizing economic and emotional success in a family business: planning; communication, education and training, external benchmarking and family governance combined with corporate governance. This very impressive book is a wonderful contribution towards helping the family and the family firm thrive and improve their economic and emotional value without conflict, family confrontations, or sibling jealousy. The authors will deepen our understanding of the significance of family governance and offer guidance for family leaders, based on the collected knowledge and research of successful family governance methods culminating in over 50 years of experience.

Alexander Koeberle-Schmid is an excellent economist in a family owned-business. He works as a family business advisor for medium-sized and large family enterprises covering a range of different issues, such as: governance structure, management succession, family council, family office, family philanthropy and family constitutions.

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advised the top management of numerous Fortune 500 companies. He is a member of the editorial board of the Family Business Review and the Journal of Family Business Strategy. He is a founder of the Family Firm Institute, and he is the author of seven books, as well as over 50 articles in world- renowned professional journals and periodicals.

The book GOVERNANCE IN FAMILY ENTERPRISES is divided into four parts and thirteen chapters with a strong and extensive literature base and up-to-date case studies of family firms in North America, Latin America, the Middle East and Asia. Each chapter is split into three sections. The first section contains interviews or case studies with a family business owner or manager, the second section covers the methodology and the third is a conclusion with recommendations and the list of important definitions (for instance: family council, family history book, annual general meeting, family philanthropic foundation).

The first chapter of this book demonstrates the aim of good family business governance and the indicators of inadequate governance. It defines the two overlapping components of family business governance, and the different stages in family business governance solutions for different types of family enterprises (sole owner – owner managed, sibling partnership – family managed, cousin consortium – family monitored). The second chapter summarizes the challenges to family business governance: nepotism as a family-first attitude, professionalization as an inability to change, delegating and institutionalizing a successful business model, succession and continuity planning, responsible stewardship of the business, family conflicts, the belief that fair means equal, the solution of wealth and the current leader's unwillingness to transfer power, altruism, the erosion of the entrepreneurial culture, and the lack of transparency and oversight. The third chapter offers an overview of the elements needed for achieving effective governance, and the principles and policies, which are often contained in a family constitution. The key issues dealt with in this chapter are: dividend distribution and reinvestment policies; employment and participation policies; mission, duties and the culture of trust; wealth management; owner-manager alignment; family assembly and the multifamily office; as well as out-and-out relevant and thought-provoking circumstances connected to family business continuity. The fourth chapter is the last one of the first section of the book. The reading public can become acquainted with the meaning and relevance of responsible ownership with the aid of two interviews (Franz M. Haniel, Haniel Group and Karl-Erivan Haub & Christian Haub, Tengelmann Group), whose topic sand emblematical issues involve the fundamental roots of responsible ownership, the types of ownership, and the tasks of responsible owners.

The second section of the book consists of three chapters, where the authors introduce their four-step model for a professional board of directors in a family-owned firm. In summary, the four steps are four questions and the related, potential answers are: What benefits should a board generate for the firm and the family?; What are the overriding tasks and duties in five specific themes: operational and strategic monitoring, advice and the generation of new ideas, personnel selection, networking and family communication?;What contingent factors should we define? How can we regulate them? The book highlights four relevant factors: structure (size of board, the term of office, age limit, the board meeting, sufficient external representation); competence (specific qualifications and personal qualifications); instruments (director's liability, reporting system, selection system and committees); and remunerations and other costs.

We also consider the issue of evaluating the board and address five questions: Who will be evaluated on the board? What will be the content of this evaluation? Who will be subject to evaluation? Who will carry out this evaluation? How can the evaluation be structured? The answers depend on the type of family firm, so in the following two chapters the authors make a comparison between family CEOs and non-family CEOs, including topics relating to the succession process: the so called competence development planning process for the grooming of the next CEO; and the alternative leadership pattern of some highly performing family firms. The seventh chapter is an introduction to the control system for a family enterprise, based on three main dimensions: control performed by outside - external audit (statutory audit and validation of reporting); control performed within the company; and reports (shareholder reports and intermediary reports). The chapter is intended to help family businesses based in the Central-Eastern Europe within a domestic relations system. These businesses are now being forced to reinterpret the past, their proven business model, their business strategy (due to the generation change), as well as deal with the professionalization and internationalization dilemmas. This chapter will aid these businesses in setting their control systems.

In the third part of this masterpiece, we can find an outline of three Western Europe-wide known and applied governance methods: the Family Council, the Family Office and the Family Philanthropic Foundation. The family owner or the committed reader can explore the typology, structure and management of the single-family office and the multifamily office, as well as the ways and principles of efficient family philanthropy management. The relevance of these three governance bodies or methodologies is reflected in the following interview extracts:

> "We use the family council as a safe harbour, a relaxed space where we update each other about our lives and aspirations … the family council operating as the executives committee helps us develop the family business/family wealth strategy [...] The family council is composed of the five siblings and the two parents" (Maria Luisa Ferré Rangel, chairperson in Gruppo Ferré Rangel, fifth-generation).
>
> "Our own multifamily office is to align the longevity and stability of a family business alongside the professional excellence of a financial services partnership […] As a family business it creates an interesting dynamic because you need to ensure that you can mix the stability that the family ownership brings with the professionalism and dynamism of a financial services partnership" (Alex Scott, executive chairman of SandAire, fourth-generation).
>
> The fourth and final part of the book covers facts and figures relating to the documentation of governance structure. In the eleventh chapter the authors present a short interview (with the chairman of the Miele's managing directors) and methodology overview. Following this, they present the German Governance Code of Family Enterprises. In the twelfth chapter we offer a lot of useful information, best practices, examples and recommendations for the planning and design of the family constitution, which in this region of the EU is in its infancy. "In Chinese the same word means both 'crisis' and 'opportunity' […] a crisis always brings opportunities. For a family business like ours, I believe that it means that new energies and success will come from the current challenging time".

This quotation from an interview with Sophie Lammerant, who is the director of the Bekaert AK family council, remains in the centre and focus of the last chapter. As an epilogue the authors consider one by one the challenges that family firms will face in the coming years: cultural change and globalization; demographic change; an increasing role for women, both as owners and executives; the rights of the minority shareholders and the transparency, communication, and a professional board.

When we take into consideration the fact that the share of this sector will increase to 37 per cent in 2025 from 16 per cent in 2010, that two thirds of family business reported growth last year and 15 per cent of them plan to grow aggressively over the next five years according to the latest international PwC survey (*Global Family Survey,* 2014), we contend that this book will be compulsory reading in the family business sphere as well as in business and management education.

This book helps to eliminate the roots of conflicts and family wars. The dark side of the family business is illustrated in the Family Wars by Grant Gordon and Nigel Nicholson (2008), but that is another story …

Németh, Krisztina – Németh, Szilárd

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SZERZŐINKNEK

A Vezetéstudomány a Budapesti Corvinus Egyetem Gazdálkodástudományi Karának havi folyóirata. A lapban a vezetési és gazdálkodási tudományterületekhez kapcsolódó témakörök elméleti és gyakorlati kérdéseit elemző és vizsgáló írások jelennek meg. A szerkesztőség (vezetestudomany@uni-corvinus.hu) elektronikus formában kéri az írásokat. A cikkeket elektronikus levélben (docx fájl formátumban) lehet a szerkesztőséghez eljuttatni.

A lap tudományos folyóirat, ezért szövegközi forráshivatkozások és ezek jegyzéke nélküli írásokat nem jelentet meg. A Vezetéstudományban megjelentetni szándékozott kéziratok szerzőitől az alábbi követelmények figyelembevételét kérjük:

A cikkek szokásos terjedelme a hivatkozásokkal, ábrákkal és táblázatokkal együtt 20-24 oldal, 1,5-es sortávolsággal (12-es betűméret, Times New Roman betűtípus). A cikkek első oldalának alján tüntessék fel a szerző foglalkozását, munkahelyét és beosztását, elektronikus levelezési címét, a tanulmány elkészítésével kapcsolatos információkat és az esetleges köszönetnyilvánításokat.

A kézirathoz csatolandó egy magyar nyelvű és egy angol nyelvű rövid összefoglaló (200 szót nem meghaladó terjedelemben), valamint a cikk fő témaköreit megnevező kulcsszavak jegyzéke.

Kiemeléshez dőlt betű használható, aláhúzás és félkövér nem. Jegyzeteket lehetőleg ne használjanak, amennyiben azok feltétlenül szükségesek, szövegvégi jegyzetként adják meg.

A táblázatoknak és ábráknak legyen sorszáma és címe, valamint - átvett forrás esetén - pontos hivatkozása. Az ábrákat és a táblázatokat a kézirat végén, külön oldalakon, sorszámmal és címmel ellátva kérjük csatolni, helyüket a szövegben egyértelműen jelölve (pl. „Kérem az 1. táblázatot kb. itt elhelyezni!").

A szövegközi bibliográfiai hivatkozásokat zárójelben, a vezetéknév és az évszám feltüntetésével kérjük jelölni: pl. (Veress, 1999); szó szerinti, idézőjeles hivatkozás esetén kiegészítve az oldal(ak) számával (pl. Prahalad - Hamel, 1990, p. 85.). Amennyiben egy hivatkozott szerzőnek több bibliográfiai tétele van ugyanazon évben, ezeket 1999a, 1999b stb. módon kell megkülönböztetni. A felhasznált források cikk végén elhelyezett jegyzékét ábécérendben kérjük, a következő formában:

Szerző (évszám): Cím. kiadás helye: kiadó; illetve forrás. 1. példa (könyv): *Porter, M. E.* (1980): Competitive Strategy. New York: The Free Press. 2. példa (folyóiratcikk): *Prahalad, C. K. – Hamel, G.* (1990): The Core Competence of the Corporation. Harvard Business Review, május-június, p. 79-91.

A formai követelmények fentiekben érvényesített, ún. „Harvard" rendszeréről (más néven „szerző/év" vagy „név/dátum" hivatkozási módszerről) részletes tájékoztatást nyújtanak az alábbi WEB-címeken elérhető források.

Az elektronikus forrásokra való hivatkozás aktuális probléma. Az Internet Library for Librarians egyik polca (www.itcompany.com/inforetriever/inetcite.htm) kilenc helyet gyujtött össze e témával kapcsolatban.

Az angolszász országokban több elterjedt formája van a bibliográfiai hivatkozásnak. Ezek a formák több folyóiratban is használatosak. Közülük az ún. Harvard-stílusú bibliográfiai hivatkozások vonatkozásában ad hasznos tanácsokat a Guide to Citing Internet Sources (www.bournemouth.ac.uk/service-depts/lis/LIS_Pub/harvardsystint.html).

A Modern Language Association of America (MLA) - egyébként szintén sok helyütt alkalmazott - hivatkozási stílusával kapcsolatban ajánlható az MLA-Style Citations of Electronic Sources (www.cas.usf.edu/english/walker/mla.html).

Az APA Publication Manual Crib Sheet (www.gasou.edu/psychweb/tipsheet/apacrib.htm) az American Psychological Association (APA) idézési stílusával foglalkozó forrásokat gyűjti csokorba.

Havi folyóirat lévén és a megjelenés átfutási idejének csökkentése érdekében a Vezetéstudomány kefelevonatot nem küld, elfogadás előtt azonban a szerzőknek, ha kérik, egyeztetés céljából elküldi a cikk szerkesztett változatát.

2006. januárjától az új lapszámok cikkeit és 2004-ig visszamenőleg az összes korábbi kiadás publikációit – külön kívánságra – elektronikus változatban is hozzáférhetővé tesszük.

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