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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.)

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 heightened 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

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.

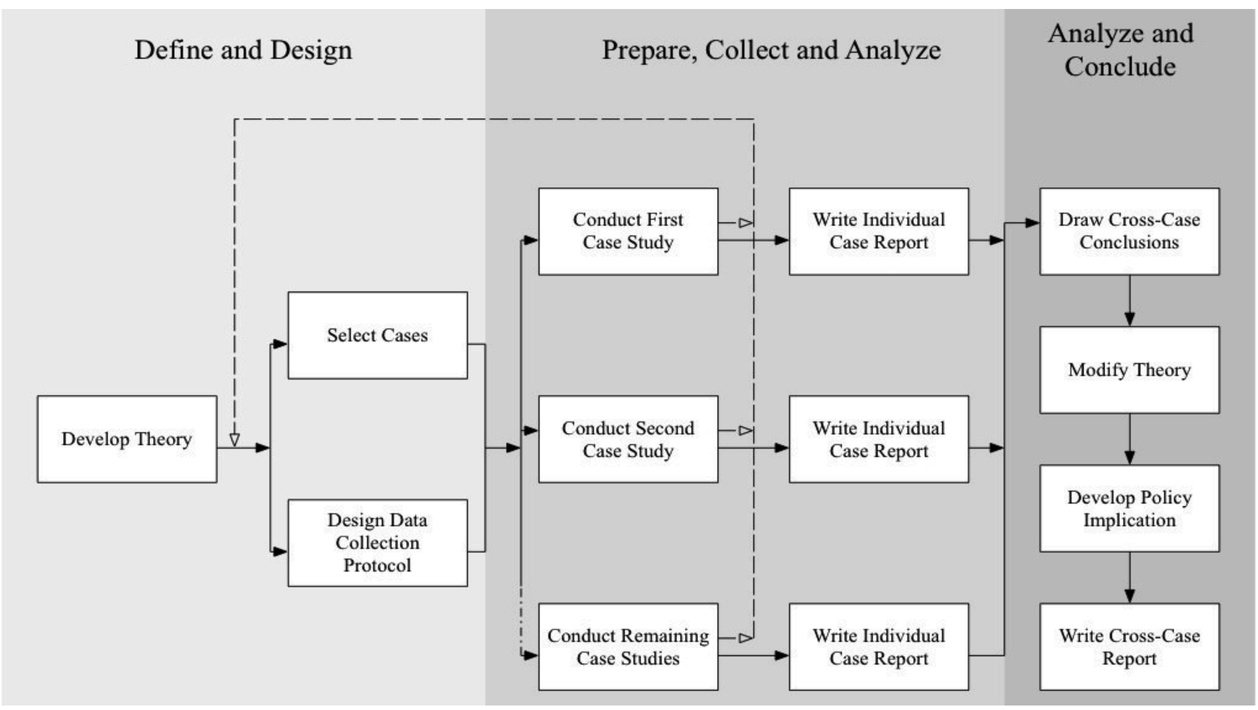
Main characteristics of the company cases investigated

	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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