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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


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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

*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:<br>• reorganizing/clarifying the job descriptions of the successors and non-family employees,<br>• introducing the successors to the decision-making processes and strategic planning,<br>• renting a new, better accounting office that would be more competent and helpful in the succession process,<br>• 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 networking 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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