

Succession of Leadership in a Family Business: The Perspective of Incumbent and Successor

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The issue of succession in family businesses is being studied all over the world. At a certain point in time, each family business is faced with the question of succession, both in terms of the ownership and management of the company (Duh et al. 2005 and references cited there in Dycke et al. 2002; Miller et al. 2003; Morris et al. 1997; Sharma et al. 2003). The goal of intergenerational succession is to preserve the ownership and management of the company within the family, and to ensure the smooth operation and development of the company while preserving family harmony. The latter may pose a threat to the company's continued existence, but it can also be a strategic opportunity.

The results of the research show that only about 30% of family businesses survive the transition from first to second generation and that only 10 to 15% survive the transition to the third generation (Davis and Harveston 1998, and references cited there). No data has been found on the success of succession in Slovenia, but it is presumably at approximately the same level as the levels established for EU economies. The main causes of a failed succession are related to the complexity of the process itself, to psychological and emotional problems, and to the national legislation (EU Commission 2002). They are also connected with the realization of successions at the applied, practical level; for example, with the awareness of its importance, with planning, implementation, process control, dedication, level of knowledge and regulation of mutual relations.

Despite the extensive literature and the practical experience accumulated all over the world, not enough is known (yet) about the succession phenomenon to be able to unequivocally answer the question: Why is the success of intergenerational (first generation) successions so modest? This question also gives rise to the following question: Why, in spite of such a modest success rate, are incumbents/entrepreneurs, owners of family businesses and the families involved deciding on intergenerational successions? Other options are available as regards ownership and management. No less difficult is the question: Why does such a large number of founders/entrepreneurs, who have successfully built and developed their business, fail to successfully transfer the company to successors? Why do they allow or make possible the degradation, even disintegration or decay of what they have created? The gap between the business performance of entrepreneurs on the one hand, and the poor performance of these same individuals as incumbents of family businesses on the other hand, is large and painful. The process of intergenerational succession is unique and unrepeatable (first generation), not fully predictable and manageable, and is (as a rule) continual and longitudinal. It is also a relational process that involves the interaction between the founding and succession generation (according to Handler 1994). The most important factor is the relationship between the incumbent and the successor/acquirer, who are crucial/key participants in the succession process.

The purpose of this research is to research in depth the first-generation succession of management in a family business from the perspective of these two participants. The research will attempt to gain new insights, improve our knowledge and understanding of this phenomenon, and contribute to improving the awareness of its importance. This phenomenon will be investigated theoretically by reviewing and examining (analyzing and synthesizing) the relevant literature and research, and empirically, using the

qualitative multiple case study, which provides a thorough insight into the researched phenomenon. The intention is to contribute to the theory and practice of the intergenerational succession of leadership and increase its success rate by means of the research findings. The basic aim of the research is to study the phenomenon of the succession of leadership in a family business from the perspective of the incumbent and the successor in order to gain new theoretical findings and additional knowledge for improving its success rate in practice.

The research will provide answers to the following research questions: a) What is the incumbent's and successor's view on the succession of leadership? How do they perceive, understand and experience it? What meaning do they attach to it? b) In the opinion of the incumbent and successor, what does the transfer of management involve? What is transferred and why? c) How do the incumbent and successor describe and explain the expectations, interests and needs related to succession? What is their emotional attitude to this process? d) What significance do the incumbent and successor attach to their relationship (and the relationship with the family and its members) for the succession process? e) What is the incumbent's and successor's attitude towards the family business and its further development, and what do they think will be changed by the management succession? f) How do the incumbent and successor perceive and understand the success of the management succession?

So far, the studies of succession have largely used quantitative research methodology. The present study, on the contrary, stems from a qualitative paradigm and is based on a multiple case study of six cases. It involves specific family businesses (medium-sized, production, first-generation) and the related families (primary, smaller, without succession experiences) which form the analytical framework of the research. A multiple case study has been chosen because it enables a) a comprehensive and in-depth insight into succession within a real-life context, and b) the parallel research of several cases, their comparison, and the identification and understanding of the similarities and differences between them (according to Pettigrew 1973; Stake 1995; Yin 2003 in De Massis and Kotlar 2014).

First-generation companies were selected because of the more pronounced influence of the founder/incumbent on the succession process, the lack of common succession experiences, and a smaller number of participants, who are more directly involved than in multigenerational enterprises. Production companies have been selected because they are predominant in the secondary sector and because they differ from the companies of that and of the other three sectors. They have been selected non-randomly, on purpose. The primary source of data collection are the research participants for each company, the incumbent and the successor. Semi-structured interviews will be conducted with them. Through the number and composition of cases, and through the scope and depth of the interviews conducted, the saturation of the acquired data will be achieved. In order to present the context, the companies, the entrepreneurial families and individual participants ("what it is like in their shoes"), questionnaires and data from secondary sources will be used.

Keywords: family business, generational succession, leadership transition, strategic perspective

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