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Generational transition guidance: support for the future of family firms

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Abstract

Family businesses are a reality common to many economic systems that provide significant employment and economic value. The transition from generation to generation is a crucial issue with regards to European employment.
Values are a fundamental component of culture and the work values of the owner play important roles in the decision-making process and in the success of these types of companies.
We have found that certain value orientations characterized the different generations present in the company significantly and that there are different projects for the future of the company and for professional roles in Seniors and Juniors.
A promising path for guidance is that where it is possible to elaborate the emotional and professional dimensions of Seniors and Juniors

Keywords: Family business, work values, generationa transition, management.

1. Introduction

The role played by family business in the economic growth and development in the world is recognized: "family businesses make up more than 60 % of all European companies, encompassing a vast range of firms of different sizes and from different sectors. Most SMEs (especially micro and small enterprises) are family businesses and a large majority of family companies are SMEs" (European Commission, 2009, p.4). Current economies are in fact characterized by a high presence of micro, small and medium-sized enterprises (SMEs), over 95% of enterprises in the Organization for Economic Co-operation and Development [OECD] countries are SMEs (OECD, 2000; 2009). In Europe, SMEs contribute up to 80% of employment in some industrial sectors (i.e. textiles, construction and furniture) and they are "a major source of entrepreneurial skills, innovation and contribute to economic and social cohesion" (European Commission, 2005, p. 3). In the U.S. economy, small businesses represent 99.7 percent of all

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employers and "broaden a base of participation in society, create jobs, decentralize economic power and give people a stake in the future" (U.S. Department of State, 2006, p. 2).

The presence of SMEs is coloured by the "weight" of family-owned firms, as is the case with most SMEs (Corbetta & Montemerlo, 1999; Donkels & Fröhlich, 1991). Therefore, family businesses represent the large majority of enterprises (Astrachan & Shanker, 2006; Beckhard & Dyer, 1983; Corbetta, 1995; International Family Enterprise Research Academy [IFERA], 2003), "in terms of contributions, and especially numbers, family businesses represent a dominant form of economic organization throughout the world" (Chrisman, Chua, and Steier, 2003, p. 441).

The crucial role of family in creating social and economic prosperity is confirmed in different ways (Habbershon & Pistrui, 2002). The family is seen as a controlling subject in the economy and job creation (Shanker & Astrachan, 1996), as a major source of start-up capital (Steier, 2001), and as the most enduring organizational type for entrepreneurial activity in a developing economy (Pistrui, Welsch, and Roberts, 1997).

1.1 Characteristics of family businesses

It is possible to identify different ways of analyzing the many definitions of family businesses. Briefly put, earlier definitions refer to ownership (Berry, 1975; Lansberg, Perrow, and Rogolsky, 1988), involvement of family management (Barnes & Hershon, 1976) and generational transition (Ward, 1987). Others focus on the study of family businesses as a specific field of research (Dean, 1992) and on differentiating between family and non-family businesses (Klein, 2002). It is possible to assess the intensity of family presence in businesses through level of power (ownership, governance and management), experience (generation of ownership, generation active in management and in governance board, number of family members) and culture (overlap between family values, business values and family business commitment) (Astrachan, Klein, and Smyrnios, 2002). This approach is helpful in understanding family businesses because it includes and analyzes the family in its role as an important variable of business, and not just the differences between family and non-family businesses. In effect, "the family has been neglected in organizational research […] The term family business is typically used to define organizations in which the behavior of firms and the actors within them are influenced by the familial relationships that are part of the organizational landscape" (Dyer, 2003, p. 402).

In order to have a working definition of family businesses, we use a traditional one: "organizations where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights" (Tagiuri & Davis, 1982, reprint 1996, p. 199). This definition allows us to reflect on the specific dynamic that characterizes the enterprise in which there are a combined factors of family, ownership, management, and employment. These different roles have different goals: family members are oriented to the welfare and unity of family; owners to increasing profit; and, managers to guaranteeing work efficacy. It is both an advantage and a disadvantage to be a member of the owning family and to be a manager or an employee in the company at the same time. Tagiuri and Davis call this *bivalent attributes*. The attributes are: simultaneous roles, shared identity, lifelong common history, emotional involvement and ambivalence, private language, mutual awareness and privacy and meaning of the family company. Selected specific advantages are summarized and include: quick decision-making, strong sense of mission, more objective business decisions, encouragement to weather adversity, positive feelings promote trust, more efficient communication; selected disadvantages are: norm confusion and anxiety, lack of business objectivity, sense of being overly watched and trapped, early disappointments, lack of objectivity in communication, covert hostility, rivalries between relatives (Tagiuri & Davis, 1982). These dynamics can appear with different levels of intensity and be influenced by life stages: the age of family members has some effects on quality of work interaction, on the enjoyment of the working relationship, on success when family members work together, and on mutual learning (Davis & Tagiuri, 1989; Favretto, Cubico, and Sartori, 2007).

1.2 Family business management, value, and work values

"Family businesses are highly dependent on a single decision-maker, the owner" (Feltham, Feltham, and Barnett, 2005, p. 13) and the composition of the board in family firms is an expression of family characteristics and objectives (Banca d'Italia, 2005; Corbetta & Salvato, 2004; Voordeckers, Van Gils, and Van den Heuvel, 2007). Values and interest of the dominant group define organizational decisions (March, 1962), therefore organizations conduct themselves by appealing to values and beliefs of the small group of decision makers (Pant & Lachman, 1998). This is realistically attributable to many factors (economics, politics, technological,…) and the success or failure of a company, but it is equally realistic to consider the decision-making process of a family business as extremely intuitive and based on the owner's personal style. In fact, SMEs' strategic choices are influenced more by the manager-owner than choices made in a large company (Favretto, Cubico, Bortolani, and Formicuzzi., 2006; Miller, 1987), and personal values and expectations of the owner play important roles (Andrews, 1987).

Values are a fundamental component of culture (combined with observable artefacts and basic underlying assumptions) (Schein, 1990). Organizational culture is the ground where choices and business directions are played out, and which is created and defined by the founder (Schein, 1983).

Values are a concept boasting a variety of definitions. For our purposes, the most cited and credited one is used: "an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence" (Rokeach, 1973, p.5); "objectives that people seek in order to satisfy their needs" (Super, 1995, p. 54); "desirable states, objects, goals, or behaviours, transcending specific situations and applied as normative standards to judge and to choose among alternative modes of behavior" (Schwartz, 1992, p.2). According to Roe and Ester (1999, p. 4): work values "… have a more specific meaning than general values" and are related to working activity and general values.

2. The research: work values and generational transition plans

The main purpose of the study is to work out a guidance method that provides support during generational transition of family business. In order to achieve this, we have delineated value orientation differences between generations and promoted sharing of the generational transition plans in Seniors and Juniors.

2.1 Methods and subjects

Quantitative and qualitative methods have been selected.

The instruments used are the Italian version of the Questionnaire Work Importance Study/Work Values Scale [WIS/SVP] (Super & Sverko, 1995; Trentini, Bellotto, Muzio, and Zatti, 1999) and an in-depth interview (Johnson, 2001)

The WIS/SVP consists of 63 items, measuring 21 values (Ability Utilization, Achievement, Advancement, Aesthetics, Altruism, Authority, Autonomy, Creativity, Economic Rewards, Life-style, Personal Development, Physical Activity, Prestige, Risk, Social Interaction, Social Relations, Variety, Work Condition, Cultural Identity, Physical Prowess, Economic Security), and on the basis of points obtained, 5 fundamental orientations (materialistic, self, social, to independence, to challenges).

The subjects involved in the research are 293: 127 Senior owners (average age: 54.44; s.d.: 11.18) and 166 corresponding Junior (age average: 32.66; s.d.: 7.70) of micro, small and medium sized family businesses in different sectors (commerce, tourism, food farming, electro- and metal- mechanic, transports, wood and furniture, service for company and for persons).

The interviews where realized on a subgroup of 25 couples of Seniors e Juniors. During the interviews the subjects were invited to reflect on the own work values profile, to define their personal and professional objectives, and to describe the image they have about the generational transition plan.

2.2 Results

The first result is that the two generations that work contemporaneously within a company present significant differences in certain value orientation scores (Table 1) and in some work values (Table 2).

Table 1. Differences between Senior and Junior in Value Orientations (Mann-Whitney U test; N= 293)

Value Orientation	**Senior Average**	**s.d**	**Junior Average**	**s.d**	**p level**
Materialistic	20.05	10.14	**24.01**	10.97	**.000**
Self	41.91	7.11	**44.61**	7.80	**.001**
Other	27.83	8.56	**30.15**	10.17	**.030**
Independent	35.06	7.87	32.99	9.08	.103
Challenge	21.46	9.77	22.08	9.86	.507

Table 2. Differences between Senior and Junior in Work Values (Mann-Whitney U test; N= 293)

Value	Senior Average	s.d	Junior Average	s.d	p level
Ability Utilization	7.25	1.65	**8.01**	1.63	**.000**
Achievement	6.92	1.38	**7.48**	1.67	**.001**
Advancement	3.97	2.28	**4.87**	2.16	**.000**
Creativity	7.24	1.65	**7.93**	1.64	**.000**
Economic Rewards	4.28	1.85	**4.96**	2.04	**.001**
Life-style	**7.13**	1.50	6.56	1.98	**.023**
Personal Development	7.55	1.63	**8.12**	1.44	**.002**
Prestige	5.10	1.85	5.49	2.01	**.032**
Social Interaction	5.27	2.06	**6.13**	2.17	**.000**
Social Relations	6.58	1.53	**6.99**	1.82	**.009**
Cultural Identity	**5.21**	1.67	4.51	1.73	**.000**
Economic Security	3.74	2.04	4.86	2.29	**.000**

It is possible to see that the new generation (plausibly the future owner of a family business) appear significantly more materialistic, self and other orientation than their "father".

The image of work that emerges in the values seems different needs in the two generations: it is a place in which it is possible to realize one's own lifestyle and to create significant relationships with culture identity for Seniors, and it is an environment in which Juniors can realized themselves and be involved in networks.

With the interviews, we have found that there are different projects for the future of the company and for professional roles in Seniors and Juniors.

In particular, there is confusion among Juniors between their professional and personal projects in their relationships with Seniors, and that Seniors receive more benefits from this relationship.

The quality of the relationship between generations has more effect on the autonomy of the young than of the older; Seniors primarily maintain the ability to distinguish between the professional level from the personal one.

The two generations present different approaches in coping to with professional transitions: it is more emotional for Senior while being more cognitive for Junior.

3. Considerations

The crucial moment of generational transition can be influenced by different personal and relational variables. It is important to understand the differences that are discerned between seniors and juniors and whether they would help the company in the future or whether they risk being an obstacle in generational transition, thereby inflicting damage on the company itself.

The results suggest for consultants to approach family businesses as a means of creating a space in which the two generations (Senior and Junior) can find a way to detail personal and professional dimensions during the planning of generational transition.

These considerations have implications for the ongoing choices and future of numerous family businesses.

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