

HANDLING KNOWLEDGE THROUGH ENTREPRENEURIAL GENERATIONS: LESSONS FROM LONG-LIVED FAMILY SMES

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1. Introduction

Studies focusing on entrepreneurial succession within family SMEs generally circumscribe their analysis to a single generational passage. Instead, we have extended our analysis to a sequence of generational transfers, in order to better understand if and how the way the succession processes are managed impacts the firm's longevity.

In our view, a closer link between the entrepreneurial succession processes and the factors of longevity seems necessary to advance the studies on family SMEs. We therefore propose to investigate this relationship by focusing on the processes of knowledge transfer and development that occur during and after the generational shift.

We believe that successfully managing the transitions at the helm of a company is essential in order to favor the continuity of the family-firm relationship and the firm's performance. For this reason, we suggest that the integration between traditional and innovative knowledge and skills (what we call "innovation around tradition") appears to be a distinctive characteristic of long-lived companies and that this integration is affected by the modes of entrepreneurial passages.

We aim to answer the following research question: what specific features of the entrepreneurial succession process can mostly affect the transfer of knowledge from one generation to another?

We adopt a qualitative approach, consisting in a longitudinal analysis of multiple cases (six Italian family SMEs which have been in existence for more than a century).

The paper is structured as follows: in §2 we illustrate the theoretical background; in §3 we describe the sample and explain the research design; in §4 we illustrate the findings and we introduce some propositions; lastly, in §5, we state some theoretical and managerial implications; the current limits and the future developments of the research are also outlined.

2. Theoretical framework

Management and organization studies rarely adopt a perspective that covers several generations at the helm of a family firm (Lussier, Sonfield, 2010). Recently, Sharma et al. (2014: 10) pointed out the chances coming from the extension of the temporal horizon when studying those family firms in which multiple generations are involved. According with them, we believe that the development of this type of research can help to understand what factors really affect the longevity of family SMEs; it should also overcome the limits associated to the study of a single entrepreneurial transition.

To date, studies on the longevity of family businesses have mainly focused on the impact that the shared values within the family and the characteristics of the processes of entrepreneurial shift can have on the firm's ability to endure over time (Aronoff and Ward, 2000; Koiranen, 2002; Le Breton-Miller, 2005; Dyer, 2006; Chiesa et al, 2007; Sharma, Nordqvist, 2008). The researches that have been addressed to the first issue share the idea of a clear and strong link between corporate values and longevity; however there is not a unanimous position as to which kind of values can play a meaningful role in fostering the longevity of a firm. Instead there is a common understanding about the role that the way of conducting the entrepreneurial succession can have in order to strengthen or, conversely, weaken of the ability of the firm to survive in the long run.

The basic theoretical assumption for our research can therefore be detected in the direct relationship between characteristics of entrepreneurial succession and longevity of the family business, as illustrated in the following figure (Figure 1). On that basis, the analysis of previous research studies has been devoted to two main strands: entrepreneurial succession and knowledge and skills developed within family-owned SMEs.

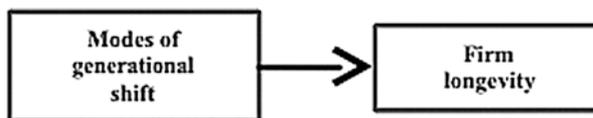


Fig. 1 – Relationship emerging from mainstream literature

As regards the first strand, this is mainly focused on a single generational passage (in general that between founder and direct successor). It points out some recurring features in the process of entrepreneurial succession. These concern the articulation and timing of the succession process, the way in which it is conducted and, finally, the evaluation of its outcomes.

As far as the articulation of the entrepreneurial succession is concerned, it is widely recognized that succession at the top of the company is not a one-off event, but it can be interpreted as a process that unfolds over quite long period, involving a number of roles and contemplating a series of activities which can be observed simultaneously or in sequence (Cabrera-Suarez et al, 2001: 40). More specifically, entrepreneurial succession is seen as a slow, continuous, multi-staged, evolutionary process of “mutual role adjustment” (Handler, 1990) between the founding entrepreneur and members of the successive generation.

There is broad consensus on the “passage of handover” as a conclusive moment; while there is not a fully convergence of views about the time when the succession process begins (Longenecker, Schoen, 1978; McGivern, 1978; Ward, 1987). A number of phases are often identified: the first generally coincides with an awareness of the problem of entrepreneurial succession, the latter with a definitive disengagement of the outgoing entrepreneur (Gersick et al, 1999; Murray, 2003; Cadieux, 2005, 2007; Chiesa et al., 2007). With respect to the way in which the process in question is managed, a careful preparation and planning is considered a critical issue in determining the success of the generational passage (Trow, 1961; McGivern, 1978; Ward, 1987; Handler, Kram, 1998; Lank, 2001). Unfortunately, right about the idea of “successful succession” there is not a full agreement; from time to time it has been associated with the maintenance of property and control in the hands of the founder’s family (Corbetta, 1995:2); with an effective “taking over” of the company by the designated successor (Dyck et alii, 2002); with the absence of conflict and the satisfaction of all of the stakeholders (Le Breton-Miller, Miller, Steier, 2004). A formal approach to managing the multiple aspects of the entrepreneurial succession is encouraged by the diffusion of stage-based models and of their deterministic rationale. These suffer from the same limitations attributed to the models of the business life cycle, due to their normative character and to the over-simplification. First of all, one may argue that an excessively lengthy preliminary phase is not necessarily predictive of a higher degree of efficacy of the succession process. Time periods which are too long could in fact release latent tensions among the aspirants of succession; they could create difficulties for them to adapt to their new roles, and could prolong situations of uncertainty. Secondly, the supposed relation between a careful preparation and the success of the generational shift does not explain those cases where good results are obtained despite the fact that the passage of the baton at the helm of the company takes place in traumatic and unprepared circumstances. These may be caused, for example, by the early death of the founder. Finally, if we regard the succession process as a path along which “new” problems emerge (Del Bene, 2005), it should be obvious to consider that the criticality of the phases that follow the “pas-

sage of handover” is not inferior to that of the preparatory period, and constitutes a sort of “litmus paper” for the entire process.

The perspective we adopt demands that we first rethink the meaning of the term “success” of the generational shift at the helm of the company. Similarly to Sharma et alii (1997), we believe that the strengthening of the firm’s ability to survive has to be regarded as the definitive outcome of the succession process. Studies focused on a single generational passage between founder and direct successor have traditionally emphasized the importance of maintaining a strong link with its tradition for the continuity of the family business (Chua, Chrisman, Sharma, 1999). It is expected that the founder’s values, beliefs and business philosophy be inherited and preserved by the heirs, as an expression of the corporate identity and source of legitimacy of the family firm for all internal and external stakeholders. The strong emphasis on these values, beliefs and business philosophy, that is on history and tradition, affects all the decisions of a family firm and reduces willingness to change (Zahra, 2005; Miller, Le Breton Miller, 2005).

By shifting the focus on long-lived family firms and on repeated generational transfers, some evidence is beginning to emerge in very recent studies regarding the existence of a “tradition and change paradox” (Schuman, Stutz and Ward, 2010). A combination of exploration and exploitation (Sharma, Salvato, 2011) or a balance between tradition and innovation (Corbetta, Salvato 2012, Giacosa et al., 2014) is considered necessary in order to maintain competitive advantage, identify and pursue entrepreneurial opportunities (Salvato, 2004) and project the family firm in the long run. With a multiple generational shift, the organization can benefit from a mix of different perspectives, knowledge, skills and competences. While the founder can lose innovative momentum, newer generations tend to push for new ideas and for new ways of doing things (Kellermanns et al., 2009); while the founder acts to preserve and transmit the family firm’s tradition and history, the next generation uses its knowledge to develop innovation based on this tradition. In our view the generational shift can be called “successful” when it is able to foster an effective balance between the transfer of the existing stock of knowledge/skills and an aware development of innovative competences (Sharma, Salvato, 2013). The output of this balanced mix is what we call “innovation around tradition”. Regarding the way in which the entrepreneurial succession process is conducted, we wonder if a careful planning of this process can be really considered a condition for its success. From this point of view, we think that the analysis of the repeated generational shifts at the helm of the family firm can help us in collecting more consistent elements for supporting or confuting that recurring connection.

Going to consider the second strand of the literature, it is noteworthy how the idea that the family business develops some idiosyncratic forms of

competence related to the ownership structure has gradually spread. The recognition of such a basic element of competence, defined as “*familiness*” (Habbershon and Williams, 1999; Habbershon, Williams and Macmillan, 2003), may facilitate a unifying perspective when investigating the sources of the competitive advantage in family firms.

Cabrera-Suàrez et alii (2001) bring up the concept of *familiness* and among the requirements for an effective transfer of knowledge they identify a period of “intergenerational cohabitation” in which the future entrepreneur can assimilate idiosyncratic forms of competence not otherwise transferable. To this aim many authors stress the importance of an “early exposure” (Tagiuri, Davis, 1996, Steier, 2001; Cesaroni, Sentuti, 2010; Schröder, Schmitt-Rodermund, Arnaud, 2011) to the working environment of the family firm.

Without underestimating the importance of these contributions, we cannot fail to highlight some weak points. The mainstream literature places excessive importance to certain issues, underestimating other no less relevant. For example, it stresses the criticality of transferring all the idiosyncratic knowledge to the next entrepreneurial generation, putting into the background the choice of particular courses of study by the designated heir, as well as work experience outside the company. Moreover, as already mentioned, in the above mentioned studies the idea that the actors involved in the process of knowledge transfer must necessarily belong to the owning family is widely followed and found broad support. Employees are almost completely neglected, even if they may present themselves at times as holders of the historical memory and of the traditions of the company (let’s think to cases of traumatic succession).

The perspective of the succession as an opportunity for development (Cesaroni, Sentuti, 2010) in the company appears nevertheless more consistent with actions for “enriching” the stock of knowledge and integrating the competences of the founder with those brought by the successor. In fact, one of the basic elements of the firm’s longevity can be identified in the ability to share and integrate different nuclei of knowledge, in order to develop, thanks to this combination, a “new kind” of competence that can better foster the adaptation of the firm to the environmental dynamics (Chirico, Salvato, 2008; Chirico, Nordqvist, 2009) and allow for simultaneous exploration and exploitation (Weismeier-Sammer, Frank, von Schlippe, 2013). Such orientation implies the definition of a training path for the designated successor in such a way as to balance the acquisition of tacit knowledge set in the *familiness* with explicit awareness, acquired through training, exposure to different cultures and organisational models thanks to experience working in other companies (Corbetta, 1995; Chiesa, De Massis, Pasi, 2007; Chirico, Salvato, 2008; Sentuti, 2008; Cesaroni, Sentuti, 2010). Indeed, it is reasonable to think that a training path aimed at

the development of knowledge “far away” from the one already held by the company, as well as exposure to different work contexts, are able to strengthen the ability to look at the owned firm in a more detached way, thus facilitating the introduction of changes and innovations.

The weaknesses of the studies examined, taken together, lead us to question any causal relationship between modes of generational passage and longevity of the family firm; they also lead us to consider the possibility of introducing some intermediate variables. The purpose is to enrich the reflections on “how to manage” the generational transfer by adding other ones, related to “what to transfer”.

Along the lines of Tàpies and Fernández (2010), we believe that the long-term survival of a family business mainly depends on its ability to combine tradition and innovation. Our previous study (Bonti, Cori, 2011) showed that this orientation is often pursued in family SMEs. This means learning “the best” of the past, holding onto those values while continuing to innovate, in order to shape and build.

From this point of view, some researches carried out in the last few years point out the importance of external training paths (Sentuti, 2008; Goto, 2010; Sardeshmukh and Corbett, 2011); these, in fact, may positively influence the ability of the designated successors to lead the firm in a new direction. In particular, according to Goto (2010: 3) “professional work experiences outside of the family provides opportunities”, while Sardeshmukh and Corbett (2011: 115) point out that training paths outside the company provide the successor with a “greater exposure to newer ideas” and pursuits of “more novel initiatives”.

In agreement with them, we hypothesize that the internal development of the designated successor is important in order to deepen the industry- and firm-specific knowledge, to strengthen identification to the firm, to share the core family traditions, while external development opens the successor’s mind towards innovation.

3. Methodology, sample and data collection

The aim of the study is to shed light on how the repeated transitions at the helm of the family firm are carried out, in order to evaluate how and to what extent the entrepreneurial succession impacts on the processes of transfer and development of knowledge and, ultimately, on the longevity of the firm. To this aim, we conducted a qualitative research-study, following an in-depth analysis and a cross-case interpretation (Yin, 1984; Alvesson, Sköldbberg, 2000). Thus, we used a multiple case-study approach in order to explore theoretical constructs and relationships that are not yet well defined in literature (Eisenhardt, 1989; Yin, 1994).

In keeping with our research framework, we selected a purposive sampling (Ritchie J., Lewis J., McNaughton Nicholls C., Ormston R., 2013) of six exemplary long-lived family SMEs, located in central Italy.

Purposive sampling allows the researchers to select the units of the population which are expected to provide the most relevant information for research purposes, thus focusing on particular characteristics which will best enable them to answer their research questions. More specifically, among the various purposive sampling techniques available, we chose homogeneous sampling: the units of the sample share the same (or very similar) characteristics. In our case, there were two main selection criteria: homogeneity of the firms and availability of the current entrepreneurs. Homogeneity regards the firm's size, business culture, industrial development path, and belonging to the main traditional industries of the Italian economy.

Consistent with our research objectives, we focused on family-owned SMEs, that were established more than 100 years ago. All the selected firms match our criteria: they are still owned by the founder's family, they have been established more than 100 years ago and they belong to the same geographical area, central Italy, in which they share a similar business culture and industrial development path. Furthermore, they were very different in terms of the type of industry and they have maintained their product specialization up to the present (see Table 1).

Tab.1

Company	Established in	Current generation	Characteristics (sales in million€)	Tradition (main features)	Innovation (main features)
Confetti Pelino	1783	VII	Region: Abruzzo Industry: Confectionery Sales: > 30 Employees: 11-50	keeping alive the manufacturing tradition quasi-handicraft character of manufacturing process	process automation (except than in the preparation of the confetti) product differentiation development of managerial skills
Giusto Manetti Battiloro	1820	VI	Region: Toscana Industry: gold-beating Sales: 20-30 Employees:101-250	quasi-handicraft character of manufacturing process	market differentiation combination of different manufacturing traditions development of managerial skills
Lanificio Cangioli 1859	1859	V	Region: Toscana Industry: clothing - textile Sales: 20-30 Employees: 51-100	technical skills and creativity are the core competences persistence of ethical and business values	renewal/replenishment of the firm's distinctive competences product/process innovation cultural innovation development of managerial skills

Distilleria Varnelli	1868	IV	Region: Marche Industry: alcoholic beverages Sales: 5-10 Employees: 11-50	quasi-handicraft character of manufacturing process overlap of corporate identity and territorial identity	process automation (except than in the preparation of the distillate) product differentiation development of managerial skills
L'Erma di Bretschneider	1896	III	Region: Lazio Industry: publishing Sales: 5-10 Employees: 11-50	niche products (text books on archaeology and art history)	market differentiation international network of relations with main museums and academies
Sannini Impruneta	1910	IV	Region: Toscana Industry: fired bricks Sales: 5-10 Employees: 51-100	niche products choice of high quality raw material overlap of corporate identity and territorial identity (Florentine style and Renaissance tradition)	process automation product / market differentiation renewal of the product image cultural innovation combination of different manufacturing traditions

The case study research was carried out by using both primary and secondary data. Primary data was collected through direct observation and semi-structured face-to face interviews with the entrepreneurs. The interviews (two for each company) were conducted between the end of 2008 and the beginning of 2011. Each interview lasted between two and three hours and was jointly carried out by the two co-authors. Between the first and second interview, additional and secondary data was collected through company websites and internal documents provided by the firms.

In the first interview the entrepreneur was left free to reconstruct the family firm's history in such a way that a very complete picture was given, as regards: strategic-competitive position of the company, paths of productive and commercial development, knowledge / skills developed over time, meaningful organizational dynamics, the entrepreneurs who made a mark on the evolutionary events of the company. Due to the inductive nature of the study, such topics have been discussed in any sort of order and unplanned topics emerged during the discussions. In the second interview we asked entrepreneurs to reconstruct the generational transitions, their dynamics and characteristics; this in order to understand how these processes have influenced the evolution of skills considered the base of the company's competitive advantage, and to assess the degree of innovativeness of the skills forwarded to the next generation. On the whole, the interviews have allowed us to reconstruct 23 generational passages.

The data collected through the interviews was analyzed in order to trace some recurring themes and emerging patterns in the story of the entrepreneurs. The approach adopted for the data analysis can be traced back

to what Mayan (2009) defines “latent content analysis”. Through the text analysis we identified a number of codes, in turn grouped into categories relevant to our research question. The text of the interviews was analyzed separately by each of us, so as to improve the degree of accuracy and completeness of the analysis and to arrive at a shared identification of the following categories: manufacturing tradition, innovation process, knowledge management process through the generations, transmission of values from one generation to another, inter-generational and intra-generational relationships, and educational paths for ingoing entrepreneurs. All the categories mentioned above are directly or indirectly related to the issues under investigation; some of them, however, show a very close connection with our research question.

4. Findings

The longitudinal analysis of the six cases allowed us to gain some evidences about two major issues concerning the entrepreneurial succession process. We try / want to identify:

- a) some possible “logics” of transferring knowledge and skills from one generation to another;
- b) some specific mode of the entrepreneurial succession process that can mostly affect the way of knowledge/skill transfer and development from one generation to another.

Results from the qualitative data analysis are presented below. We got some meaningful evidences concerning the training paths for the entrepreneurs who have succeeded at the helm of the company, and knowledge and skills developed as a result of those paths.

First, all of the firms in the sample showed a marked orientation towards balancing tradition and innovation along an extended horizon, also in periods far back in the past. This orientation appears to be a recurring feature, especially in the last few generations, reinforcing the results that have emerged from other recent studies as stated before (Giaretta, 2004; Tàpies and Fernández, 2010; Schuman, Stutz and Ward, 2010; Giacosa et al., 2014). The generations that followed the founder seem strongly oriented towards promoting and fostering the growth of the company and guarantee cross-generational survival. This multi-generational survival stems from the ability of the heirs to effectively achieve renewal by looking at tradition under a different light, and seeing it not only as a sign of identity and cultural uniqueness, but also as a treasure chest to dip into as the basis for innovative ideas. The analysed cases, albeit with different tones and degrees of intensity, show a clear willingness at innovating “around the tradition” by the family-owned SMEs. Innovation generally concerns

the introduction of managerial and organizational practices, the development of support activities, or the outsourcing of those stages of the production processes that the firm's top management do not consider necessary to carry out.

“The company, founded by our great-grandfather as an artisanal activity, has always maintained this hand-crafted character, in particular as regards the product and its preparation. Not only is the “recipe” of the liquor the “original” one used by the founder, but the process of transformation is still largely done by hand. Furthermore, we continue to use a wood boiler for the decoction not because there are no alternatives, but because we believe that this type of combustion promotes the emergence of the active ingredients of the herbal compound. But we are not closed to innovation: for bottling and labelling in fact we use a fully automated plant. This is a lesson that we have inherited from our great-grandfather too: the ability to look ahead, to anticipate, as in the case of the importance of product recognition, of making it easily identifiable through the label”. (Orietta Varnelli, interview, 12-11-2008)

“The success of the sugared almonds lies not in the recipe itself (which is secret), but in the choice of ingredients, that we personally oversee, still following the teachings of the founder, and the process, the way of making the sugared almonds (which is under the eyes of all). The manufacturing process, in fact, is still the traditional one and many phases are still carried out manually, in particular the preparation of the mixture, in order not to compromise the quality of the whole process. However, looking at the nearly saturated sugared almond market, we decided to introduce new shapes and colours, fillings and names, in order to periodically “refresh” the image of sugared almonds, as we are planning to differentiate our production by entering the praline market. This would allow us to use the advantage of our reputation and long experience in the production of goods aimed at a different market, but continuing to use, nonetheless, the centuries-old recipe already tested and a brand that is synonymous with quality”. (Antonio Pelino, interview, 18-09-2009)

“Our company produces gold leaf and the idea of the new product, “terraoro”, is highly innovative, also because it comes from the combination of two traditional Tuscany products: fired bricks and gold leaf. The “terraoro” is a brick covered in gold and its realization represents a strong discontinuity in the management logic, since it is a made-to-order product for a few selected clients. Despite the strong discontinuity with the traditional production, the choice to not standardize the new product gives it the look and feel of something that is handcrafted. Knowledge about the production process, however, is jealously guarded and handed down from generation to generation, as a heritage not only to our family but also to the workers, who are aware of the importance of their job. We want to keep the manual steps

of the process because we believe that they help to make the product more difficult to imitate." (Niccolò Manetti, interview, 16-06-2009)

Secondly, the analysis of the six case studies led us to the identification of four logical ways of transferring competences from one generation to another: integral, selective, incomplete, and lacking thereof (Bonti, Cori, 2013).

Integral transfer refers to that generational shift at the helm of the company after which the stock of knowledge and skills previously acquired and embedded in the *familiness* remains fully utilisable. At least two conditions make this possible: the recognition of the utility of such knowledge by the ingoing entrepreneur, and its actual transmission by the previous generations through the process of succession. *Incomplete* transfer refers to situations in which the stock of knowledge and skills accumulated up until the previous generation remains only partially available after the succession process, despite the generation which takes over knowing its full efficacy and utility. This occurs in a totally involuntary manner. *Selective* transfer refers to those situations where the stock of knowledge and skills developed by the previous generations is intentionally filtered, "leaving on the side of the road" what is considered obsolete. Although it is quite logical to think that selective filtering occurs by means of the successor, we cannot exclude that it also comes from the outgoing entrepreneur, who sees "passing the baton" as a good chance to critically evaluate knowledge and skills held by the family firm. Finally, the concept of *lacking* transfer derives from situations where the process of entrepreneurial succession takes place over such a time and manner that make transfer of the knowledge gained by previous generations almost impossible, thus causing a high risk of "black out" scenarios along the continuity path of the company.

Looking at the specific paths of development followed by the companies, we found that all of them show at least two of the above mentioned ways of transferring knowledge. The integral transfer has characterized the first generational transition, while the selective mode has been a distinguishing feature during the more recent generational shifts. The lacking and incomplete modes occur less frequently, but in no case have they compromised the continuity of the business.

Furthermore, a much deeper insight led us to identify a preferable way of transferring competences over entrepreneurial generations. While integral transfer appears to be associated with absolute continuity for the management of a company, where the successor is seen as a "custodian" of the company's tradition, selective transfer is generally correlated to the process of "grafting" innovative competence onto the successor.

In line with the findings of the theoretical analysis, the care required in balancing skills transfer and integration is even more evident in selective transfer situations, where there is the opportunity to balance the values

and competence of the company tradition and the development of new skills and knowledge. Exploring new ways of doing things while maintaining the ability to leverage the existing stock of knowledge and skills is the result of a strong identity and a strong vision: the heir shares deeply-held family values, handed down from generation to generation, but is able to see ahead. Selective transfer allows him to preserve the core competences of the firm and adjust them in the face of new challenges. We therefore have recognized selective transfer as being the more suitable way to pursue “innovation around tradition” over time. Indeed the assessment and the subsequent selection of what is believed to give rise to the firm competitive edge can be considered a clear signal of the willingness to isolate and preserve former characteristics of products and manufacturing processes only if they generate added value. These traditions will then be integrated with some kind of innovation, resulted from new fields of competence.

“The transition from the fifth to the sixth generation began in the 90s and was completed in two phases, within a decade: all six cousins, children of Lapo and Fabrizio, joined the company with operational tasks, but initially, without being assigned a specific role for the future. Our training was absolutely heterogeneous and our joining the company took place at different times, sometimes for reasons related to age differences. Although we cousins share the same values handed down through the generations, but what makes us different is our way of thinking about tradition and innovation. The older cousins are more tied to the traditional view and seek legitimacy from the parent, the younger ones are more enterprising and seek to develop areas that until then had been considered marginal, such as marketing and communication. For example, it is my initiative to introduce the use of the logo and the care of the packaging and my sister, my brother and I often find ourselves in contrast with our cousins for their overly sectorial vision of the company that runs the risk of losing its view of the unity of the same. (Niccolò Manetti, interview, 30-11-2010)

Consequently, selective transfer can be regarded as the output of a generational shift that is able to guarantee the firm’s ability to survive. In our sample, selective transfer is continuously present in the last generational shift and in some cases during the last two succession processes.

Finally, the analysis allowed us to formulate the following proposition:

PROPOSITION 1 - *Selective transfer of the firm’s stock of knowledge and skills can foster the firm longevity more than other transfer modes.*

The analysis of the degree of preparation / planning of the entrepreneurial succession provided us other interesting results. During the interviews, entrepreneurs were asked to describe, for each generational shift, how the

choice of successor has taken place; whether and how his educational path has been planned, if a period of inter-generational cohabitation has been also planned; if the entrepreneur and the successor have shared management responsibilities during the period of cohabitation. The cross-analysis of the responses related to the dynamics of competence and to the characteristics of the entrepreneurial process at the helm of the company highlighted a variety of situations. These range from the total absence of preparation (not even the choice of successor) to a carefully planned and formalized process (also joint decision-making), depending on the occurrence of the above mentioned events. Along this continuum, we have assessed the degree of preparation of entrepreneurial succession. The data collected and analysed showed that the lack of preparation of the succession process makes very difficult the complete transfer of knowledge; on the contrary, when the generational shift is prepared with care, the risk of an incomplete transfer or a missing transfer is attenuated.

If on the one hand these results can appear shareable and taken for granted, on the other much more varied situations emerged. The integral transfer seems to accompany planned succession. However, this does not mean that companies maintain undiminished their own set of skills. In many cases, in fact, the transfer of knowledge is balanced by the introduction of innovative competences by the successor and the contribution of these skills is not much affected by the length of the inter-generational cohabitation. It appears that a high degree of preparation influences the selective mode of knowledge transfer hardly at all, this case resorting to equal measures with or without preparation. Based on these observations, we can say that the choice of what knowledge and skills to filter and transmit to the next generation seems to be little affected by the degree of preparation / planning of the entrepreneurial succession. In our view, this seems sufficient argument for rejecting the existence of a *best way* of conducting processes of entrepreneurial succession, identified as one with a lengthy and very thorough preparatory phase. Supported by these findings, we suggest introducing an additional variable to the relationship between the modes of generational passage and the ability of the firm to survive, affirmed by mainstream literature (Figure 2). This variable is represented by the mode of knowledge transfer from one generation to another, in order to pursue a balance between traditional and innovative distinctive competence.

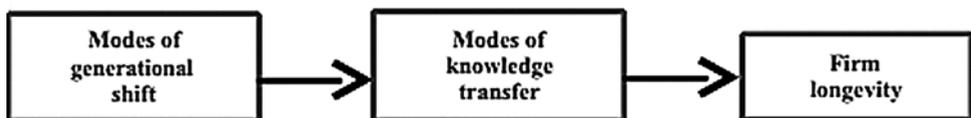


Fig. 2 - Knowledge transfer as an intermediate variable

The early steps of our study did not shed light on the relationship between modes of entrepreneurial succession process and the pursuit of a balance between competences. It was not clear what conditions make the process of selection/retention/integration of competences easier and more effective. This led us to formulate the following proposition:

PROPOSITION 2 – The relationship between ways of managing the entrepreneurial succession process and the ability of the firm to survive (firm longevity) is mediated by the output of the process of knowledge transfer from one generation to another.

In order to gain a deeper understanding of what can foster a reasoned and aware process aimed at a balanced integration between “old” and “new” fields of knowledge we made a distinction between the “procedural” dimensions of the succession process (planning degree, length of the whole process, length of cohabitation) from the “substantive” dimensions (external vs. internal/external educational path, firm-oriented vs. differentiated educational path, cohabitation vs. outside work experience).

We collected such detailed information in the second interview to our informants.

In particular we asked them to indicate, for each generational passage: the nature of the training path of the designated successor, the measure of how far such training was from the competence, believed, up to that time, to be a necessary source of competitive advantage; any work experience in other companies not belonging to the family.

As regards the nature of the training, entrepreneurs were asked to indicate the prevalence of school and university curricula or in-company training.

As regards instead the “distance” of knowledge and skills acquired during the training period from those already held by the company, we asked the interviewees to indicate the kind of high school and university attended (humanistic vs. technical/scientific, which technical field); this served to assess the tendency to enlarge or deepen the stock of competences held by the company at that time.

Finally, among outside experiences we considered both work contracts and internships from other companies. These were considered not only as possible chances to observe different operational approaches/practices, but also as an opportunity for “cultural contamination” from the incumbent successor.

We also asked to specify if the above mentioned features of the training paths could be considered the results of autonomous choices made by the incumbent entrepreneur or addressed by the previous generation.

“Before taking over the company owned by my family, following the untimely death of my father, I decided to go to work as an employee in a large service company. I wished both to verify and understand if there were competences that could be transferred to our firm, and to gain a wider legitimacy as an entrepreneur through a work experience in a completely different context. Indeed some competences were transferred to the distillery: among these, a deeper awareness of workers’ needs and expectancies and the capacity to both develop and keep separate the various functions” (Orietta Varnelli, interview, 2-12-2010)

“My work experience began in the family business, in which I carried out a period of apprenticeship as a factory worker. Later I decided to leave Florence for the USA, to get a Master’s degree in purchasing management. It was quite a meaningful experience, in a very different context from the family one. Especially the internship period in a local company left a mark. First of all, I became aware of what it means to “plan your own career”. Then, I understood the importance of formalizing roles and responsibilities, and I learned how to organize the workflow in innovative ways. Once back in the family, I tried to transfer what I had learned, applying, not without some difficulties, criteria and methods of work organization”. (Niccolò Manetti, interview, 30-11-2010)

We therefore propose a further enrichment of the conceptual framework. Whereas literature generally assumes consideration of the way in which the entrepreneurial succession process is managed as a sole variable, we separately consider the “procedural” from the “substantive” dimension, since we presume these latter have a significant impact on the knowledge transfer process and on the pursuit of a balanced orientation to tradition and innovation (Figure 3).

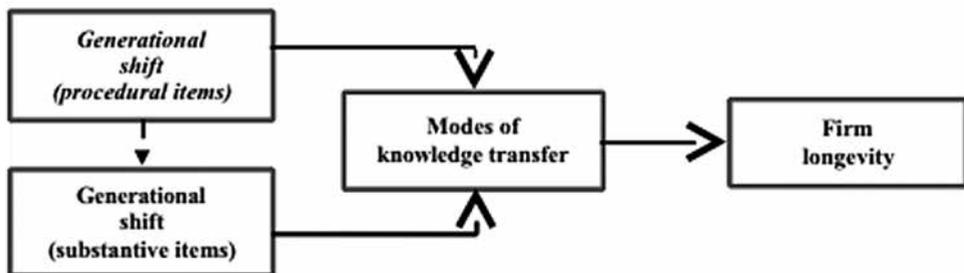


Fig. 3 - Distinction between procedural and substantive items of the generational passage

We then focused our analysis on the impact of substantive items of the generational passage on the process of knowledge transfer from the outgoing generation to the ingoing one.

Data analysis indicate that generational passages leading to a selective transfer of knowledge are characterized by the occurrence of external or balanced educational paths for the successor, by a different orientation of the training program with respect to the firm's traditional competences, finally by the presence of work experience outside the family firm.

Consistent with Sardeshmukh and Corbett (2011), we find that non-specific training and experience, developed through external paths, can provide successors with the ability to grasp different concepts, models, practices and the opportunity to catch / develop new ideas and trend.

Indeed, out of nine generational transitions of type "selective transfer", one featuring all three traits mentioned above, six show two traits, and two show one trait.

On the contrary, if we analyze generational transitions of the "integral transfer" type, only two out of nine show a balanced educational path (school/academic vs. in-company training), while there is no clear evidence that such training has been focused on skills away from those held by the company¹. Rather they show the presence exclusively or overwhelmingly of in-company training and the complete absence of outside work experience.

In summary, the analysis of the substantive dimensions of the generational passages highlights that certain characters of the training path of the successor can affect the way in which knowledge is transferred from one generation to another, and ultimately on the ability of the family firm to balance tradition and innovation.

The analysis of data obtained in this later stage of the research leads us to formulate the following two propositions:

PROPOSITION 3 - External training path and/or differentiated training path and/or outside work experience are positively correlated to the adoption of a selective mode of knowledge transfer during a generational passage.

PROPOSITION 4 - Internal training path and/or training path coherent with the distinctive competences of the firm are negatively correlated to the adoption of a selective mode of knowledge transfer during a generational passage.

¹ We purposely do not take into account generational passages characterized by "incomplete" or "lacking" transfer since these modes are not the result of conscious choices but are suffered by the firm.

5. Conclusions

This study sheds light on two major issues concerning the entrepreneurial succession process within the family SMEs. On the one hand we investigated and collected some meaningful insights about the “logics” of transferring knowledge and skills from one generation to another. On the other hand we investigated the relationships between some features of the repeated processes of entrepreneurial succession and the way of transferring and developing knowledge/skills, as well as how these connections may influence the longevity of the firm.

As regards the first aspect, the firms that have been investigated show a clear trend in pursuing a conscious integration between traditional and innovative competences over entrepreneurial generations; this means that innovative behaviours does not affect knowledge and skills that allowed the former success of the firm.-The longitudinal analysis of the repeated entrepreneurial passages has made it possible to identify four ways of transferring competences from one generation to another. Moreover it suggested us to propose the distinction between procedural and substantive dimensions of the succession process, in order to make clearer what really affects the modes of knowledge transfer.

Our research contributes to the theoretical advancement by proposing a more articulated frame of the relationships that can be observed along the entrepreneurial succession process within the family SMEs. We propose to consider the modes of transferring knowledge and skills during the generational shift as an *intermediate variable* in the relationship between the processes of entrepreneurial succession and the firm’s longevity.

In terms of contribution to managerial practices, the outcomes of our analysis suggest to overcome the strictly prescriptive and sequential approaches to the preparation of the entrepreneurial succession. They also suggest considering the opportunity of “contaminations” with fields of competence far from the firm’s original ones. Furthermore, they can help entrepreneurs to pay special attention to those issues that seem to have the most significant impact on strengthening the firm’s ability to survive and successfully compete.

As regards the limitations of our study, we mention the small size of the sample and some of its features, and the possibility of biases due to the perceptions of the interviewed managers. These prepossessions might relate to the description of the succession process in which those managers have been involved and to possible conflicts with other family members or branches. A limitation that is hard to consider surmountable refers to the undetermined reliability of some information concerning the early entrepreneurial generations. This limit is clearly more pronounced the greater the number of generations until now involved in the company. With the

same number of generations, is also relevant the greater or lesser availability of historical sources that can somehow confirm or disprove the story of the current entrepreneurs.

Further steps of our research, in addition to trying to overcome some of the abovementioned limitations, may follow two different directions. On the one hand other possible relationships between the variables that have been included in the conceptual framework should be investigated. In particular, we believe it is important to explore the link between procedural and substantive items of the generational passage (e.g. if and how temporal and relational dimensions impact on the content of the incumbent successor's learning path). On the other hand, a quantitative analysis of a large sample of family SMEs, would really help to test our propositions which have so far emerged from the study of a limited number of firms.

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Abstract

This study aimed at investigating what specific dimensions of the repeated entrepreneurial succession processes can mostly affect the mode of transferring knowledge from one generation to another. Indeed we consider this latter as a critical variable in order to foster the longevity of family SMEs. With respect to the prevailing literature, we rather propose to extend the state of knowledge on generational transition shifting attention to a number of entrepreneurial generations, for a better understanding of what originates the longevity of the analyzed firms. We adopt a qualitative approach. A longitudinal analysis has been conducted on six exemplary cases of small-medium sized family firms which are over a hundred years old. They belong to the industrial sector and they are situated in central Italy. In terms of theoretical contribution, our research contributed at enriching the conceptual framework that can be used when studying the dynamics of long-lived family SMEs.

Riassunto

Questo studio si propone di indagare quali specifiche dimensioni di ripetuti processi di successione imprenditoriale possono influire in maniera rilevante sulle modalità di trasferimento delle conoscenze da una generazione all'altra. Si ritiene, infatti, che le modalità di trasferimento della conoscenza giochino un ruolo fondamentale ai fini della longevità delle PMI familiari. Rispetto alla letteratura mainstream, lo studio si propone di estendere lo stato delle conoscenze sui passaggi generazionali spostando l'attenzione su un numero di generazioni imprenditoriali, nell'intento di migliorare la comprensione dei fattori e delle situazioni che si pongono all'origine della longevità delle aziende analizzate. La ricerca si basa su un approccio qualitativo. A tal fine, abbiamo condotto un'analisi longitudinale su sei casi esemplari di imprese familiari di minori dimensioni e con più di cent'anni d'età, appartenenti al settore industriale e localizzate nell'Italia centrale. Da un punto di vista teorico, la ricerca condotta fornisce un significativo contributo, arricchendo il quadro concettuale che può essere utilizzato nello studio delle dinamiche delle PMI familiari longeve.

Classificazione Jel: D22 - Firm behavior, L26 - Entrepreneurship, M10 - Business Administration

Keywords (Parole-chiave): knowledge transfer, entrepreneurial generations, family SMEs (trasferimento di conoscenza, generazioni imprenditoriali, PMI familiari)

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