Family-run Firms and Generational Handover: the ultimate role of stakeholders

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Abstract. Aim of this paper is to highlight the peculiarities of the succession in family-owned businesses operating in different fields and to discuss the common difficulties encountered by second and third-generation entrepreneurs during the succession process. The research is conducted with the use of the Delphi method and in this respect, a qualitative approach - in which participants respond to open questions generating ideas - is be used to form the questionnaire items for the subsequent quantitative rounds. Using direct interviews, the Authors collected information about the different role played by the multiplicity of stakeholders involved. The research findings show that the relationship between the incumbent and the successors is mediated by the influence of the many stakeholders involved that contribute to the balancing of the management process of the generational handover. The companies interviewed have shown they know how to effectively manage the two souls: the economic, market and managerial one on the one hand, and the relational and emotional one on the other.

Keywords: Family business, family-run firms, generational handover, succession process, multi-stakeholder, Delphi method.

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Introduction

The family studies have been academically recognized as a separate field of research after the 1990s (Bird, Welsch, Astrachan Pisturi, 2002, Porfírio, Felício, & Carrilho, 2019). The peculiarity of family business and its importance for economic progress all over the world require a specific body of knowledge (Nordqvist & Melin, 2010). The family business development is supported in a unique and specific way by the family involvement and by the aptitude and vision of family members (Chua, Chrisman, & Sharma, 1999).

The number of family business leaders confronting succession and retirement will accelerate in the coming decades due to the greying of the population. In fact, according to demographic trends individuals of 65 years and over constituting the fastest growing sector of the population (22.8% in 2019 and is projected to rise 51.2% in 2070, European Commission, 2017).

Succession appears as one of the biggest challenges faced by family businesses (Le Breton-Miller, Miller & Steier, 2004; Bocatto, Gispert, & Rialp, 2010). Despite a large majority of family firm leaders (70% in Italy) wish to have their businesses controlled by their families in the future, evidence indicates that the probability of fulfilling the wish is reducing overtime; most family businesses barely outlive the tenure of their founders (Stamm, Lubinski, 2011) Estimates show that only 25% of Italian family firms survive the transition to the second generation and only 15% make it to the third generation (Barbaresco, 2019). Only about 3% of family businesses survive to the fourth generation and beyond (Mokhber, Rasid, Vakilbashi, Zamil & Seng, 2017).

The succession in family-owned business

Succession planning in family-owned businesses is defined as '*the explicit process by which the management control is transferred from one family member to another*' (Sharma et al., 2000, pg. 233). As stated by Porfírio, Felício, Carrilho (2019) "*we are interested in considering that succession is not a moment but rather a process*". To understand this process Nordqvist, Wennberg, Bau, & Hellerstedt, 2013 underly the demand for a closer integration of entrepreneurship theories and family business theories. "*Succession can be understood if considered from an entrepreneurial process perspective* (Habbershon & Pistrui, 2002; Nordqvist & Melin, 2010) *where both the entry of new owners and exit of old owners are associated with the pursuit of new business opportunities*" (Nordqvist, Wennberg, Bau, &

Hellerstedt, 2013, p.1087; Porfírio, Carrilho, & Mónico, 2016). Succession is either the entry or exit of the entrepreneurial process. Moreover, the literature on family firm research views succession as a complex process, due to the personal goals of the owners, family structure, ability and ambitions of potential successors and legal and financial issues (De Massis et al. 2008; Le Breton-Miller et al., 2004; Sharma et al., 2003). In fact, one of the main characteristics of family business succession is that the process is not primarily governed by market values but by the relationships within the business and the family (Churchill & Hatten, 1997).

Dealing with relational factors in the succession process is crucial, since it involves different groups of stakeholders inside and outside the family. In this context, the management for stakeholders' approach could represent a useful option enabling the course of the process minimizing the risk of conflicts. This approach requires to govern and shape relationships among the various actors involved, directly and indirectly (successor, family members having or not an active role within the firm, management, employees, HR, customers, financiers) and not only to arrange a series of exchanges of material resources to maximize the interest of a particular stakeholder. The purpose to act a sustainable development of the succession process calls for paying attention to specific values typical of management-for-stakeholders, such as transparency, fairness, trust. The main challenge in this case is to combine the specific goals of the succession process with others expression of the firm common good, for example, along with the firm survival and development, the new corporate structure perceived as fair by employees and other stakeholders, so more general goals, but still crucial to assure succession success (Di Maddaloni & Devis, 2017).

Managing for stakeholder requires that the interest of all groups of stakeholders need to go together over time. This is obviously more difficult than focusing on the priorities of a specific group. The managing for stakeholder mindset tries to find how it is possible to create and share the value of succession process during each different phase with all the stakeholders, because this is the best way to reach long-term goals (Freeman, Harrison, Wicks 2007). Managerial practice has demonstrated that, in the long-term, it is no possible to obtain benefits for a stakeholder without caring for those of others.

Furthermore, in case of conflicts, it is necessary to reframe the main succession propositions so that more stakeholders perceive their interests as guaranteed over time. Stakeholders that are difficult to please or are in dissonance with the process guidelines can be in any case source of value creation, if approached with the ‘‘win-win’’ mindset of managing-for-stakeholders.

Within stakeholder management theory (see Clarkson, 1995 and Freeman, 1984), another probably useful suggestion comes from distinguishing the succession stakeholders between primary and secondary stakeholders. The first refers to those having the more direct impact on the succession process, often their collaboration is essential to obtain the succession success (i.e., family members working into the firm, employees, management, HR), consequently managers must assign great attention to their needs. Moreover, stakeholder theory also stresses the importance of secondary stakeholders (Clarkson, 1995), which are not directly involved into the company’s succession process and have no formal contractual relationships, such as, family members not directly engaged in business, financers, clients. Clarkson underlines the interdependence between the two groups of stakeholders. Indeed, some scholars (see Turner & Zolin 2012; Di Maddaloni & Devis, 2017) underline the beneficial effect on succession deriving from managing secondary, but legitimate, stakeholders, by considering them as a part of a wider (although complex) succession project. In particular, actions addressed to this group will help the owner to reduce planning misjudgment and to increase transparency and collaboration to the succession process.

In fact, many of what are considered family firm benefits can quickly turn into obstacles to the business and can create irreversible conflict within the family if not promptly resolved.

Typically, as the business moves along its generational timeline, more family members are actively engaged in the firm and aspire to play a role, sometimes a key role. Access to the broader family provides many potential benefits, but also poses many potential challenges. Some of the more common challenges suggested by Walsh (2011) include:

Goals/expectations/values. Family members, especially when representing different generations, can have different personal goals, values from the family and from the firm. Consequently, expectations with respect to employment, management, ownership, compensation, work assignments, use of business assets, etc. will vary among family members. These goals, values and expectations need to be clearly expressed and understood by all, to avoid stress and potential conflict among family members.

Different personalities. Everyone expresses a unique personality and different personalities can often lead to family members rivalries and intergenerational conflicts. If the main director of the succession process ignores this evidence, it could become a serious weak element, until destroy family harmony and succession process.

Work ethic. The work ethic tends to differ significantly as the family business moves through its generations. The newer generations could be less prepared to invest the same time their parents devoted to the business. This can generate considerable tensions and disaccord between generations and can also delay the transition process of both management and ownership. Moreover, the new generation could be prone to a different leadership style, more formal and less paternalistic than the first generation.

Role of family members. It is crucial having clearly formalized the role of each family member, inside and outside the firm. Concerning who gets to work in the family business and which kind of role he/she plays; but it is also important to verify if these members and their activities are coherent with their expectation (satisfaction) as well as with the firm needs, also in terms of skills needed. Another critical decision concerns how employment decisions are made, because if not effectively addressed, all these issues can turn into liabilities for both the family and the succession plan.

Reluctance to plan. Generally, family business owners (especially the founders) are not very prone to sharing their vision for the family firm or their long-run company goals. Business planning and succession planning are often viewed as an ineffective use of time instead of a fundamental step in business life. As the business moves through the generations, the owners' vision tends to be lost or blurred and the next generation often find themselves without direction for the future. In this case the risk to avoid is to continue envisaging the business perspectives in an informal way, without a regular communication among all the stakeholders and the sharing of a formal plan.

To pass from theory to practice Freeman (2010) (the most convinced scholar of the management-for-stakeholder approach) suggests analyzing the stakeholders' behavior and possible coalitions among groups by investigating in their past actions. From a practical point of view, it is required to study the actual behavior of stakeholders, their cooperative potential and competitive threats. Savage et al. (1991) gave guidance on how to measure these variables. The possibility of each group of stakeholders to influence succession process is determined by the type and the entity of resources that stakeholders have, their ability to build coalitions and relevance of the threat for the process. The potential to cooperate depends on how the stakeholder interest is taken into count into the succession: the closer is the link, the higher is the interest to cooperate. As a result of these two variables combination, it is possible to identify four types of stakeholders and the relative strategy that founder, and managers could adopt to optimize the relations with each group. Supportive stakeholders require an offensive strategy, that implies actions to reinforce stakeholders view or perception of the process to maximize their convergence on it (examples of this kind of stakeholders are the owner and the family members actively engaged in the firm, or the managers). Non supportive stakeholders are addressed a defensive strategy to prevent potential threats by reinforcing beliefs and values of the succession process, to favor stakeholder's integration (examples are the family members do not involve in the firm activities and potentially, or a specific group of employees). When owner deals with mixed-blessing stakeholders a swing strategy is functional to adapt rules or transaction process to the stakeholders' current needs and features (in this case examples could be types of clients of financers having historical and personal relation with the owner and not completely convinced by the new generation guiding the firm). Marginal stakeholders require a hold strategy and so managers continue their succession program (providers may represent an example).

The firm dimension is a relevant factor having an impact on the definition and the deployment of the succession process. Governance of small family business is typically consolidated in the figure of the founder who often acts as the sole arbiter and may be the only one taking decisions concerning succession. As the business dimension grows, preparing for transition to the next generation becomes more complex. In this case a consolidated corporate governance could play an important role in supporting the founder to define the succession plan, especially to select the best candidate for succession.

Together with the stakeholders' management theory the management of the succession process can be seen according to the entrepreneurial perspective. Through the succession of the family firm the process of entrepreneurial entry and exit takes place, and a transfer of resources occurs (Le Breton-Miller et al. 2004). From the new owners' point of view the firm is considered as an opportunity for investing resources, while according to the previous owners the firm is an opportunity for releasing resources. New value can be produced at different levels (i.e., the individual, the family and the firm) with the resources produced that create new outcomes from the entrepreneurial point of view (e.g., new ventures, growth and innovation). Moreover, family firm research can enrich general entrepreneurship research adding to the process of entering and exiting an organization created by an individual entrepreneur the taking over an existing firm that can frequently be a path towards entrepreneurship for non-family as well as for family members

(Parker, & Van Praag 2012). If the family firm passes within the same family the family renew its continued commitment to entrepreneurship through the exit of current owners and the entry of the next generation of managers. The selling of the firm to an outside party constitutes an entrepreneurial exit with the family harvesting the value accumulated along the years (Wennberg et al. 2011).

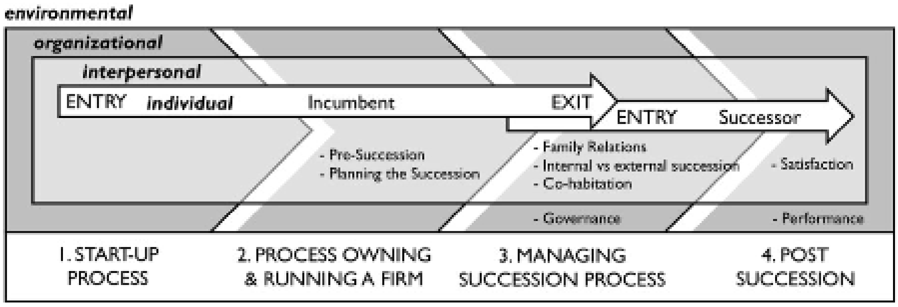
"*Combining entrepreneurship and family firm research allows us to bring together the lens of the entrepreneurial process as composed by entry and exit and the multilevel view of individuals, families and firms common in family firm research*" (Go´mez-Mej´ıa et al. 2011; McKenny et al. 2013; Ucbasaran et al. 2001) (Nordqvist, Wennberg, Bau, & Hellerstedt, 2013, p.1090). In fact, the succession process and succession-related decisions in family firms involve relationships and interdependencies between individuals, families and firms (House et al. 1995; Hitt et al. 2007; McKenny et al. 2013) as said from the stakeholders' management theory.

DeTienne (2010) argues that the entrepreneurial process does not end with new venture creation and that entrepreneurial exits should be considered as a core part of the entrepreneurial process. Research (Leenders, & Waarts, 2003) supports the paradigm that strong family and entrepreneurial objectives can function side by side with one another (Lumpkin et al. 2008)

The entrepreneurial process and the succession process can be joined as in Nordqvist, Wennberg, Bau, & Hellerstedt, 2013 model (Fig 1). This helps to understand them both better giving us a framework to structure our analysis of the generational handover in family business considering how firms successfully managed this process. In the model the succession process is structured in four phases that contain: a) initiation/preparation phase, b) integration phase, c) joint management phase and d) finally retirement of the predecessor (Cadieux, Lorrain, and Hugron, 2002) (Sharma et al. 2003). Moreover, in the model there are four levels of analysis that cross the two processes. The levels are: 1) environmental, 2) organizational, 3) interpersonal and 4) individual. We are considering this model in our analysis of successful family firm succession even if Nordqvist, Wennberg, Bau, & Hellerstedt consider phases and levels as the criteria that guide their literature review analysis.

Figure 1.

Succession in family firms from an entrepreneurial process perspective (Nordqvist, Wennberg, Bau, &Hellerstedt, 2013)



In this paper, the companies interviewed can be positioned at the third stage, that is "Managing the succession process". The Authors analyzed the case studies from the environmental, organizational, interpersonal and individual perspective having in mind the entrepreneurial role of the incumbent, the successor and the family and the role played by other stakeholders. At this stage of the research, they mainly consider the critical points emerged from the interviews paying attention to the results that family firms have achieved in managing the succession process.

Just like the previous stages, this one requires a lot of attention in stakeholders' management involved in the succession process. As expected, it involves overcoming a multiplicity of difficulties largely associated with the heterogeneity of stakeholders involved, mainly: HR function, employees, providers, predecessor(s), successor(s), other family members, management.

Besides ownership succession, there are many other aspects that a firm succession plan needs to give attention to, including management succession, exit strategy planning, strategic planning and leadership development planning. Management succession planning and related issues are key elements of a complete business succession plan. Management succession can be even more important than ownership succession, because if the owner appoints the wrong person as CEO, or there is a controversial CEO transition, it can have a profoundly negative impact on the firm and its employees (Wilson, 2016).

The research methodology

For the purposes of this research, the Delphi method proves to be adequate in that the problem is not suited for precise analytical techniques but can take advantage of subjective judgements on a collective basis (de Meyrick, 2003; Stone Fish and Busby, 2005). Indeed, experts who are required to participate in the examination may lack communication experience and have different careers, expertise and skills and are too numerous to interact effectively in a face-to-face exchange. In this phase, the intention is to derive some preliminary information which will be tested with a further investigation phase with an expansion of the sample investigated. Therefore, this research intends to lay the foundations for further and subsequent investigation and does not provide answers to questions already asked, but rather to understand directly from the actors involved the critical issues experienced firsthand and the role played by the main stakeholders involved.

Companies operating in the fields of agriculture and milling, industrial and zootechnical prefabricated buildings and urban furniture, mechanical, bolts and components, steel fitting production, domestic appliances where initially engaged and both the first and second generation interviewed but separately. The text of the interview as well as the objective were anticipated so that the interviewees could adequately prepare. Aim of the interviews - lasting in average 1 hour - was to understand the main difficulties encountered in the succession process, the role played by the main stakeholders involved, mainly the other family members, employees and specifically the HR function.

This methodology has been chosen basically for two reasons: the first aspect is that such practice will progress the knowledge and understanding of specific situations; secondly, because of its duality of being both situationally grounded and generalizable. Moreover, it facilitates the collection of more extensive amounts of information than other methodologies: this provides for more comprehensive data and a greater understanding of the phenomenon. The value of interviewing is explained by Seidman (2006): "*interviewing provides access to the context of people's behavior and thereby provides a way for researchers to understand the meaning of the behavior*" (p. 4). Due to the nature of the investigation, most of the questions were open questions.

Information collected from the interviews will be used to form the questionnaire items for the subsequent quantitative rounds.

Nerve points

From an accurate and profound reading of the results, some recurring and shared critical points emerged. A careful and reasoned analysis is provided in the following paragraphs.

Successor-predecessor relationships

A recurring problem we encountered in our interviews was the difficulty in the overall transfer of proxies as often predecessors do not wish to contemplate the total succession. Handler (1990) asserts that the succession process involves a mutual role adjustment between predecessor and successor while Venter et al. (2005) noted that satisfaction with the succession process is strongly influenced by the willingness to take over the business and the positive relationship between the owner and successor.

Within this process, the predecessor adopts sequentially the roles of sole operator, monarch, delegator and finally consultant. On the other hand, the successor moves from a no role position to the positions of helper, manager and finally leader/chief decision-maker. The last two stages of this role transition appear to be the most critical to effective successions (Handler, 1990) and it is during these pivotal phases that the preparation of the next generation becomes most apparent. It is often not until the predecessor has progressed into the role of delegator that the level of challenge, responsibility, and task complexity for the successor can increase. This is seemingly a very sensitive transition, which depends on the owner's capacity to trust, share and delegate.

The progressive delegation of authority to the successor is fundamental if the successor is to assume full control. We all agree that:

- the succession process is considered complete when the successor has gained legitimacy and is widely accepted by the stakeholders (both internal and external).

- completion of the process is contingent on the successor's ability to exercise appropriate leadership in the business (Fox et al., 1996).

In all the cases examined, strong willingness on the part of the second generation to take responsibility emerged. This transition is gradual and always monitored by the first generation. Indeed, the lack of delegation not only frustrates the learning process of the successor but, perhaps more importantly, it serves to reduce their credibility in the eyes of employees and other key stakeholders (Fox et al., 1996). This situation did not occur in any of the cases analyzed and interviews carried out. The succession processes are not yet fully completed but the first generation is gradually giving way to the second which is well accepted - albeit initially with a thread of mistrust - by all stakeholders.

The initial and somewhat temporary resistance to the transition was attributable to the innovations that the second generation intend to implement which are quite often considered with distrust by older workers who have consolidated some organizational routines over time. One of the recurring elements was precisely the fact that the successors aim to introduce operational and managerial innovations demarcating a point of discontinuity with the predecessors.

Successor and Family Member/Stakeholder Relationships

As noted by Martin (2001), the need to '*keep the business in the family*' has been identified as a key motivator for family-run firms. Relations between family members may be crucial in maintaining business harmony as well as achieving successful transition (Bachkaniwala, 2001). Janjuha-Jivraj and Woods (2002) found that family members who were not active in the business had considerable influence during succession, in particular the mother of the successor who acted as a 'silent buffer' between the generations. Janjuha-Jivraj and Woods (2002) also found that greater communication across the generations resulted in goal congruence between the predecessor and the successor and a commitment to the long-term strategy by the successor.

Handler (1991) found that a key factor to succession was the level of mutual respect and understanding between current and next-generation family members. This was defined as the degree to which these individuals had a good working relationship that included trust, support, communication, feedback and mutual learning. Mutual respect between the next-generation family member and the founder or owner can build over time as the working relationship progresses. An essential characteristic of this relationship is that the respect should be mutual. For this to happen, the next-generation family members must have sufficient confidence in themselves, which enables others to gain trust in their ability. To earn respect, the next-generation family members are expected to prove themselves to other family members, particularly those that are the founders or owners.

The role of HR function

Interviews revealed a particular behavior that all families members involved in the business have with respect to HR function and practices. These latter are usually managed in a centralized way, especially by the owner older generation, without any sort of transparent and formalized procedures. Deficit of communication and objective assessment of results appeared to be common elements of human resources management and development. Specific examples concern recruitment, training, promotion, rewards criteria. A critical issue emerged arguing with members of the new generations was that the past generations often favored local candidates even when this meant sacrificing qualification and, in general, they took decisions inspired by subjective and paternalistic criteria. This kind of praxis has demonstrated to be risky and potentially dangerous for the organization's image and performance. One of the biggest challenges that the second-generation businesses must face is the effective management of non-family employees (Chua, Chrisman, & Sharma, 2003). Although family members hold key executive positions in family businesses, many family firms employ non-family managers, and most employ a larger number of non-family employees than family members (Deloitte, & Touche, 1999). Thus, attracting qualified non-family employees and fostering value-creating attitudes and behaviors among these employees can be major factors in the success or failure of family firms (Chrisman, Chua, & Litz, 2003; Chua et al., 2003). Considering non-family members, recent studies considered as crucial, the role of mediator that a qualified person, called a *transition leader* (see Salvato & Corbetta, 2013) could have in accompanying the successor to assume the ownership/management of the firm.

In general, the new generations seem to be aware of the importance of the HR functions and, if absent, promote their establishment. In some cases, they have already set up project to create HRM functions with formal roles assigned on the base of qualification and technical experience, as well as assessment procedures to monitor results both at individual and at firm level. In any case, the HR function - if any - seemed not to have played any active or supportive role in managing the succession being mostly engaged in administrative rather than strategic matters.

The absence of planned and formal succession paths

In all the cases analyzed the generational handover is going on without preventive codified procedures or qualified support. In none of the cases analyzed the preparation for succession took place through specific academic or similar courses. But in all the cases successors have a degree in Economics, type of degree that allows to have an overall view of the corporate system.

In only one case, the firm has counted on the skills of external advisors and coaches to accompany the difficult phases of the transition. Considering all the cases it is possible to envisage two kind of succession paths: postponed and instant. In the first (and prevalent) case, we found the awareness with respect to the need to plan the generational change, through the delegation of certain functions, but continuous postponement of the formalization of this transition. In the second case, we found the centralizing attitude of the present generation that awaits the moment of the inevitable handover to retire without a preliminary planning and accompaniment phase. While the best solution classified by literature is the planned succession, characterized by initiation and sharing of the generational transition through the gradual takeover and flanking of the emerging generation by the present one (Dell'Atti, 2010; Janjuha-Jivraj & Woods, 2002).

The sharing of intentions, goals and responsibilities is crucial to foster both external and interna environmental uncertainty. Economic factors (like the economy, the regulatory environment and the state of the market in which the firm operates) along with family factors (like renounce, ill or death of a family member) are elements increasing complexity and requiring the ability to overcome adverse event, or on the contrary, to take advantage from unexpected opportunities.

In any case, the formalization of the idea the present generation has about the succession process could represent a useful tool to drive the same process to a successful end, also if subject to change. In fact, the lack of formalization makes it difficult, for both internal and external stakeholders, to understand the different roles responsibilities. For example, during the succession period employees may act resistance behaviors while it could not be immediate for external stakeholders to identify the reference interlocutor.

Distrust of external consultants

Our interviews have revealed a certain distrust of external consultants.

Dissatisfaction have been expressed by owners for the support received by consultants in order to face the most critical steps of the succession process. The attention towards the technical component of succession (e.g., family trusts, buy-sell agreements, management development plans, etc.) have prevailed when succession has been guided with the support of external consultant. Too little consideration has been given to the people or non-technical components (such as communication among family members, or family members expectations, values, skills, etc.) of the succession process.

For professional advisers focusing on the technical components rather than the family components, usually reveals to be easier. Nevertheless, in family business people, especially family members, constitute the most important component that decide the succession accomplishing. It is the inability to effectively manage the family component that has proven to be the major stumbling block for family businesses in the succession process (Walsh, 2011). The existing literature and ongoing research on family business recommends that a significant or major portion of the succession activities focus on managing the family expectations and the family dynamics. This is achieved by actively integrating the family into the process. This constitutes a unique management challenge and opportunity and being able to effectively deal with it will represent a crucial role for the short and long-term success.

Professional advisers should have a multidimensional approach, not only economic or financial or legal, but also social and psychological to give support to all the stakeholders to manage relationships. Handler (1992) identified the following factors as impacting on the next generation: personal need satisfaction, career ambitions, personal identity and charisma, individual power on other family members, mutual respect and understanding between generations, family members not actively involved in business accommodation, commitment to family business perpetuation, conflicts among family members. The mix of management, financial, familiar and psychological factors affecting the relations between different generation defines the need for specific expertise beyond that other type of firms need. In this sense, the new generation may be helped by an external advisory committee as well as individual consultants, but a crucial prerequisite is a sentiment of confidence at the basis of the advisory contract. Our cases, in fact, have demonstrated that top-down solutions proposed by external consultants usually fails, while customized support tends producing more durable and successful relations. Recently, scholars (Salvato, Corbetta, 2013) suggested a grounded theory of how advisors can facilitate the construction of successors' leadership. They revealed that a *transitional leadership* role played by an external advisor (an interim leadership held by the advisor while supporting the successor's leadership process) could be strategic to moving the succession process forward.

Relations predecessor-successor and non-family employees

Our case studies have revealed that within the succession process relations of the successor with employees could represent a critical aspect, since the differences between the founder leadership style and that of the successor. In some cases, when the passage from one generation to another allows to increase the firm dimension the shifting from an informal management style to a more formalized one is required. Concerning the human resources management, we have observed that establishing the HR function signify to increase the "distance" between the owner and the employee, since communication will be written and mediated by employee representatives. In some cases, this has increased conflicts and employee contestations, at least in the first phase of the succession process.

Establishing and maintaining strong trust relationships will feed the link between the different generations and employees. The introduction of a second generation changes the dynamics of these relationships, so care is critical because employees could become anxious with change and the loyal relationships need to be tested. The successor has the important role to assure all stakeholders, included employees, that they are a valued part of the succession process. Ongoing care toward trusted human resources contributes to develop fair relations. Inability to do this will likely lead to an erosion of the business' loyal base and may end in failure of the whole succession process. In addition, the damaged relationships with employee could reflect on firm results in terms of higher turnover, loss in customers and negative firm reputation (Walsh, 2011). In this context, identifying and understanding the developmental needs of employees become crucial. Successor must ensure that all key employees understand their career paths and the roles they are expected to fill. Probably it is convenient to invest time on key employee retention, so managers are aware of the employees more qualified for a certain position (especially strategic positions). Finally, to give more visibility to all actors involved in every passage and action of the succession and to strengthen their sense of belonging to the company a formal planning of the succession can be functional. This would not be possible in an informal system though.

Another finding of our interviews concerns the consistent benefit potential of the two generations sharing and integrating each other's skill sets and views of the world to make better strategic decisions for the firm. The necessary condition is that the role of each generation and rules of the decision-making process are clear. In this case, the quality of relations with all the stakeholders could significantly improve and the succession process could be deployed in the name of a higher perceived equality.

Lack of communication

From our interviews it emerged that the lack of effective communication among family members and in general among all the stakeholders can be the root cause of most family business failures. It could be convenient establishing a family council and organizing constantly meetings, sometimes open to family members not directly engaged in the firm since they provide one of the most important communication channels through which the family is effectively managed during succession. Family characteristics also influence whether management succession will be a success or a failure. Tightly knit families with strong desire to honoring their parents' wishes about business continuity should face fewer problems than fragmented families. As the number of adult children in the business expands (also considering members not working in the firm but expecting cash from their parents' estates) the complexity of management succession increases. When there is more than one owner (for example, three owners, as one of our most interesting cases of a family business at the fourth generation), the number of family members aspiring to obtain an important role within the governance board of the firm increases and conflictual relations could develop among a so high number of persons. In this case, a successful succession process has benefitted of a constant and transparent communication, along with the convergence of all stakeholders toward the same goal, that is the firm survival in the best conditions. Features of the communication implemented tend to the model of the communities of practice. Communities of practices can be seen as social entities, a set of relationships among multiple interrelated stakeholder networks constantly crossed by information flows, essential to maintain vital the networks themselves and to create value for the succession process. This value is not merely instrumental for work, but it helps to share a body of common knowledge, practices and approaches, it increases the sense of belonging, finally developing a common identity (Wenger, McDermott, & Snyder, 2002). As a result, communication should be based on trust-facilitating behaviors to promote stakeholders' confidence during all phases of the succession process. This model emerges from a voluntary basis and can be seen to enhance individual competencies through the sharing of common information. It is from this shared practice that a community's member relies on the knowledge commonly produced to enhance further activities. The principles of inclusiveness, trust and social cohesion at the basis of communities of practices are in line with the ones sustained in management-for-stakeholders approach to govern succession process (cited in the first part). They then need to keep this knowledge up to date, deploy it and spread it across the entire firm. Potential disagreement must be considered as a natural part of a process of communal involvement, anyway useful to assure the process equilibrium and its development. The involvement of different views, in this case is considered as an enriching factor that complement owner and managers knowledge. This collective characteristic of knowledge does not mean that individuals don't count. In fact, the most inclusive and cohesive communities' welcome strong personalities and encourage disagreements and debates.

Managerial implications

From the interviews it appeared that the generational shift is in all the cases still in progress and it is performed without following codified procedures or specific knowledge. In all the cases the preparation took place through the support and the gradual delegation of responsibility from predecessor to successor. If, on the one hand, the lack of formalization of the process can make it more flexible and open to collecting a multiplicity of suggestions, on the other, it can represent a difficulty for both internal and external stakeholders as regards understanding the responsibilities and communication mechanisms. In fact, during the succession period employees may encounter difficulties in understanding the reporting mechanisms while external stakeholders may be confused in identifying the reference interlocutor.

The success of the transition depends on the owner's capacity to trust, share and delegate. The succession processes are not yet fully completed but the first generation is gradually giving way to the second which is well accepted - albeit initially with a thread of mistrust - by all stakeholders.

The initial and somewhat temporary resistance to the transition was essentially connected to the innovations that the second generation intend to implement which are quite often considered with distrust by older workers who have consolidated some organizational routines over time. One of the recurring elements in our preliminary interview was precisely the fact that the successors aim to introduce operational and managerial innovations demarcating a point of discontinuity with the predecessors. The new wave of managerial innovation includes the HR role. For example, the generations following the first realized some critical issues in the discretion and subjectivity in the selective processes. To avoid a damage for the organization's image and performance the successors started to strengthen the role of the HR functions or – in case of absence - were promoters of their establishment. In any case, the HR function - if any - seemed not to have played any active or supportive role in managing the succession being mostly engaged in administrative rather than strategic matters.

From the interviews emerged that relations between family members were crucial in maintaining business harmony as well as achieving successful transition. To gain mutual respect the next-generation family members must have sufficient confidence in themselves, which enables others to gain trust in their ability.

Our interviews have revealed a certain distrust of external consultants. Owners having assumed a consultant to be supported during the most critical passages of succession process have expressed dissatisfaction. When succession is guided thanks external consultant, too much attention continues to be paid to the technical component of succession (e.g., family trusts, buy-sell agreements, wealth management, etc.) with far too little attention being paid to the people or non-technical component (family communication, family expectations, family values, family competencies, family dynamics, etc.) of the succession process.

In one case the involvement of advisors was a very positive experience. It is continuing starting from the first insertion of the successor. The resulting benefits are numerous and have manifested themselves at all levels, in the context of family relationships, of the relationships between incumbent and successor and at the level of difficult balances within the company, for the relationships between the successor, employees and management

Within the succession process relations of the successor with employees could represent a critical aspect, since the differences between the founder leadership style and that of the successor. In some cases, the passage from one generation to another could correspond to an increase in the firm dimension and this requires shifting from an informal management style to a more formalized one. Concerning the human resources management, we have observed that establishing the HR function signify to increase the “distance” between the owner and the employee, since communication will be written and mediated by employee representatives. In some cases, this has increased conflicts and employee contestations, at least in the first phase of the succession process. Another finding of our case studies/interviews concerns the profound benefit potential of the two generations leveraging each other's skill sets and views of the world to make better strategic decisions for the company, if everyone's roles and decision-making allocation are clear.

A successful succession process has benefited of a constant and transparent communication, along with the convergence of all stakeholders toward the same goal, that is the firm survival in the best conditions. The involvement of different views, in this case is considered as an enriching factor that complement managers knowledge. This collective characteristic of knowledge does not mean that individuals don't count. In fact, the most inclusive and cohesive communities' welcome strong personalities and encourage disagreements and debates.

Conclusions

The individual interviews conducted as first phase of the Delphi method made it possible to gather a good quality of information. The heterogeneity of the interlocutors also allowed the verification of some preliminary information collected. From the interviews it has clearly emerged that all the founders of the family business view ownership succession as dynastic but management succession as meritocratic.

In case of dispute among different family members aspiring to become the successor, especially in the case of shared ownership between two or more persons, they finally sustain the most capable and charismatic family member. In choosing the successor even if the owner is pushed by his/her feelings to support one the members of his own family as candidate to the succession he is guided also by rationality when it is clear that the final aim of succession process is to guarantee firm survival and development. Another common scenario is to bring in outside management to bridge a gap between when the current generation will cease being a part of the management team (for example, they will still be owners and sit on the board of directors but will not be involved in day-to-day management) and when the next generation has the skills and experience to assume the reins of management. Sometimes management succession may skip one or two generations, and management may be transitioned to non-family professional managers from either inside or outside the business. These examples seem revealing a mixed approach to stakeholder relationships, joining the features of the management for stakeholder and of the management of stakeholder.

To conclude, the interviews revealed a very interesting reality of second and third generation small and medium-sized family businesses with a solid market position and constantly growing. From the experiences analyzed it emerged that although the succession process from the first to the second generation is not completed, many changes have emerged with the advent of successors who are bearers of new ideas and clear managerial practices recognized in the field of incumbents. The succession process did not manifest itself as planned through a succession plan but was however carried out with progressive adjustments benefiting from the preparation with degrees in economics of all the successors interviewed and thanks to a careful management of stakeholders starting from the incumbent's family. The driver that guided the succession process and that allowed to find solutions to the obstacles that arose and the challenges that emerged is the search for sustainability of the company's development in the long term with a wide profusion of efforts and commitment on the part of all those involved. At the company organization level, a progressive formalization and definition of the procedures emerged which resulted in greater transparency and greater control. This is also associated with the creation of HR management offices, even if only at the administrative management level. The transition is however important because it is part of the new managerial practices introduced by the successor and accepted by the predecessor. The graduality with which the succession process is taking place with a careful and progressive delegation by the incumbent to the successor both present and active in the management of the company seems to be the critical factor in the success of the succession processes analyzed. The small size of the companies favors constant communication flows between all stakeholders fueled by shared values of respect and trust and by the common goal of the good of the company and the family, both strongly characterized by a strong entrepreneurial spirit oriented towards growth, careful and accurate management of risks and innovation.

Managing the succession process means paying attention to the two souls: the economic, market and managerial one on the one hand and the relational and emotional one on the other. Despite the diversity, some good practices can help. Succession is the replacement of the leadership of the company with the aim of making it prosper in the interest of all. Problems and difficulties can be addressed and overcome using best practices if there is the possibility of adopting humanistic and collaborative leadership on the part of both the predecessor and the successor. An inclusive leadership of the various stakeholders to create trust by delegating and sharing the vision to make it possible for the family business to continue.

Key terms and definitions

Entrepreneurial process perspective: the analysis of succession as a beneficial exchange of resources between two different generations aiming to improve the firm position in the market.

Family-owned business: a firm owned and/or managed by the members of the same family.

HR role in succession: the position assigned to Human Resources function within the firm succession process.

Intergenerational management: the process seeing more than one generation representatives in the same firm, sharing responsibilities in the firm governance.

Management for stakeholders: a socially inclusive managerial approach to deal with all the firm stakeholders, primary and secondary stakeholders.

Succession plan: a process describing a series of steps useful to pass the firm ownership and/or management from one generation to another.

Successor-predecessor relationships: interpersonal exchanges, through communication, between the firm owner and the candidate to substitute him.

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