

**INTERGENERATIONAL PASSAGES AND FIRM LONGEVITY:
EVIDENCE FROM ITALIAN FAMILY SMEs**

Mariacristina Bonti

Dipartimento di Economia e Management – Università di Pisa
mcbonti@ec.unipi.it

Enrico Cori

Dipartimento di Management - Università Politecnica delle Marche
e.cori@univpm.it

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.

Introduction

Literature dealing with intergenerational passages in family SMEs revolves around some prevailing topics: among these, the succession process as a problematic and hazardous event, the importance of the choice of successor choice, the need for a period of cohabitation between the two generation, the risk of conflicts arising during the cohabitation itself, the need of an effective preparation to the intergenerational passage, the special relevance of the entrepreneurial capability of transferring the stock of knowledge built up in the past.

Usually, in these studies, the analysis is limited to a single passage - between the founder and the immediate successor, or between founder and heir.

We, instead, propose to extend the state of knowledge on generational transition shifting attention to a number of entrepreneurial generations, in order to better understand if and how the way the succession processes are managed impacts on the firm longevity, through the enforcement/renewal of the core competences of the firm.

In our view, a closer link between the entrepreneurial succession processes and the factors of longevity seems to be necessary to advance the studies on family SMEs. We propose to investigate this relationship by focusing on the processes of knowledge transfer and development that occur during and following the replacement at the helm of a company.

According with the resource-based view (RBV) and the dynamic capabilities perspective (DCs), we indeed recognize that family firms develop a set of intangible resources (internal/external knowledge-based human and social capital) that are unique and that are the result of long-standing interaction between the family, its members, the business, and the environment. These resources and capabilities need to be preserved and transferred from one generation to another, since they are believed critical in order to foster the longevity of family SMEs. Yet actions aimed at preserving and transferring such capabilities do not seem to be sufficient for the long-term success of the firm. They need to be combined and integrated with new ones that allow the firm to innovate across generations and thus, to maintain a high level of performance.

In our view, 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.

Previous analyses of repeated generational passages have allowed us to affirm that integration between tradition and innovation appears to be a distinctive characteristic of long-lived companies. In this paper we collect the results of a further phase of our research, aimed at identifying which dimensions of the repeated generational passages have the most significant impact on the achievement of the integration between "traditional" and "innovative" knowledge and skills.

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

In our opinion the relevance of this research question lies in what we believe to be a "hole" in current literature. In fact it mainly stresses the importance of what we call "procedural items" of the succession process while it lacks in demonstration of how possible different "substantive

items” impact on the process of knowledge transfer/development, so influencing the ability of the firm to survive.

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). This study is linked to two of the fields in the sub-theme “Family & small business: strategies for growth”: namely “Longevity and competitiveness of family SMEs” and “Family control and management as enhancers or inhibitors of business growth”.

The paper is structured as follows: before introducing the research design (§3) we propose a theoretical background (§2); subsequently, we illustrate the findings from the previous phases of our research (§4); then we present and discuss the findings from the last step of our research, and we introduce some propositions aimed at achieving a deeper understanding of what can foster a reasoned and aware process geared towards a balanced integration between “old” and “new” fields of knowledge (§5). In the conclusions (§6), we summarize theoretical and managerial implications; the current limits and the future developments of the research are also outlined.

2. Theoretical framework

The concept of longevity is inherent in the notion of the company as a “financial institution able to continue” (Zappa, 1956), but it takes on particular nuances when it comes to family SMEs becoming one of the main challenges to overcome.

The prospect of a “multigenerational study” was very scarcely supported by the managerial and organizational literature (Lussier, Sonfield, 2010): the search for factors influencing the longevity of firms (Fahed-Sreih, Djoundourian, 2006; Chirico, 2008; Ibrahim, Lam, Soufani, 2009; Williams, Jones, 2010; Goto, 2010; Lussier, Sonfield, 2010; Tàpies and Fernández, 2010; Zellweger, Nason, Nordqvist, 2012) can be considered a very recent field of study.

Some authors have focused their attention upon company values and upon their influence on the longevity of family companies (Aronoff and Ward, 2000; Koironen, 2002; Le Breton-Miller, 2005; Dyer, 2006; Sharma, Nordqvist, 2008). All these contributions have recognized the existence of a clear and strong link between company values and longevity without, however, identifying which values may be recognized as key factors in this relation.

Apart from specifically conducted analyses, these contributions, as a whole, fail to unequivocally define the concept of longevity and, in any case, they argue that the most important factor in determining the longevity of family business is the way in which the succession planning is managed (Figure 1).

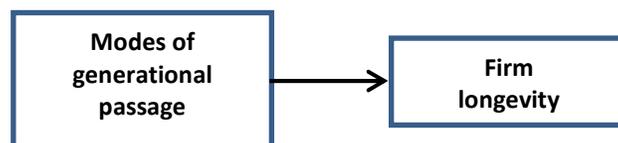


Fig. 1 – Relationship emerging from mainstream literature

Connecting the longevity of family businesses to the generational shift leads to somehow tying the first to the success of the second, the risk being to “bring but also circumscribe” the concept of longevity to the ability, on the part of the family, to retain ownership and control of the firm. In other words, in mainstream literature we can find support for a meaningful relationship between the way in which the generational passage is performed and firm longevity.

We do not entirely agree with this view and the previous steps of our research corroborate our hypothesis (Bonti, Cori, 2011). Along the lines of Tàpies and Fernández (2010), for which the longevity is not only a matter of tradition, but is the result of a careful and delicate balance between “tradition and renovation”, we believe that the long-term survival of a family firm depends primarily on its ability to combine tradition and innovation. This means, for example, learning “the best” of the past, holding onto those values while continuing to innovate, in order to shape and build the future.

Studies on longevity form a sort of frame, in which we place our research. Our theoretical background consists basically of two strands of organization and management literature, focused respectively on the succession in family-owned SMEs and on competences developed within the owning family.

As regards the first strand the starting point is constituted by studies that look at the generational turnover as a process that takes place over time. Among these, particular attention is given to those theoretical positions that focus on chances for innovation and change associated with the process of succession (Gersick et alii, 1999; Dyck et alii, 2002).

With regard to the second line, we refer in particular to the contributions that focus on the nature, origin and dynamics of the basic skills of the long-term success of family-owned SMEs (Habbershon, Williams, 1999; Cabrera-Suarez et al, 2001; Bjuggren, Sund, 2001 and 2002; Steier, 2001).

2.1. The succession planning

Studies on entrepreneurial succession, which started in the late seventies (Longenecker, Schoen, 1978; Mc Givern, 1978), have been developing over the years and has begun to favour certain themes discussed from a variety of angles. Among these are: the choice of the successor and the evaluation of his/her aptitudes and skills; the critical relation with the predecessor and the planning of a formative/educational path which help the successor to develop useful skill, considering in these cases the time required for the processes of formation, cohabitation and sharing managerial responsibilities to take place; the assessment of characteristics and phases of the generational transition process.

The literature analysis allows us to recognize some recurring features in the process of entrepreneurial succession:

- business succession 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 ac-

tivities which can be observed simultaneously or in sequence (Cabrera-Suarez et al, 2001: 40);

- the time when the succession process begins is not unequivocally defined, while there is broad consensus on the “passage of handover” as a conclusive moment (Longenecker, Schoen, 1978; Mc Givern, 1978; Ward,1987);
- it is possible to identify a series of phases: 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);
- business 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;
- a careful preparation and planning of the entrepreneurial transition is considered a critical issue in determining the success of the generational passage (Trow, 1961; McGivern, 1978; Ward, 1987; Handler, Kram, 1998; Lank, 2001).

The benefits of stage-based models and of their deterministic rationale is that they encourage a formal approach to managing multiple aspects related to times, methods, activities; the result is a “successful succession” measured in term of ensuring family business continuity in the long run. However, the normative character of the dominant approach opens the way to a few limitations, including the fact that it implies a reductive interpretation of the sequence, the more careful to set correct sequence of actions to be taken than to reflect on the actions themselves.

The strong emphasis on the necessity for the preliminary phase highlights signs of weakness. Firstly a strongly prescriptive approach (characteristic of the evolutionary theory of the firm) does not fully take into account the peculiarities of both the firm and the environmental context. Furthermore, one may argue that an excessively lengthy preliminary phase to succession is not necessarily predictive of a higher degree of efficacy of generational exchange. 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 for the moment of, and conditions for, passage. Finally, the supposed relation between thoroughness of preparation and the success of generational exchange does not explain those cases where good results are obtained despite the fact that the passage of “handover” takes place in traumatic and unprepared circumstances caused, for example, by the early death of the founder.

It is probable that some of the limitations of the dominant models in the literature can be attributed to the fact that they examine the single generational passage (in general that between founder and direct successor) as a subject of analysis. Such a choice seems limited for research on causes of the firm’s longevity.

The distinguish characteristic and innovative nature of this contribution is the study of repeated generational passages of top management positions in family SMEs. Such an approach appears to offer, among other things, more consistent elements for supporting or confuting the recurring connection between the importance attributed to planning and the success of the generational passage.

The process itself is considered a development opportunity for family SMEs as well as the moment when “new” problems emerge (Del Bene, 2005). According to this view the criticality of the phases that follow the “passage of handover” is not inferior to that of the preparatory period, and constitutes a sort of “litmus paper” for the entire process. In other terms, the analysis of the post-successor phase and the changes that characterise it offers the opportunity for an appropriate and thorough evaluation of the more or less satisfactory outcome of entrepreneurial succession. Such a perspective demands that we first rethink the meaning of the term “success” of the process we are examining. Several interpretations of what is defined as “good outcome” of the generational passage at the top of the firm can be traced in the literature. 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);
- an effective “taking over” of the company by the designated successor (Dyck et alii, 2002);
- the satisfaction of all of the stakeholders (Le Breton-Miller, Miller, Steier, 2004).

None of the above mentioned conditions, however, appear sufficiently indicative of the impact that entrepreneurial succession can have upon company performance over the longer period. We cannot even say that the absence of conflicting situations constitutes a sufficient condition for the success of the generational transition (Del Bene, 2005). From our point of view two contributions are particularly significant. One is by Cabrera-Suarez et alii (2001) who implicitly associate the success of property transfer with a business’s continuity and with the degree of a family’s integrity, as well as with the satisfaction of the actors involved in the process. The other is by Sharma et alii (2003:669) who hold that “a successful succession can help a family firm achieve or sustain its competitive advantage (...) by preserving the idiosyncratic knowledge of family character.” The perspective adopted accentuates the instrumental character of the entrepreneurial succession process in accordance with Sharma et alii (1997). Thus we define “successful” those generational transition processes at the helm of the company that foster an effective balance between the transfer of the existing stock of knowledge/skills and an aware development of innovative competences. The output of this balanced dosage is what we call “innovation around tradition”.

2.2. Around familiness

The idea that the family firm develops certain idiosyncratic forms of competence linked to the proprietorial structure has gradually widespread. 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.

We recognise certain strong points in the contributions cited. Firstly, there is an emphasis upon tacit knowledge, characterised by a high degree of *personal idiosyncrasy*, that owning family develops over time. Secondly, the idea is presented of the entrepreneurial succession as being not only a process of transfer but also an opportunity for possible “mutation” of the company’s knowledge assets.

On the other hand, the same studies show, in our opinion, some weak points. A first limitation can be found in the excessive emphasis on the transfer of the idiosyncratic knowledge to the next entrepreneurial generation. This view oftentimes neglects to consider the relevance of the choice of particular courses of study, as well as work experience outside the company, are given second place.

The perspective of the succession as an opportunity for development in the company appears nevertheless more consistent with actions for “enrichment” of company competence and integration between the competences of the founder and the successor.

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 (Chirico, Salvato, 2008). The knowledge gained by the new generations through university courses and other training programmes, not necessarily aligned with the distinctive competence of the company, permit a new way of interpreting the transferred experience. The knowledge acquired through work experience in other companies also allows for development of a more detached perspective concerning the way of running the company and the introduction of changes and innovations.

The choices concerning the balance between internal and external training of the future entrepreneur have recently been detailed by Sardeshmukh and Corbett (2011). They emphasize the importance of the development of family-specific human capital, underlining that the intensity of experience within the family firms is more important than the years of experience spent developing the successor’s ability to become a leader and his perception of entrepreneurial self-efficacy. In this sense, their contribution takes a new look at the importance of an “early exposure” (Tagiuri, Davis, 1996, Steier, 2001; Schröder, Schmitt-Rodermund, Arnaud, 2011) to the working environment of the family firm.

Along with Goto (2010: 3), according to whom “professional work experiences outside of the family provides opportunities”, Sardeshmukh and Corbett (2011: 115) also point out that training paths outside the company provide the successor with a “greater exposure to newer ideas” and pursuits of “more novel initiatives”. Therefore the external development of a successor may positively influence his ability to lead the firm in a new direction.

We share their theoretical position, insofar it contributes to rebalancing the findings of previous researches. In other words, we can hypothesize that the internal development of the designated

successor is important in order to deepen the industry- and firm-specific knowledge and for transferring the core family traditions to the incoming generation, while external development opens the successor's mind towards innovation.

A second limitation of the studies mentioned at the beginning of this paragraph seems to be associated with the idea, often implied in the literature, that the competences considered are referred only to the members of the family, especially when reflecting on long-lived family firms. Employees also may present themselves at times as receivers of the historical memory of the company and its tradition (here one may think of cases of traumatic succession). In other cases they emerge as possible sources of opportunity in the form of external resources to research, exploit and organise (Kate, 1999) in a prospect of development/strengthening of a competitive sustainable advantage.

One of the factors at the core of company longevity seems to be the ability to develop (through sharing and integration) these diverse nuclei of knowledge, adapting them to the environmental dynamics (Chirico, Salvato, 2008; Chirico, Nordqvist, 2009).

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".

3. Sample and data collection

Subject to the results of the theoretical analysis and with specific regard to the limitations identified in mainstream literature, an in-depth and longitudinal analysis was carried out of six exemplary cases of long lasting family SMEs, following a cross-case interpretation (Yin, 1984; Alvesson, Sköldberg, 2000).

The sample consists of six long-lived family SMEs (established more than 100 years ago) that are located in central Italy. The choice of circumscribing the geographical area was dictated by the willingness to consider a territory as being sufficiently homogeneous from the point of view of business culture and paths of industrial development.

The companies in the sample were selected in such a way as to represent the main traditional industries of the Italian economy and the regions of central Italy (Tuscany, Lazio, Marche, Abruzzo; while in Umbria no company with the required characteristics agreed to participate in the study).

The size of firms ranges from 10 to 250 employees. In particular three companies fit in the 11-50 class of employees bracket, two to the 51-100 bracket and one to the 101-250 bracket. Three of them are placed in the turnover category of between 5 and 10 million euros; two in the €20-30 million group and one above €30 million. All these companies are still owned by the founder's family and have maintained their own product specialisation to the present.

For all these reasons, they offer interesting food for thought, thus resulting in comparison leading slowly to highlighting their similarities and differences¹.

The investigation was carried out by using some instruments typical of the qualitative method (i.e. documentary-style analysis and direct interviews with the present owners of the company). 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. All interviews were conjointly carried out by the two co-authors.

In the first interview, conducted following a narrative approach, 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.

Between the first and second interview we analyzed the available documents (above all the company websites and historical-celebratory publications), in order to strengthen the reliability of the findings of the initial interview.

The second interview, conducted by using a semi-structured questionnaire, was aimed at focusing upon the dynamics and characteristics of repeated generational passages at the helm of the company. The entrepreneurs were asked to reconstruct the features of the repeated processes of entrepreneurial succession, to highlight the link between these processes and the dynamics of competence held to be the basis for the company's competitive edge, and to assess the degree of innovativeness of the skills passed to the next generation.

4. Previous findings

In the previous steps of our research (Bonti, Cori, 2011) we gained some meaningful insights. First, all of the firms in the sample showed a marked orientation towards balancing tradition and innovation along an extended horizon. In our sample this is present also in periods far back in the past, though it appears to be a recurring feature seen primarily in the last few generations, reinforcing the results that have emerged from other studies (Giaretta, 2004; Tàpies and Fernández, 2010).

The analysed cases, albeit with different tones and degrees of intensity, suggested the idea of “innovation around tradition”, i.e., the characteristic of longevity and the maintenance over time of conditions of high competitiveness and economic balance really do seem to be linked to a conscious and forward-looking integration between innovative behaviours and the enhancement of knowledge and skills that had allowed the former success of the firm. Innovation generally concerns the introduction of managerial and organizational practices, the development of support ac-

¹ The following companies belong to the sample: Confetti Pelino (confectionery, 7 entrepreneurial generations), Giusto Manetti Battiloro (goldsmithing, 6 generations), Lanificio Cangioli 1859 (clothing-textile, 5 generations), Distilleria Varnelli (alcoholic beverages, 4 generations), Sannini Impruneta (fired-bricks - “terracotta”, 4 generations), L'Erma di Bretschneider (publishing, 3 generations).

tivities, or the outsourcing of those stages of the production processes that the firm's top management do not consider necessary to carry out.

A second insight concerned the identification of four logical ways of transferring competences from one generation to another: integral, selective, incomplete, and lacking thereof.

Integral transfer refers to those intergenerational passages in which the stock of knowledge previously acquired and embedded in the operational routines and in the work practices remains fully utilisable after the succession. It represents an ideal condition and indicates the willingness and possibility of maximising intergenerational transfer of knowledge. *Selective transfer* refers to an aware and intentional process in which, though having conditions that would render it an integral transfer, prior knowledge and capacities are filtered by the entrepreneur in charge or/and the incumbent. *Incomplete transfer* refers to situations in which the stock of knowledge accumulated remains only partially available to the generation taking over, in a totally involuntary manner, despite the generation which takes over knowing its utility. Finally, *lacking transfer* evokes situations where the process of entrepreneurial succession takes place over time and in modes that make transfer of the knowledge gained by previous generations almost impossible.

Furthermore, evidence from the former analysis leads 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 "grafting" of innovative competence from the successor. The conscious choice to "unlearn" certain forms of competence, which up until the previous generation were considered to be among the factors of success, is normally accompanied by the input and development of new spheres of knowledge and capabilities. In our sample this mainly occurs in the most recent generational passages; nevertheless, a special care of competence which is believed to be critical for the future is also observable at an early stage.

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.

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

Finally, previous steps of the analysis allowed us to assess possible links between the way generational passages at the helm of the firm are carried out, and the knowledge transfer mode, which in turn is connected to the objective of business continuity.

Evidence from the sample showed that the degree of preparation/planning of the entrepreneurial succession (described in terms of: choice of the successor; planning of an educational path for him; planning of a period of intergenerational cohabitation; shared managerial responsibility dur-

ing possible cohabitation) has a limited impact on the choice of selecting knowledge and skills to be handed down to the next generation. The decision to “filter” available knowledge and retain only a part of it did not appear to be conditioned by the degree of preparation/planning.

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. Temporal and relational modes that characterized the generational passages at the helm of the company do not represent, *per se*, decisive factors for enabling a balanced orientation between tradition and innovation.

In light of our previous findings, we introduce 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.

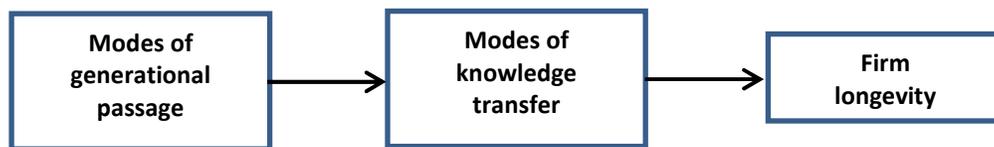


Fig. 2 - Knowledge transfer as an intermediate variable

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

PROPOSITION 1 – *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.*

5. Discussion

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: the first being oriented towards the acquisition of more general and codified knowledge, the second being above all associated with the development of idiosyncratic and tacit knowledge/skills.

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.

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).

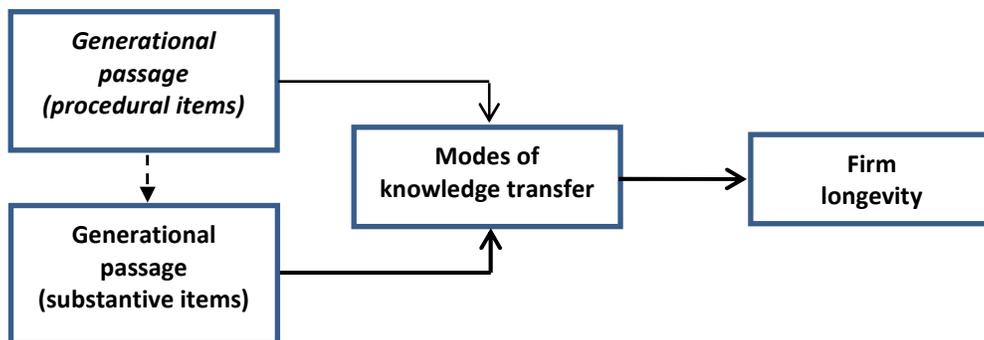


Fig. 3 - Distinction between procedural and substantive items of the generational passage

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. New knowledge can be introduced inside the company, variously combined with the background, in order to develop a “broad repertoire of skill and behaviours”

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 company². 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.

Quantitative data are supported and strengthened by the stories of the entrepreneurs that have been interviewed; hereinafter we quote some significant comments.

Orietta, one of the current owners and managers of the Distilleria Varnelli, puts it this way when talking about her work experience (four years) in a large service firm, before joining the firm owned by her family:

«I wished both to verify and understand if there were competences that could be transferred in 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 in the distillery: among these, a deeper awareness of workers’ needs and expectancies and the capacity of develop and keep separate the various functions».

Mario, now the Managing Director at Confetti Pelino, was involved in an international research project aimed at testing new materials as an academic scholar. In the opinion of his cousin Antonio, who has been interviewed, this experience enabled him to develop technical skills and to get in touch with a number of industrial firms, belonging to different sectors (above all in the pharmaceutical industry); this is what helped so much once he took over at the helm of the family firm.

² 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.

Niccolò, one of the current owners and managers of the Giusto Manetti Battiloro, after an initial period as a factory worker in the family firm, left Florence for the Usa, where he got a Master degree in Procurement Management. So, he remembers that experience:

«It was quite a meaningful experience, in a context very different 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 “plan your own career”. Then, I understood the importance of formalizing roles and responsibilities, and I experienced how to organize the workflow in work cells».

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

PROPOSITION 2 - 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 3 - 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.

6. Conclusions

The main contribution of this study is to provide a clearer perspective of some aspect of the succession processes in family-owned SMEs. In particular, it allowed us to highlight relationships between some features of repeated generational passages at the helm of a firm and the ability of the firm to survive and compete over time (firm longevity).

Our results expand current work on entrepreneurial succession process in family SMEs by specifying the link between modes of generational passage and mode of knowledge transfer and how these links may affect the longevity of the firm.

Making and arguing for the distinction between procedural and substantive dimensions of the passage and the expounding on four logical ways of transferring competences from one generation to another contribute to updating current knowledge and filling the gap in family business literature regarding the process of knowledge transfer.

In terms of theoretical contribution, the last step of our research conduces to an enrichment of the conceptual framework that can be used when studying the dynamics of long-lived family SMEs. The previous phase of our research had allowed us to identify 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 firm longevity, the latter being associated with the integration between traditional and innovative competences over time.

In light of the subsequent and more detailed analysis, we suggested separating procedural from substantive items in the process of entrepreneurial succession, in order to make clearer what it is that impacts most on the modes of knowledge transfer and, consequently, on the company's longevity. The resulting framework is considerably more complex with respect to that proposed by the dominant theoretical positions: the latter stresses the "superiority" of a carefully and gradually prepared succession, with particular emphasis on its temporal and relational modes, and its direct relationship with the "success" of the handing over at the top of the company.

Specifically, we found a meaningful positive relationship between some substantive dimensions of the generational passage and "selective transfer"; that is the way of transmitting knowledge and skills from one generation to another which we believe to be more commensurate to fostering the long-term survival of the firm.

In terms of contribution to managerial practices, the outcome of our analysis 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.

This study shows some limitations, some of which could be overcome in later phases; among these, we mention 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.

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.

References

- Alvesson M., Sköldböck K. (2000), *Reflexive methodology: new vistas for qualitative research*, Sage, Thousand Oaks, C.A.
- Aronoff C.E., Ward J.L. (2000), *More than family: Non-family executives in the family business*, Family Enterprise Publishers.
- Bonti M., Cori E. (2011), "Organizational issues and capabilities dynamic among the Italian centenarian family SMEs: An empirical investigation", *Proceedings 11th Euram Conference*, Tallin, June.
- Bjuggren, P.O., Sund, L.G. (2001), "Strategic Decision Making in Intergenerational Successions of Small and Medium-Size Family-Owned Businesses", *Family Business Review*, vol. 14, n. 1.
- Bjuggren, P.O., Sund, L.G. (2002), "A Transaction Cost Rationale for Transition of the Firm within the Family", *Small Business Economics*, vol. 14.

- Cabrera-Suàrez K., De Saà-Pèrez P., Garcia-Almeida D. (2001), "The succession process from a resource- and knowledge-based view of the family firm", *Family Business Review*, vol. 14, n. 1.
- Cadieux L. (2005), "La succession dans les PME familiales: proposition d'un modèle de réussite du processus de désengagement du prédécesseur", *Revue Internationale du PME*, vol. 18, n. 3-4.
- Cadieux L. (2007), "Succession in Small and Medium-Sized Family Businesses: Towards a Typology of Predecessor Roles During and After Instatement of the Successor", *Family Business Review*, vol. 20, n.2.
- Cater, J.J., 2006, "Long life in the family firm: an explanatory study of business and family success", *Usasbe Proceedings*.
- Chirico F. (2008), "Knowledge Accumulation in Family Firms: Evidence from Four Case Studies", *International Small Business Journal*, vol. 26, n. 4, 433-462.
- Chirico F., Nordqvist M. (2009), "Dynamic capabilities and transgenerational value creation in family business", *International Small Business Journal*, October.
- Chirico F., Salvato C. (2008), "Knowledge integration and dynamic organizational adaptation in family firms", *Family Business Review*, vol. 21, n. 2.
- Corbetta G. (1995), *Le imprese familiari. Caratteri originali, varietà e condizioni di sviluppo*, Egea, Milano.
- Del Bene L. (2005), *Aziende familiari tra imprenditorialità e managerialità*, Giappichelli, Torino.
- Dyck B., Mauws M., Starke F.A., Mischke G.A. (2002), "Passing the baton. The importance of sequence, timing, technique and communication in executive succession", *Journal of Business Venturing*, vol. 17, 143-162.
- Dyer W.G. (2006), "Examining the 'family effect' on firm performance", *Family Business Review*, vol. 19, n. 4.
- Gersick K.E., Lansberg I., Desjardins M., Dunn, B. (1999), "Stages and transitions: Measuring change in the family business", *Family Business Review*, vol. 12, n. 4.
- Giarretta E. (2004), *Vitalità e longevità d'impresa. L'esperienza delle aziende ultracentenarie*, Giappichelli, Torino.
- Goto T. (2010), "Secret of the family business longevity in Japan from the social capital perspective", *Proceedings 10th Annual Ifera Family Businesses Research Conference*, Lancaster.
- Habbershon, T.G., Williams, M.L. (1999), "A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms", *Family Business Review*, vol. 12, n. 1.
- Habbershon, T.G., Williams, M., Macmillan, I.C. (2003), "A unified systems perspective of family firm performance", *Journal of Business Venturing*, vol. 18, 451-465.
- Handler W.C. (1990), "Succession in family firms: A mutual role adjustment between entrepreneur & next-generation family members", *Entrepreneurship Theory and Practice*, vol.15, n. 1.
- Handler W.C., Kram K.E. (1998), "Succession in family firms: The problem of resistance", *Family Business Review*, n. 1.
- Ibrahim A.B., Lam J., Soufani K. (2009), "A study of factors contributing to longevity in a family business dynasty", *Proceeding 9th Annual Ifera World Family Business Research Conference*, Cyprus, June.
- Janjuha-Jivraj S., Woods A. (2002), "Successional issues within Asian family firms: Learning from the Kenyan experience", *International Small Business Journal*, vol. 20, n. 1.
- Kate K. (1999), "The prevalence of family business from a household sample", *Family Business Review*, vol. 12, n.3., 209-228.
- Koironen M. (2002), "Over 100 yard of age but still entrepreneurially active in business: Exploring the values and family characteristics of old Finnish family firms", *Journal of Management*, vol. 33, n. 5.
- Lank A.G. (2001), "Determinants of the longevity of the family business", *12th Annual World Conference of the Family Business Network*, Rome.
- Le Breton-Miller I., Miller D., Steier L.P. (2004), "Toward an integrative model of effective FOB succession", *Entrepreneurship Theory & Practice*, summer.
- Longenecker J.G., Schoen J.E. (1978), "Management succession in the family business", *Journal of Small Business Management*, July.

- Lussier R.N., Sonfield M.C. (2010), "A six-country study of first-, second-, and third-generation family businesses", *International Journal of Entrepreneurial Behaviour and Research*, vol. 16 n. 5.
- Mc Givern C. (1978), "The dynamics of management succession", *Management Decisions*, vol. 16, n. 1.
- Miller D., Le Breton-Miller I. (2005), *Managing for the long run: lessons in competitive advantage from great family businesses*, Harvard Business Book.
- Murray B. (2003), "The succession transition process: A longitudinal perspective", *Family Business Review*, vol. 16, n. 1.
- Sardeshmukh S.R., Corbett A.C. (2011), "The duality of internal and external development of successors: opportunity recognition in family firms", *Family Business Review*, vol. 24, n. 2, 111-125.
- Schröder E., Schmitt-Rodermund E., Arnaud N. (2011), "Career Choice Intentions of Adolescents With a Family Business Background", *Family Business Review*, vol. 26, n.3.
- Sharma P., Chrisman J.J., Chua J.H. (1997), "Strategic management of the family business: Past research and future challenges", *Family Business Review*, vol. 10, n. 1.
- Sharma, P., Chrisman, J.J., & Chua, J.H. (2003), "Succession planning as planned behaviour: Some empirical results", *Family Business Review*, vol. 16, 1-15.
- Steier L. (2001), "Next-generation entrepreneurs and succession: An exploratory study of modes and means of managing social capital", *Family Business Review*, vol. 14, n. 3.
- Tagiuri R., Davis J.A. (1996), "Bivalent attributes of the family firms", *Family Business Review*, vol. 9, n. 2.
- Tàpies J., Fernández M. (2010), "Values and longevity in family business: evidence from a cross-cultural analysis", *WP 866*, July, IESE Business School - University of Navarra.
- Trow D.B. (1961), "Executive succession in small companies", *Administrative Science Quarterly*, September, 228-239.
- Ward, J.L. (1987), *Keeping the family business healthy: How to plan for continuing growth, profitability and family leadership*, Jossey-Baas, San Francisco.
- Ward J.L. (2004), *Perpetuating the family business: 50 lessons learned from long-lasting, successful families in business*, Palgrave Macmillan.
- Yin R.K. (1984), *Case Study Research: Design and Methods*, Thousand Oaks, C.A., Sage.
- Zappa G. (1956), *Le produzioni nell'economia delle imprese*, I, Giuffrè, Milano.
- Zellweger T.M., Nason R.S., Nordqvist M. (2012), "From Longevity of firms to transgenerational entrepreneurship of families. Introducing family entrepreneurship orientation", *Family Business Review*, vol.25, n. 2, 136-155.