Transition between generations in family businesses

Comparative analysis of multiple case studies in Slovenia

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ABSTRACT

Family business transition of management from older generation to their successors is a complicated process, due to personal feelings involved. In order to answer the research question: “How to successfully transfer family business to younger generation?” secondary research together with multiple case study has been made. Six family businesses, has been selected and 12 people interviewed. Research findings indicate that four factors were crucial for a transition to be successful: selection of suitable sibling for successor, upbringing experiences of successors, division of ownership and involvement of predecessor after transition period. Recommendations based on the findings are: preparation of successors starts in their childhood, by gradually including them in family business and educating them in that direction. Secondly when choosing a successor between siblings, predecessors should put motivation factor and commitment towards the company on a first place. When succession period is over, it is recommendable to give successor some ownership of the company and increase in that way their motivations. Predecessor’s role should be during transition period as a mentor, who is helping a successor. However after the transition period is over, predecessor should act only as an advisor and let successor to establish himself as a new leader with his own style of management, novelties and values.

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I would also like to thank all the families that took part in this research and answered all of my detailed and sometimes very personal questions about their family businesses. Their input is highly appreciated and gave my thesis a special value. I learned so much from all of them and it was a true pleasure listening to their stories.

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1. INTRODUCTION

Family businesses represent 60-70% of businesses in Europe. (Kresnik, 2011) With its distinct characteristics and personal involvement of family members it represents unique branch in entrepreneurial research sphere. Due to tradition, trust and personal relationships, founders of family businesses prefer if their children to inherit the business when they retire. Transition process from older to younger generation is a very complex process, because personal feelings are involved and researches in academic entrepreneurial sphere can't completely understand it yet.

In this thesis special interest was put on family businesses in the Republic of Slovenia. Due to some historical events, Slovenia had very limited numbers of private businesses before its independence from Yugoslavia in 1991.However after 1991, number of private businesses drastically increased, out of which majority were family ones. Now, 25 years after this phenomenon happened, there are many founders approaching retirement and are trying to transfer their companies to younger generations. However due to recent events of this phenomenon, research on family business transition in the Republic of Slovenia is still in its infancy, although much needed right now in practice. Therefore this was the foundation of the thesis.

1.1. Research question

Focusing on practical implications of this thesis after its completion I formulated research question as follows: "How to successfully transfer family business to younger generation?"

By doing a secondary research and interviewing six case studies of family businesses in the Republic of Slovenia, who are going through transition period right now, I managed to identify factors contributing to successful transition. Interviewing at least two representatives of the same family business (exception was only one case study) I manage to obtain in-depth view and multiple perspectives on the same subject.

1.2. Motives behind the research question

Reasons behind the research question have beside practical implications in transition processes in Slovenia also a personal motivation behind it.

Namely, my parents founded a company in 1992, which is internationally trading essential oils. Now me and my siblings have shown interest into continuing their work and we started involving into the everyday business. Since our family business has represented an important part of my everyday life back in my childhood and also in recent years, I felt that these experiences could contribute to this research even further.

1.3. Structure of the thesis

This thesis consists of seven chapters. First chapter describes research question, the motives behind the research question and provides an overall introduction into the topic. Second chapter presents theoretical framework for the topic. This is followed by a third chapter and research methodology used for this thesis. In chapter four are presented case studies that participated in this research to give the reader an overall picture. Followed by fifth chapter; results with analysis of the thesis, which are thoroughly discussed in following chapter six. Thesis is concluded in chapter seven, where beside conclusions also limitations of the study and recommendations for further research are presented. At the end, all references used are listed in final chapter eight.

2. THEORETICAL FRAMEWORK

2.1. Definition of family business

If we first look at the term family business, we can find out that researchers are not quite unanimous, when it comes to finding the right explanation for the subject. Handler (1989) cited more than 20 definitions of family business, and we can find even more if we look at some recent papers. But the best one that describes this complex term is in my opinion the next one: "Any business in which the majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business.„(Rosenblatt et al., 1985)

This is quite a traditional form of business structure, since ancient times, where businesses were inherited from fathers to sons, but nowadays this is no longer so common. If we look at the statistics we can find data that less than 30% of family businesses are passed on to 2nd generation and around 10% to 3rd generation. (Lambrecht, 2005)

Family businesses are usually presented as a whole of three independent, but overlapping systems: ownership, family and business, as presented in Figure 1.

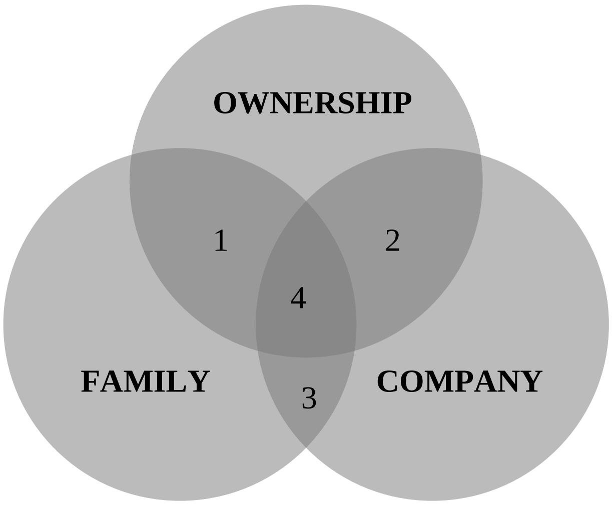

Figure 1: Family business model (Gersick et al., 1997)

Part 1 represents overlapping between owner and his or hers family (wife/husband, children, relatives, parents, etc.)

Part 2 represents physical, emotional and financial involvement of the owner in the company. In the beginning ownership and company can be identified as a single person, but later on these two can be separated almost completely, if the company grows professionally and becomes open to others.

Part 3 represents family members that are involved into everyday business, but are not (yet) owners. These could be for example younger family members that work part time job during school holidays.

Part 4 is the core of family business. Family members that are represented here differentiate themselves from employees or managers, since they are also emotionally involved into the whole process. These emotions bring additional responsibility and respect for the company and family as separated, yet connected institutions. Relationships within the family influence relationships in the company and vice versa. Therefore family businesses are quite complex institutions and should be treated as such.(Kresnik, 2011)

2.1. Family vs. Non-family business

Although the main difference between family and non-family business is obvious, since the first one include key component: family. There are also some more complex differences in terms of behaviour of their owners, employees, social relationships, etc.

Donckels and Fröhlich (1991) made a comprehensive research in 1991, among 1132 small and medium companies in 8 European countries where they observed the following characteristics:

- Family businesses are closed, inside-oriented system, where members are more prone of hiding their secrets and knowledge and therefore preserving family tradition among family members. They fear that the incorrect interpretation of the information would undermine the family reputation as well as the attitude of family and business to employees and society.
- Family entrepreneurs are very versatile, active and flexible, but not prone to taking many risks.
- Family businesses need less social security and economic operation activities.
- Family businesses are prone to creating good working environment and take better care for the satisfaction on their employees (which is also shown with better salaries).
- Family businesses are less favourable of including their employees into big company decisions and key issues for the business.
- Family businesses represent a stabilizer for the general economy because they are less prone of taking big risks, creating profits and expanding.
- Family businesses favour in certain situations family issues over business ones.
- In family businesses, family members have an advantage in recruiting new employees over outside ones.

2.2. Advantages and disadvantages of family businesses

Family business is a complex organization with its unique characteristics and therefore has not only advantages but also disadvantages.(Vardnjal, 1996)

2.2.1. Advantages

Commitment to family and business

Members of family who are actively involved in business are often highly committed to the organization because it represents something that they (and their family) created. They are willing to put much more time and effort compared to employees of non-family businesses. This phenomenon has a positive effect to other (non-family) employees since they feel like being part of a team and therefore contribute more.(Leach, 1996)

Flexibility of time, working hours and money

Family members are not concerned about working hours, but they work when there is work to be done, even though this sometimes means 15+ hours some days. They are also not concerned about having salaries every month the same day, for they usually pay their salaries when they have enough money to do so. (Štepec, 2006)

Quick decision making

Family businesses usually don't follow high protocols, but make decisions quite quickly. (Simčič, 2006) It is very clear who is responsible for making crucial decisions in family businesses. This is usually the founder and owner of the company. For companies, that has divided ownership and management it is much harder and time consuming process. They spent too much time on meetings and internal discussions. However, quick decision making can be a crucial advantage in today's fast economy.

Transfer of knowledge from one generation to another

Majority of family business owners would like that their children continue working for the company and preserve the tradition. (Kresnik, 2011) Founder of the business is usually very proud of the company he or she established, and put more time and effort in it. Founder is usually more willing to transfer the knowledge, management and ownership to his or hers children, or at least blood relatives. (Syms, 1994)

Reliability and pride

Management of family companies is not changing very often, making reliability and pride very important factors. This gives potential partners sense of security and trust.(Petrovčič, 2006) In practice this usually means that positions within the company are more or less filled with the same people. Thus customers and other business partners communicates with the same employees, which in long-term means better relationships between them and can furthermore lead to friendship.

2.2.2. Disadvantages

Emotional aspects in making business decisions

When facing hard business decisions which could jeopardize family relationships, family members are more prone to act in the benefit of the family, rather than the business.(Janškovec, 2004) This is mainly due to emotional aspect in decision making. Amongst majority of family businesses, term "family" comes before term "business", and therefore priorities are ranked as such.

Navigating business and family life

Since family business is usually big part of ones private life, these two sometimes crash between each other. (Kresnik, 2011) When family owns a business, this occupies their whole life and they forget about their family duties towards their spouses and children. Entrepreneurs must try to find a middle way and navigate between both business and family life.

Nepotism

As mentioned before, entrepreneurs usually put their families before company and therefore sometimes employ underqualified family members, rather than non-family ones with higher education and expertise. These can cause disputes amongst other employees and motivation for work can drop. Dissatisfaction can be caused also when family members, expect the same commitment to the family business, from other employees, as they have. This system can work only if employees are suitable awarded for the extra work. (Duh, 2003)

Rigidity

Entrepreneurs are usually afraid of big changes and therefore stick to already established way of managing business. They associate innovation and novelties with risk taking and are afraid to ruin something they have put so much time and effort in the past. Furthermore this can have a huge negative impact on growth and development of family business.(Petrovčič, 2006)

Succession to next generation

Entrepreneurs want that their company remains in the family and therefore they need a suitable successor. This is a complicated process since not all children are willing to take over, are not suitable, etc. Also when there are more possible successors it is hard to choose just one and divide roles in the company fairly. Therefore many founders postpone with this decision and/or are included in the business even when the transition is officially over and remain as unofficial managers. (Duh, 2003)

2.3. Generational transition

Generational transition is a process when family business is transferred from one to the next generation. Person who is transferring the company is called predecessor, and the one who is being transferred to is successor.

If transition is performed successfully, the predecessor plays next successive roles: sole operator in a pre-transition period, when he owns and manages his own business. Followed by a role of s supervisor during the transition period, when he helps and supports successor with managerial tasks. At the end, if transition is successful, predecessor should act as a consultant and step out from the management of the family business. On the other hand successor's role should be first as an assistant, when he/she observes and helps out, but still doesn't make any big decisions. Followed by a role of a manager when he/she takes over the business. Final stage is a leader role, when one is being perceived, respected and appreciated as a true successor of a family name. (Handler, 1989)

Before beginning the withdrawal phase, the newcomer has to prove his/hers commitment to the family business, by establishing his/hers credibility and legitimacy and developed ability to manage the firm effectively. (Chrisman et al., 1998) This can be shown in various different ways and is specific to each predecessor-successor relationship, such as: working hard on a project, getting well with the rest of the employees, selecting education based on company's needs, etc.

After the transition process is over, even though predecessors are officially retired, they retain a right to control and follow strategic decisions. In addition to advising and supporting the firm's new manager(newcomer), some predecessors appear to maintain contact with the family business either by accepting an honorary position as president, or by joining the board of directors, acting as company's representative or accepting the new position within the organization.(Cadieux, 2007)

2.3.1. Factors affecting generational transition

The most important factor that makes this process difficult are predecessors, for whom the company probably represents an important part of their personal, professional and social lives, and therefore it's very difficult for them to let that go. (Cadieux, 2007)

Another factor are newcomers. If they are unwilling to take over, succession will be ineffective.(Chrisman et al., 1998)

It is also very important how newcomers were raised in their families.(Gallo, 2002) Gallo suggests that this is a crucial factor in their willingness to continue with family business later on in their lives.

Some researchers emphasise that blood line is important and that predecessors are more willing to let go of their companies to their blood line relatives, rather than their in-laws. (Syms, 1994)

On the other hand, some suggest that integrity and commitment of newcomers are the most important attributes of successors.(Chrisman et al., 1998)

Davis stated that interpersonal relationships between relatives are often more important than maximum profits in family firms. (Davis, 1968)

All these theories were supported by Morris et al. (1996) who put all the factors in 3 different categories, yet emphasized relationships as the most important one:

1. Preparation level of heirs (including formal education, training, work experience outside company, entry-level position, working experienced in the company, motivation to join firm and self-perception of preparation)
2. Relationship among family members (including communication, trust, commitment, loyalty, family uncertainty, sibling rivalry, jealousy, conflict, shared values and traditions)
3. Planning and control activities (succession planning, tax planning, use of outside board, use of advisors, creation of family council)

2.3.2. Explanatory models of generational transition

In order to explain what is happening in transition of family businesses, Murray (2003) developed a transition cycle model, as seen in figure 2.

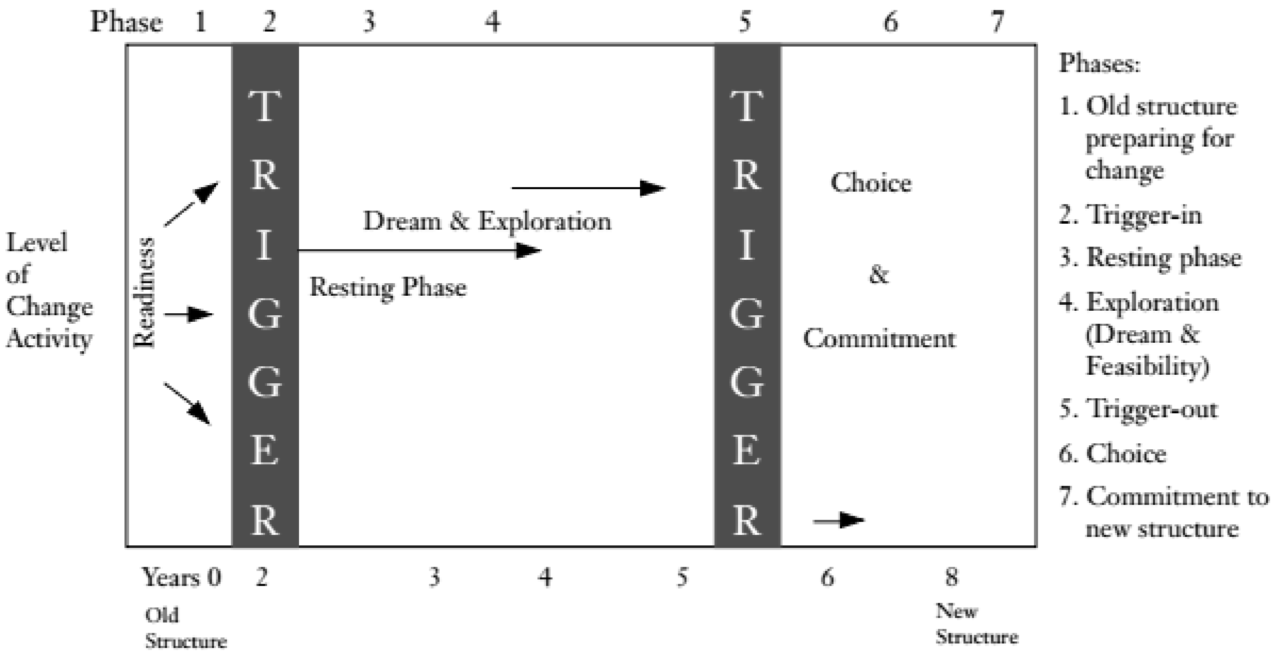

Figure 2: The transition cycle (Murray, 2003)

In this model, author identified 7 phases as a part of the transition process:

- *Old structure preparing for change:* In order for a transition process to happen, readiness of people involved in this process (the family, the board, the owners) must first occur. Reason for that can be found in retirement age of the predecessor, illness from the predecessor, upbringing of future successor, education plans of the successor, successor's financial status, etc. This phase can be very different, for different families and can sometimes take even up to couple decades.

- *Trigger-in:* When the pressure for change is high, the trigger-in happens. This is usually the time when the successor gets involved in the business.

- *Resting phase:* Phase followed by an introduction of a successor and his/hers ways of leading the business. There is a need to accommodate to the new rules and restart order. This phase usually lasts from 6 to 18 months. This part is very hard for predecessors and leads many times to conflicts between successor and predecessor.

- *Exploration phase:* In this phase each of the persons involved (the family, the board, the owners) gathers and analyses his or her thoughts and share with others how the transition is going. This can be in form of an official meeting or unofficial discussion between persons involved.

- *Trigger-out:* This process signals the end of transitional process. It is usually shown in form of an event, such as official meeting, official change in CEO position, death in the family, etc.

- *Choice & Commitment to new structure:* This happens usually between 2 and 5 years. It happens when all parties accept the change and officially commit to it. This change can also mean keeping elements of the old structure while introducing some new ones.

Based on how companies behave in these phases we can distinguish between 3 different types: Balance (figure 3), imbalance & disintegration (figure 4) and disintegration & no closure (figure 5).

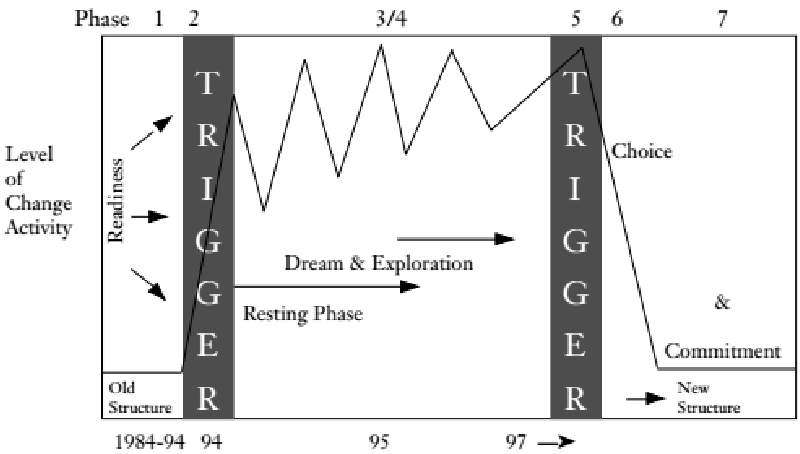

Figure 3: Balance of resistance and impetus for change (Murray, 2003)

Figure 3 represents the companies where transition was successful and balance was reached at the end. Phase 1 started in 1984 and it took them eight years to reach the readiness level and trigger out of the process of transition. This was followed by a rocky Resting and Exploration phase with some positive (high peaks) and negative (low peaks) moments between successor and predecessor. However in 1997 trigger out was accomplished and both parties committed to their new roles within a company.

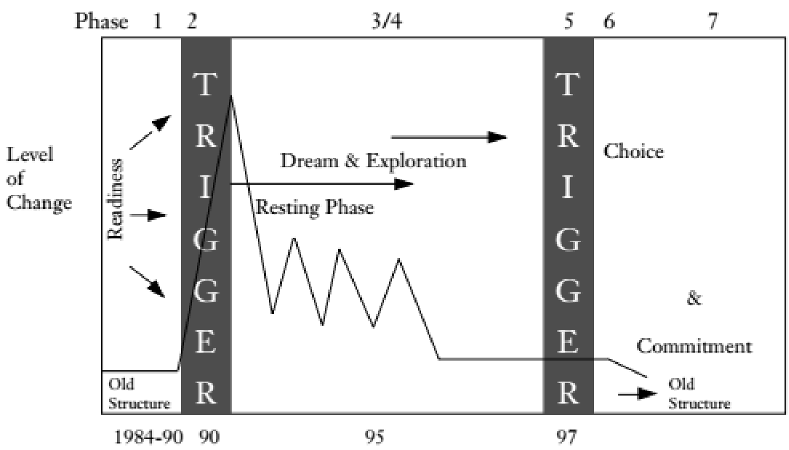

Figure 4: Imbalance & Disintegration - Resistance overwhelms impetus for change. Premature choice/false commitment/disintegration. (Murray, 2003)

Figure 4 represents the second group of companies. Transition process also started in 1984 and it took them six years to reach the readiness level. Here at the beginning of exploration phase successor was given a lot of freedom, and made some big changes, but during five years period this was gradually taken away from him and at the end newcomer stepped out of the family business and old structure was again imposed. Commitment to new structure wasn't reach, since resistance was too strong, and transition period was not successful.

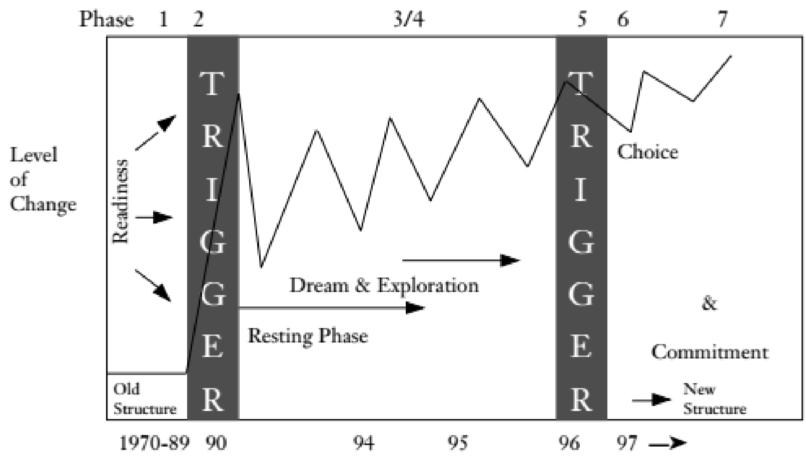

Figure 5: Disintegration & No Closure - No commitment reached. Resistance overwhelms impetus for change. (Murray, 2003)

Last group of companies is presented in figure 5. Transition cycle started in 1970 and in almost 19 years reached readiness level. At the beginning of Resting and Exploration phase successor was given a lot of freedom and ability to make some changes, but even after 30 years, the successor wasn't willing to let go and commit to new structure. At the end resistance overwhelmed impetus for change and no commitment was willing to be made.

As presented in these cases, transition period is a very difficult process, and can be ineffective if not executed properly.

The length required to reach each phase varied according to how well the individuals of the family business were ready, willing and able to do the required work.

People, involved with this process can be better prepared if they know what to expect from it in advance; understand different phases, their advantages and final goal of the transition cycle.

In order for transition to be successful, Morris et al. (1996) believed that these factors can contribute greatly to it:

- Successors must be well prepared when the transitions occurs, in terms of educational background, experiences, etc.
- Successors start at the bottom of the company and slowly build their way up.
- Relationships among family members and employees are positive.
- Planning and control activities are informal.
- Family businesses put less reliance on board of directors, advisors and outside consultants.

2.4. Family business situation in Slovenia

Slovenia is a small central European country with approximate population of 2 million inhabitants.

The Republic of Slovenia was until 1991 together with Croatia, Serbia, Bosnia and Herzegovina, FYR Macedonia and Montenegro, part of bigger Yugoslavia.

Family business almost didn't exist after the Second World War, since Yugoslav government banned almost all private economic activity. This began to improve in 1964, when the government allowed entrepreneurs to start their own businesses. Initially, government limited the number of workers in newly developed businesses to only three employees, later on to five. Then came the 80s and the number of employees began to rise. Its peak reached after the independence of Slovenia from Yugoslavia, when there was more than 20 000 businesses opened, mostly in the forms of family businesses, presented in table below.

Table 1: Number of new businesses established (Statistical yearbook of the Republic of Slovenia, 2001)

Year	Number of new businesses established in Slovenia
1990	20 653
1991	17 386
1992	23 630
1993	16 476
1994	13 425
1995	13 367
1996	7 438
1997	7 690
1998	11 488
1999	9 915
2000	9 301

Slovenia became independent after the secession of the Socialist Federal Republic of Yugoslavia. Transition from Socialist Republic to Democratic Republic brought many changes (Mrak et al., 2004) into the system:

1. Transition from a socialist to a market economy
2. Transition from a regional to a national economy
3. Transition from being a part of Yugoslavia to becoming an independent state and member of EU.

This transition was closely related to development of small and medium-sized enterprises (SMEs). In Yugoslavia there were two laws that were the bases for the development of SMEs: Law on Enterprises (1988) and the Law on Craft (1988). (Letonja and Duh, 2015)

There are plenty of reasons why phenomenon in form of increased number of newly established businesses can be observed during this period. Firstly there was a big change in society after the independence and entrepreneurs finally gained new entrepreneurial freedom to explore. Second one was simply their economic necessity, since many national companies and industries were being shut down. And the third reason was privatisation of state companies.

This phenomenon happened 25 years ago and therefore many entrepreneurs that started their businesses at that time are now (soon to be) retired and have to pass the companies to future generations. Owners and entrepreneurs have no experiences in managing transition process of family companies, since there is no tradition of succession in Slovenia and big lack of research in academic sphere.(Letonja and Duh, 2015)

2.4.1. Comparison with family businesses in Europe

60-70% of businesses in Europe, classify as family businesses.(Kresnik, 2011) It is estimated that these companies employ around 45 million employees and produce 65% of overall gross domestic product (GDP).(Pirc, 2008)

International research about family businesses has been made by Birley (2000) called PRIMA. Of 16 countries involved 14 were European-including Slovenia.

Next characteristics of family companies were observed in all European countries involved:

- Successors are usually chosen amongst family members
- Education of children is usually directed towards company best interests
- Children get shares of the company when they start actively participating in the business
- Children need an early introduction into the business
- Shares in the company are usually divided between family members only
- Older generation has still some formal role within a company.

And some, only in Slovenia:

- Company has clear criteria of including family members into the company
- Children should show some interest into the company
- There are usually different rules regarding salaries.

Findings about which generation is currently involved into managing the business are presented in figure 6 for 14 different countries.

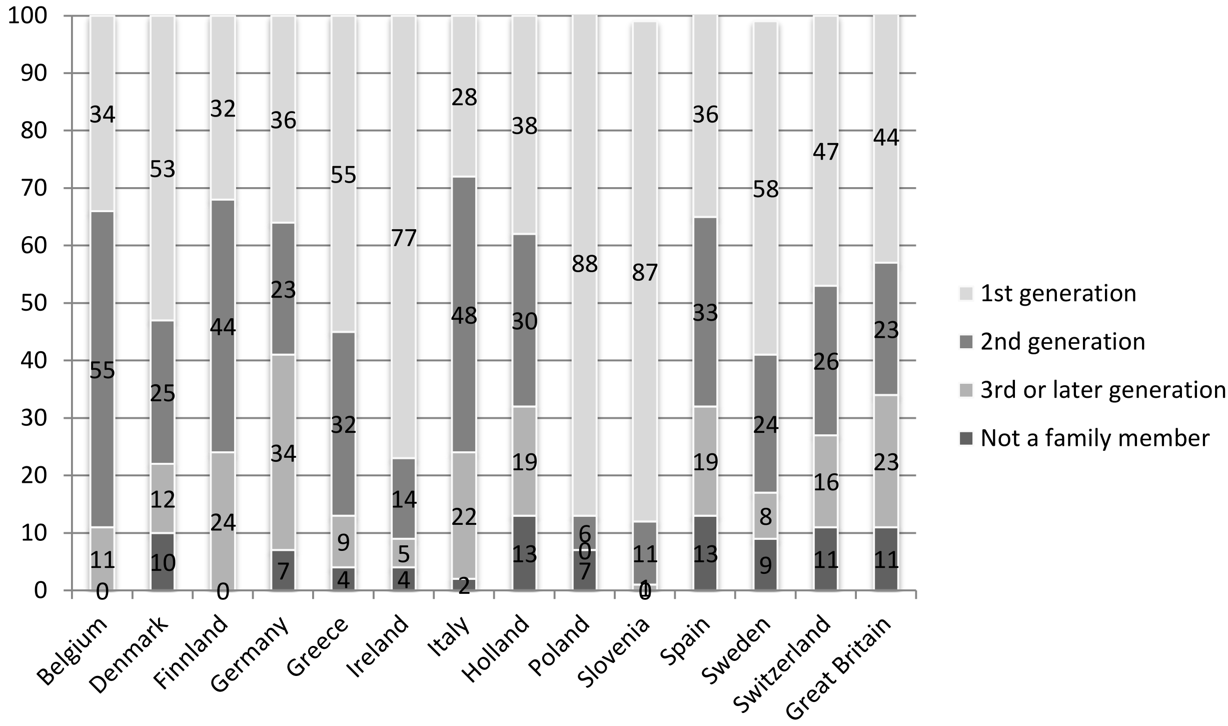

Figure 6: Overview of generations in family businesses by the countries participating in PRIMA research

We can observe that around 50% of respondents are founders of the company. However Slovenia (87%), Poland (88%) and Ireland (77%) stand out with very high percentages of first generations as managers. On the other hand we can observe countries that were very successful in generational transition, like Belgium (55%), Finland (44%), Spain (38%) or Greece (32%) which have quite high percentages of family businesses run by a 2nd generation. Furthermore, Germany with 23% of family businesses in 2nd generation and 34% in 3rd generation dominated in successfully completing transition cycles.

To conclude, family business is a topic that interests many academics in the entrepreneurial academic sphere. Although many articles have been written about that topic in general, transition between generations is still the area not well explored yet. Special interest in this thesis was put on the Republic of Slovenia and case studies presented there. Namely due to some historical events, family businesses almost haven't existed before independence of Slovenia from Yugoslavia. After 1991 we can observe huge increase in newly established businesses, out of which, most are family ones. This means that many founders established their companies then and now, 25 years ago, many of them are retiring. Right now they are facing the need of transitioning their businesses to younger generations. Since research on family businesses transition in Slovenia is quite scarce due to above mentioned factors, this will be exploited in the next chapters of this thesis.

3. RESEARCH METHODOLOGY

Nowadays we can find many different approaches in literature to study family businesses. However, this topic proved to be quite personal and highly connected with family relationships outside business. Therefore many researchers studied this problem, using different forms of case studies as their research methods. (Chirco, 2008)

3.1. What is case study?

Case studies are preferred strategies in business research, when we want to answer questions beginning with “how” or “why”, when investigator doesn’t want to have much influence over interview flow and the focus is on some events within some real-life context.(Yin, 2013) There are two different types of case studies: single and multiple cases, each being self-explanatory. Although multiple case studies may be a bit challenging due to time and resource limitations, I decided to use this approach with my thesis. The results from this type of case studies are usually considered more compelling and the whole study is therefore regarded as more relevant.

Based on Eisenhardt (1989) it is best to have between four and ten cases in multiple case studies. In this thesis I researched six cases of family companies.

3.2. Challenges with case study research

Although many positive characteristics of multiple case studies, there are also some disadvantages with this kind of research. The first one is time and resource limitations. Since master thesis project lasted only for one semester I had to limit myself to only six case studies. However, I feel these case studies still showed me relevant picture of current situation in family businesses in Slovenia.

Another limitation is the nature of interviews I conducted for my thesis. Namely I focused on interviewing only family members working (worked) in family company as a CEO and are also owners of the company. I am aware that this could limit my study, since some information might be more relevant to obtain elsewhere. Nevertheless I compensated that by interviewing at least two representatives from the same company (exception is only company E) and getting two perspectives for the same topic. I believe this was a major strength of methodological part for this thesis. It helped me understand the process of transition from two different angles. I believe this is a special strength in this kind of research, since family business transitions involve a lot of emotional and personal questions and discussions. Furthermore people perceive emotions differently, it is quite important to understand it from both sides.

3.3. Case study method used for thesis

3.3.1. Sampling

I first did a secondary research in terms of gathering relevant literature, concerning my research question, and furthermore made interviews with participants in this study.

Secondary research was divided in three parts. The first part was researching about family business in general and its unique characteristics compared to non-family ones. The second part was studying generational transitions within family businesses. In this part I found Murray (2003) model, which I based my interview guide on. However, in the actually process of interviewing participants I discovered also some other factors beside Murray's model, and based my research findings in a more inductive way.

First and second parts of secondary data were obtained from scientific articles and books. In the last part of secondary research I took a closer look into family business situation in Slovenia, to base my case study on. All these information were obtained from scientific papers, books, TV shows and newspaper articles.

After conducting my interview guide based on theoretical framework I executed the interviews. I had interviews with 6 different companies and in each at lest 2 representatives (exception were company E where I interviewed only one person, and company F, where I interviewed 3 people), so all together 12 people. I had around 6 hours of interviews and 38 numbers of pages of transcription. I choose people who are related, are part of the owning family and are (were) actively working in the company.

3.3.2. Collecting data

I used semi-structured form of interview to collect answers from all the interviewees. Questions were divided into seven categories, according to Murray (2003) theory on generational transition in family businesses plus some warm up questions about the company at the beginning of the interview.

I tried to make interview as comfortable as possible and therefore allowed interviewees to talk freely, without forcing too much questions and interrupting their talk. Therefore length of the interviews quite varied, depending on interviewees' personalities, enthusiasm about the topic, etc.-but usually between 15 and 40 minutes each.

All interviews were executed personally in their offices, and were recorded with previous permissions. Since I interviewed two persons from the same company and I wanted to get answers for the same (similar) questions from different perspectives, I executed each interview alone in separate rooms, without other interviewee present.

I had an advantage in personal connection with all the interviewees. Namely, some interviewees I knew personally from before and some knew my friends and family. I see that as an advantage, since I didn't have problems in obtaining comprehensive and really personal answers.

3.3.3. Analysis

Coding part of the interviews started with listening of recordings and writing transcripts from the interviews. All interviews were thoroughly studied and broken down into sub-factors. I marked different sub-factor with different colours, for easier navigation through the transcripts. When I finished with all the transcripts, I went through again and checked which sub-factors are repeating throughout different cases. Factors that were apparent in many cases were presented and comprehensively discussed in later parts of this thesis.

3.3.4. Use of English in the analysis

Interviews were carried out in Slovenian, to make all respondents more comfortable since this was their first language. After typing down the recordings in Slovenian, I carried out the analysis of the obtained records in English. I am aware that some information might be lost in the process of translation, but I was doing my best to maintain the original meaning of each expression.

3.3.5. Interviewees

All interviewees are presented anonymously in this thesis, due to highly personal nature of the research. For easier orientation I replaced their names with random ones, as presented in table 2. Interviewees were all related and were/are working in the family business. In two cases I had an interview with the founder and their sons (companies A and C), in one with the 3rd generation grand- daughter as a CEO representative(company E), in one with founder's wife and also long time CEO of the company, and her son (company B), in one with the father and his two sons (company F) and in the last one with the son and brother in-law who continued the work in family business, after father passed away couple years ago (company D).

More thorough description of each case is presented in the next chapter.

Table 2: Case studies

Case study Nr.	**Name**	**Relationships**	**Generation in family business**
Company A	Andy	Father	1st
	Andrew	Son	2nd
Company B	Betty	Mother	1st
	Bobby	Son	2nd
Company C	Carl	Father	1st
	Craig	Son	2nd
Company D	David	Son	2nd
	Drew	Brother in law	2nd
Company E	Erica	Daughter	3rd
Company F	Fred	Father	1st
	Felix	Son	2nd
	Finn	Son	2nd

4. CASE STUDIES

4.1. Company A – Andy (father) and Andrew (son)

Company A is a family company into tool-making for plastics industry. In this research participated the founder of the company, I will call him Andy and his son, current CEO of the company, which I will call him Andrew, in order to preserve their anonymity.

Company was established 34 years ago and is currently employing 21 employees. Amongst these is also Andrew's sister, who is working in accountancy and until recently Andrew's mother, who worked in administration, until she retired recently.

Andrew became official CEO of the company last year, but Andy is still very much involved into managing of the whole business. In practice they are working together and accepting all the major decisions together. Ownership is divided just between them-each taking 50% of the shares.

Andrew started working in this company in high school as a summer job intern, to earn some extra money. After finishing his degree he employed in their family company on his own wish. He was first working in production and then slowly promoting up. He's been in this company for 15 years now.

Andrew is now married and has 2 daughters and a son. He thinks that a son can inherit someday the company, but he doesn't want to put much pressure into that. Therefore Andrew feels that their children's childhood shouldn't be any different than other and that they should be old enough to decide for themselves.

4.2. Company B – Betty (mother) and Bobby (son)

Company B is a family company in manufacturing of roller blades. In this research participated founders wife, who was CEO of the company for many years, I will call her Betty, and Bobby-her son, who is CEO of the company, for 8 years yet.

Betty's husband started the company in 1976 and because he was more of a technical person, he agreed to leave managerial businesses to his wife. Her job was mostly marketing, accountancy and managing of the business at that time. Company grew and right now they have 137 employees.

Family business has always been a big part of Bobby's family and later on she admitted that she also advised her sons to study something in the benefit of the company. Learning new languages was also very important to Betty, since she believe this helped her sons later on in establishing some new markets for the business.

Betty and her husband never wanted to make differences between two sons, so they established another company for their first-born and left this company to the second one (Bobby).

Now Betty and her husband stepped out of the business, as employees and also as owners, since Bobby owns 100 % of the company.

Bobby has two young children and would like to give this company someday to and continue the tradition. Since Bobby's wife is also working in the company, it is quite natural to them to raise their children in that spirit.

4.3. Company C – Carl (father) and Craig (son)

Company C is a family company in manufacturing of plastics. In this research participated the founder of the company, I will call him Carl, and the successor of the business, I will call him Craig to preserve both of theirs anonymity.

Carl started the company in 1980, because he had some previous working experiences in this business. When he was 55 years old he decided that it was time to give the company to one of his two sons, so he can retire. Since one son didn't want that, the other (Craig) stepped in and took over. It was also a perfect timing for him, since he just lost his job at that time. Before becoming a CEO Craig worked in two different companies before.

Now Craig is the CEO and Carl just sometimes helps the company out-but not with managerial issues, but rather with technical ones, transportation of finished products, etc. However Carl is 100 % owner of the company and wants to stay it like that since he wants to have some control over the company he created.

Craig is now married and has two daughters, but doesn't want for them to inherit the company, since he feels there are too much responsibilities and commitment for one person. However he said that if his children would someday want to work in the family business he will support them and help them in any way he can.

4.4. Company D – David (son) and Drew (brother-in-law)

Company D is a family company conducting products for final stages of construction business. In this research participated son of the founder, who inherited the company after his father's death-I will call him David, and his brother in law who is also working in managerial position.

Company was established in 1990 and is now employing 25 employees. Although David was involved in the family business since his childhood, he didn't have a plan to work in this company when he grew up. He finished his PhD and was more into academic sphere, rather than business one. Unfortunately his father got seriously ill and one year before his death, they mutually agree to make David a CEO and future predecessor of the company. This happened almost 10 years ago and he said that he doesn't regret this decision.

At approximately the same time Drew came into the company, because of his dissatisfaction with previous job. He took over managerial position and right now works as a procurist[1]-helping David with everyday strategic decisions regarding the company. However David is the sole owner of the company-having all 100% of the shares.

David is not married and doesn't have children yet. On the other hand Drew is (with David's sister) and has 4 children. They are all still infants so he hasn't though much about future involvement of them in the company. However, since this business takes over bigger part of his everyday life, he shares some problems, ideas, etc. also with them, so they can understand him better and sometimes help him out with their ideas.

[1] Procurist: Authorised assistant manager

4.5. Company E – Erica (granddaughter)

Company E is a family company conducting products for final stages of construction business. In this research participated just one person from the company-I will call her Erica, in order to preserve her anonymity. Erica is a CEO of the company, currently employing 35 employees. Company is 52 years old and was established by her grandfather, followed by her father and now she is representing the 3rd generation of the same family. Amongst 35 employees is also her sister, working in marketing and until recently her mother, who worked in administration/human resources until she retired. Erica also has a brother, who established his own company elsewhere.

Erica officially became CEO of the company 3 years ago, after she's been working there almost since her childhood. Later on she finished bachelor and master degree alongside work.

Her father is now employed as a procurist .His role in the company is to nurture some of his old business partnerships across the world, represents company in international fairs and acts as a speaker in some technical conferences.

Erica made quite a lot of changes after becoming a CEO, but she always included her father into that and tried to convince him, why this changes were right and necessary. Therefore they sometimes have fights, but talk it through soon. As a help Erica also hired recently an outside business coach who help her in establishing new management changes and works as an objective 3rd person.

Ownership in the company is divided between Erica and her father-each having 50% of the shares.

Erica is married and has two sons-both still minors. However she is already including them into business, by taking them to business lunches and some trips with business partners and their families. It is her wish that one day their sons would be working in the company-but only in case, if they show an interest into this kind of lifestyle.

4.6. Company F – Fred (father), Felix (son) and Finn (son)

Company F is a family company in tool-making production for plastics industry. In this research participated the founder of the company, I will call him Fred and his two sons, I will call them Felix and Fred. Currently Fred is still the CEO of the company, but the sons are actively working in it for some years now. Although they are still young (23 and 24 years old) there is desire to inherit this business to them.

Company was established in 1994 and currently employs 11 employees. Although Felix and Finn are not CEOs yet, they are actively participating also in managerial issuses. Fred wants to include them in any major decisions and show them all the stages of the business and therefore prepare them properly before the transition occurs.

Felix and Finn also mentioned that their everyday life was always different from the others and that they were quite a lot involved into the business. Since they are still living together with their parents, their everyday work is not limited to official 8 hours in the office, but also continue later on when they come home.

They are both still not married, with no kids, but they both mentioned, that if they would ever had children, they would really much like to involve them into business, since “this is the only way they know how to live”.

5. RESULTS AND ANALYSIS

This chapter focuses on results and analysis of found factors after the process of coding the interviews. Since the interviews were performed in a semi-structured way, coding of the results has been executed in an inductive approach. The most important factors are organized under each main finding, with detailed discussion that follows.

5.1. Choosing the "right sibling"

When it comes to transition of family businesses first decision has to be made: Whom to trust the company to? As we could observe in theoretical part of this research: Founders are more prone to give the family business to their relatives rather than to their in-laws or even sell it. (Syms, 1994) This phenomenon was also observed amongst all of the participants in my research. Even though in-laws are actively working in the companies (examples in companies B, C and D) they were never considered as possible successors.

But, what happens when a predecessor, has more than one child? Who gets to be chosen for the role of the manager? These questions are more complex and don't have a unique answer when we look at the theoretical part of this research. Chrisman et al. (1998) suggests that integrity and especially commitment of the possible successors are the factors that decide who gets to be trusted with the company. When we look at the PRIMA research made by Birley (2000) we can see that the lack of commitment and interest of the children in the family businesses are major concerns of predecessors especially in Slovenia.

On the other hand Morris et al. (1996) believes that educational background and experiences gets to be the reason why one child is chosen over the other. Furthermore Davis (1968) stated that interpersonal relationships in family and especially between predecessor and future successor are crucial one for the process of choosing.

These factors also proved to be the most important ones in the research for my thesis. In table 3 we can observe that all participants in this research have at least one sibling.

Table 3: Siblings of successors

Name, ***relationship with the founder*** **(Company)**	**Siblings**
Drew, *son-in-law* (Company D)	*Not relevant-he is not an official successor*
Craig, *son* (Company C)	Brother
Andrew, *son* (Company A)	Sister
Erica, *granddaughter* (Company E)	Brother and Sister
Felix, *son* (company F)	Brother (Finn from this research) and Sister
Finn, *son* (company F)	Brother (Felix from this research) and Sister
David, *son* (company D)	Sister
Bobby, *son* (company B)	Brother

Drew (from company D) was excluded from this analysis, since he is not an official successor for the family company he is working. As mentioned before he is employed in a family company of his wife. Right before the passing of his father in law, his brother in law inherited the business. Unfortunately father in law is not alive anymore, but it would be interesting to ask him about his perspective on bloodline factor in family business succession process.

David from company D and Erica from company E were both chosen based on their experiences and background education. Erica said: "I had to work really hard to get where I am know. I felt I have to prove my father constantly that I am worthy of this. I started working in the company right after high school and I've chosen my education according to company needs and policy at that time. It also helped the fact that my brother didn't want to work in our company and my sister is much younger than me so she got included herself in the company later on."

Similar story happened with David from company D: "I always worked in my father's company since I was a kid. I have to admit-I didn't have a desire to work here when I grow up, but I knew that my family needs help, so I helped them out. Later on I obtained PhD in relevant field of the company's interest. My sister studied completely different fields and never showed much interest into the company. So it was completely logical that my father chose me as his successor when he got sick."

In case of company A gender of possible successors played the major role in choosing between two siblings. Founder Andy said: “When it came to choosing between my son and a daughter there wasn’t much of a problem. I think this is a males job and therefore I believe that my son is better suited then my daughter. I still got my daughter a job in our company though.”

In company B was the relationship between the founder and possible successors that played the major role. Betty, wife of a founder, explained: “My husband and I have two sons. When the oldest one finished his education he showed an interest into working in our company. But you know my husband and him are both the same characters. Very stubborn, and sometimes they can’t stand each other in the same room. And when my oldest son started working, my husband was still active and not ready to retire yet. Therefore they fought a lot and we saw that this was going nowhere. Since he is still our son and our blood we decided to open a new company for him and help him out. We provided him with space, initial capital and all the support. And it turned out well at the end. Then my youngest son (Bobby) graduated and he also wanted to work with us. He and my husband work better together, so there was no problem in trusting him our company for the future.”

Company C is a company where no actual decision needed to be made. Carl, founder of the company said: “When I was 55 years old I decided to slowly step out of the business and retire. I knew that I didn’t want to sell my business to some strangers, rather give it to one of my two sons to continue tradition. I remember we had a lunch one Sunday and I asked them about that. The youngest one didn’t want to have anything with that since he already had a steady job. On the other hand, the older one just lost his previous job, so our company was the only thing left for him. So I would say this was just a logical thing for him to do next.”

The most interesting company regarding this research question is company F. In this company official transition hasn’t happened yet. Fred, founder of the company is also still the CEO and will retire in about 5 years. Three years ago his two sons, Finn and Felix joined the company and are now employed there. They both have the same educational background and have worked in this company since their childhood. They all get along really well-personally and professionally. The obvious question arises: Who to choose? Fred answers: “I don’t know. I am aware that for the good leadership only one gets to be ‘the boss’, but right now I really don’t know who. You know…it’s hard with these things. Since these are not just your employees, but also children. And you love them both. So I don't know. I am lucky that I don't need to decide for that yet. But I guess the time will show…"

But what all successors have in common is commitment and desire towards family business that Chrisman et al. (1998) talked about. All predecessors mentioned that they never wanted to force their children to work in the company. First and the most important factor was motivation of the possible successor, followed by all the other factors mentioned above.

5.2. Upbringing experiences of future successors

Upbringing in a family that owns family business has quite different characteristics. I’ve noticed that majority of successors I’ve interviewed experiences different everyday life in their childhood. Based on the interview findings I organized these experiences into next subcategories, as presented in figure 7.

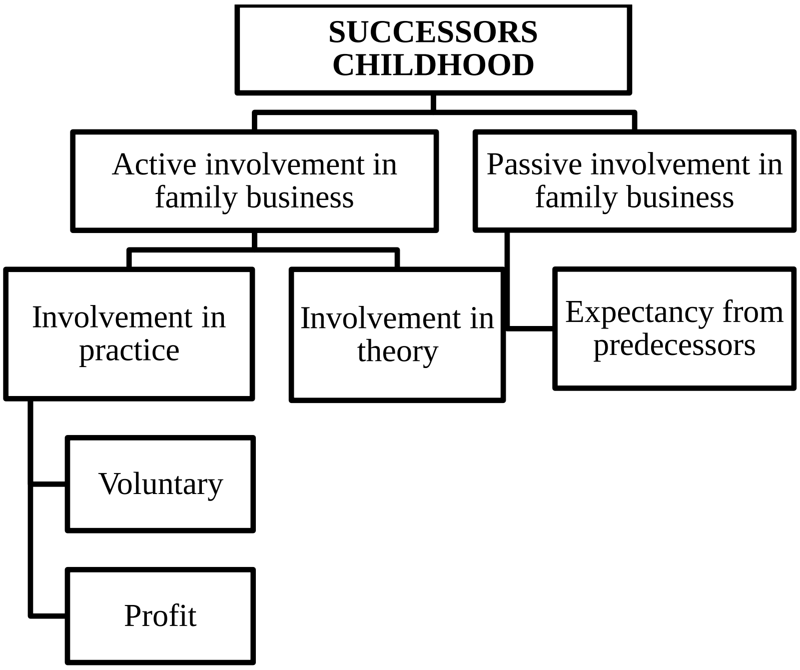

Figure 7: Model for upbringing styles of future successors

All of the participants in this study mentioned that family business was part of their everyday life in different ways, when they were raising up. Based on the findings we can first distinguish between active and passive involvement into family business.

Passive involvement happens when future successors are not involved in the family business: not working there when they are younger, not participating in discussions about the business and not actively working in the company as a part of a part-time job. However predecessors who raised their future successors in that manner still expect for their children to inherit the business someday. Andy, predecessor from company A reported: “When my children were younger I never wanted to force them with our family business and decided to wait until they are older to let them decide what they wanted to do. However I always desired that they choose this, so tradition will be carried on and I won’t be forced to sell it so someone else, when my retirement comes.”

On the other hand active involvement focuses on putting future successors in centre of the family business and actively includes them in everyday activities. We can distinguish between two types: successor involvement in theory and successor involvement in practical tasks.

Theoretical involvement is usually shown through participation in everyday discussions about family business. Fred from company F, said: “Even though we usually work ten hours per day, our business life doesn’t stop there. We talk about business decisions, new opportunities, employees or just everyday happenings at the office, everyday-the whole day. This is not something unusual for me. I like it. But I guess, it’s because the whole family (father, mother and brother) is in family business and that doesn’t seem strange for us at all.”

Furthermore practical involvement was observed. This was shown through actively working in the family business in some tasks appropriate for the minors/teenagers. This factor can be separated into two categories: the first one being profitable one-where future successors worked for the pocket money and were payed by the hours they dedicated to the business; and the second one voluntary one, where future successors weren’t payed. This type of work is usually seen by successors as a normal, everyday chores in any other household. Erica from company E explained: “When I was around 12 years old my mother gave me the envelope and told me that I have to go to the Social Security Institution, which was near my house, and get some papers signed since we employed a new employee and she didn’t have time to go by herself. On the other occasion, when me and my siblings were even younger, my mother put us in her truck and we went to visit some business partners and delivered finished products. Of course we didn’t get payed for this and our parents always tried to made it as fun as possible-but nevertheless we did some tasks for the company suitable for our age.”

On the other hand practical work in the company can be financially rewarded from the young age, with some pocket-money as a reward for the job done. Many participants reported this behaviour. Craig from company C said: “Every summer when me and my brother were younger, we used to work in my father’s company. He treated us as all other employees, giving us the same type of work and paying us at the end for the work we have done.”

Different types of behaviours explained in figure 7 are not excluded. Therefore different types of behaviours can be observed with just one family business. I gathered all my findings from the interview and presented them table 4. This table shows us how different types of upbringing behaviours in the past influenced motivation of successors in the present.

Table 4: Connection between upbringing experiences and motivation levels

Name, *relationship with the founder* (Company)	**Rating of motivation**	**Upbringing behaviours**			
		Active, Practice, Profit	*Active, Practice, Non-profit*	*Active, Theory*	*Passive, Expectancy*
Drew, *son-in-law* (Company D)	*	*Not raised in a family owning a business.*			
Craig, *son* (Company C)	**	✓			✓
Andrew, *son* (Company A)	***	✓			✓
Erica, *granddaughter* (Company E)	****		✓	✓	✓
Felix, *son* (company F)	*****		✓	✓	✓
Finn, *son* (company F)	*****		✓	✓	✓
David, *son* (company D)	******	✓	✓	✓	
Bobby, *son* (company B)	*******	✓	✓	✓	✓

Based on the table presented above we can observe that all participating families had more factors involved in upbringing of their children/future successors. Exception was Drew, from company D, who was married into a family owning a family business, and therefore his childhood didn't showed these characteristics.

Upbringing in companies A and C was quite similar, both successors were working in the company for some part-time summer jobs for pocket money, and their parents did expect them to someday inherit the business, but overall private and business life was strictly separated. Andrew, from company A reported: "My father never brought work home. At home we didn't talk much about the business and weren't helping out with some tasks. At least children haven't. My father never pushed me into that direction. It wasn't until I showed my interest into working there, when I was older, that that changed."

On the other hand, childhood for successors in companies E and F was quite the opposite. Erica, Felix and Finn reported that they did a lot of tasks for the company, but they didn't see it as a working behaviour, but rather as doing some chores as other kids for the benefit of the family. There was also some expectancy from their parents to inherit the business someday, but they haven’t seen it as a burden but rather as something normal. Erica said: “I don’t know how to live my life now any other way. I was raised like that.”

Successors from companies D and B are a mixture of everything. All factors can be observed here.

Trend related to motivation of the successors can be observed in relation to their upbringing behaviourism styles. It can be suggested that more the child is included in the business from their young age; the greater possibility is that their motivation for work in family business in later stages of life would be higher. This supports the claim made by Gallo (2002) from theoretical part of this thesis, where he stated that upbringing of successors is a crucial factor in their willingness to continue with family business when they are older.

Second finding is related to expectancy of the predecessors for successors to continue family business. It was observed that tradition and family were very important values in participating companies. Therefore almost all of the interviewed predecessors wanted that their children success the business in later stages of their life.

Thirdly it is believed that active, practical involvement of future successors has higher importance in growing up of motivated successors, rather than passive or theoretical one. It was also observed that working for company as a non-profit part-time work was more motivating in a long run, rather than profit, pocket-money work. I believe that work should be presented to children of family businesses as an everyday activity, an errand needed to be done for the benefit of the family. When this work has a “personal-note” into it, it is not perceived by future successors as a burden, but as a way of life.

5.3. Division of shares between the successor and predecessor

Working in a company, and owning one, makes a huge difference. Owning part of the business means working for yourself and not anymore just for the others. In family business, members are usually both-employees and owners. I would like to emphasise here that all companies interviewed were in full (100%) ownership of the interviewed families.

However I noticed that only members that work in managerial positions of the company were entitled to shares in the company. Andy, founder of company A stated: "In our family business, everyone from the family are employed in it. My wife and my daughter are working in human resources/accountancy positions and my son and me as managers. However, since the two of us make important decisions and lead this company, we divided shares only between ourselves."

Second observation was that shares are sometimes (exceptions are companies A, E and F) not equally distributed between predecessor and successor. In a case of company C, founder is still 100% owner of the business. He stated: "When I retired I left CEO position completely to my son and I didn't want to interfere with that anymore. However since this is the company that I spent so many years building I remained the full owner of it. I wanted to know what is happening in my company and still have some control for its future development."

On the other hand company B had a completely different strategy. Bobby, successor from company B said: "When my brother and I were old enough, our parents divided the company between four of us equally-each taking 25% respectively. However when my brother decided to open his own company and my parents helped him out greatly, I got his 25%, which resulted in 50% my share and 25% each parent. Couple of years later I decided to pay my parents off, so at the end I was left with 100% ownership of our company"

In company D, David is also a sole owner of the company. However, this happened after the death of the predecessor, his father. Although Drew, David's brother-in-law is part of management team in the company, he doesn't have any shares in it. This is due to traditional aspects of succession in the family businesses. This succession of ownership was based on bloodline and not in-law relationships, as presented in Syms (1994) research.

I noticed that division of shares greatly affected motivation levels of successors, as is presented in table 5.

Table 5: Percentages of shares in family company with ratings of motivation for each successor

Name, *relationship with the founder* (Company)	**Rating of motivation**	**Percentages of shares in family business**
Drew, *son-in-law* (Company D)	*	0 %
Craig, *son* (Company C)	**	0 %
Andrew, *son* (Company A)	***	50 %
Erica, *granddaughter* (Company E)	****	50 %
Felix, *son* (company F)	*****	33.3 %
Finn, *son* (company F)	*****	33.3 %
David, *son* (company D)	******	100 %
Bobby, *son* (company B)	*******	100 %

In company D, after the death of the founder, his son and his brother-in-law continued with the family business. Now the ownership of the company is in sole ownership of the son, David. When interviewing David and Drew, there was a very obvious distinction in levels of motivation between these two. Although they get along great in private life, they have quite different roles in business. While David talks about his business with passion, new ideas, future and overall great enthusiasm, Drew sees it more as a regular job, with regular assignments and not as a part of some bigger picture, management team and family business.

In company F is a bit different story. Founder of the company, who is still a CEO, has two sons, Felix and Finn, who started working in the company couple of years ago. They divided shares of the company right from the beginning in order to avoid any arguments in the future. Felix and Finn are both quite young, 23 and 24 respectively, and are quite enthusiastic about work, future plans, ideas, etc. However I didn't get the feeling that this phenomenon is due to their shares in the company, but rather young age, first years in the business and overall support from the father and the whole family. Therefore although relatively small shares in the company (each 33.3%) we can observe high motivation levels (5*).

Based on findings in this research it can be indicated that ownership of the family business has positive effect on motivation levels of the successors. Therefore higher levels of shares can positively affect motivation and commitment to family business.

5.4. Predecessor's involvement into transition period

Predecessor's involvement into transition period is another factor that showed interesting results in evaluation of successful transition of family businesses in this study. The most crucial part of transition period was according to my results, the last part of Murray (2003) model: Choice and Commitment. This period usually happens between 2 and 5 years after the transition and all parties should accept all the changes that happened and act according to it. This usually means that a new successor is taking over the business and accepting all the responsibilities, while on the other hand predecessor should remove himself from the company and let successor take charge of the business.

Cadieux (2007) also mentions this in his study and label this period as the most difficult process in transition period, since predecessors have to let go of the one thing that represents an important part of their personal, professional and social everyday life. Therefore, many predecessors can't let go of the company and even though the official transition happened, they remain in the company, accepting an honorary position as president, joining board of directors, acting as firm's representatives or accepting new positions within a firm. (Cadieux, 2007)

All these theoretical applications were strongly supported in my research. I went even further and implied how overly attached behaviour of predecessors is usually accompanied with lower percentages of shares in family business for future successors and as a result this influences poorly on their motivation for work in family business, as presented in table 6.

Table 6:Connection of current involvement of predecessor with motivation levels of successor

Name, *relationship with the founder* (Company)	**Rating of motivation**	**Percentages of shares in family business**	**Years after transition**	**Current involvement of predecessor**
Drew, *son-in-law* (Company D)	*	0 %	*Not an official successor, his father in law left the business to his son.*	
Craig, *son* (Company C)	**	0 %	2	Involved
Andrew, *son* (Company A)	***	50 %	1	Involved
Erica, *granddaughter* (Company E)	****	50 %	3	Involved
Felix, *son* (company F)	*****	33.3 %	*Transition is yet about to happen*	
Finn, *son* (company F)	*****	33.3 %	*Transition is yet about to happen*	
David, *son* (company D)	******	100 %	4	*Deceased*
Bobby, *son* (company B)	*******	100 %	5	Retired

I will exclude Drew, from company D, from this evaluation since he is not an official successor. In this family business predecessor (his father in law) left the company to his son. However, Drew's perspective was still valuable since it has supported claims in this research sub-question and shed light on some events from different point of view.

Also, I excluded Felix and Finn from this evaluation, since transition in company F hasn't started yet. Namely their father is still the CEO of the company and in charge of all the major decisions concerning the company. Although he is slowly teaching them all the aspects of managing their family business, the official transition hasn't started yet.

When we look at the companies where transition occurred already, I divided them into two groups. The first group being the one where the transition was successful and the predecessor is no longer involved in the company. Predecessor commitment to the new structure can be voluntary, which was the case in company B, or involuntary, like in company D, where the predecessor got seriously ill and died soon after the transition occurred. David, successor from company D said: "I never thought that I would be working in my father's company. Of course I was involved in it, when growing up, but after obtaining my PhD I thought I would continue my carrier in academic sphere. But then my father got cancer and we decided that I should at least try, work a bit and see how it goes. Maybe it was a bit forced at the beginning, but later on it grew into me and I think I made the right choice."

On the other hand there are companies where although transition already happened, predecessors are still not fully committed to the new structure and are therefore still involved in family business. This trend was observed with majority of interviewed companies: companies A, C and E. In company A is Andrew (son) the new CEO of the company. The official transition happened last year, but Andrew admits: "Although I am officially a CEO of the company I run the company together with my father. We decide about all the major decisions together." When asked how does that effect innovation and his own ideas in this company, he answers: "There is not much room for innovation right now. There is just a lot going on." While Andrew is showing passive behaviour and doesn't confront his father about the situation-I observed an opposite story with Erica and company E. Although Erica's father is still very much involved in the company, she has a different approach to it: "I like discussing with my father current things happening in the company. And I really value his opinion. But…like I said, this is not a talk-it's a discussion, and many times a fight. You know he is an old school. And he sometimes sees things differently. So I don't always do the things he would like me to."

Craig is the most passive of them all. His father, although officially retired, is always around and indirectly controls the whole business. Craig reported: "In our company is my father still helping out and making sure that we preserve the same style of management we had before. Nothing has actually changed. The whole system is not prone to some changes. Everyone is telling me that everything was fine in the past and that we shouldn't change that."

When we take a closer look in table 2, we can observe the pattern-the more the predecessor is involved after the transition period-the lesser of motivation is expected from the successor. Involvement can also be shown through not being able to give away percentages of shares to successor, which is a case with company C. Carl, founder of the company is still 100% owner of the company, while his son Craig doesn't own any shares. This, together with high involvement into everyday management of the business, results into very low motivation and apathetic behaviour of the successor towards family business.

Therefore I believe that percentages of shares owned by a successor and current involvement of predecessor are tightly connected and have an important impact on motivation levels of future successors. However it is crucial to know for the predecessors, when it is the right time to remove from the company and leave it to the successors. Namely, all successors that participated in this research admitted that their predecessors were also their mentors in transition period, which helped them greatly.

6. DISCUSSION

In this chapter I will discuss my findings from result and analysis section. I will explain how these results could be relevant for practical implications beyond this thesis and share my thoughts and ideas about the subject.

Based on the results I found four factors that were present in all participants of this research. However, some factors overlap and are not mutually exclusive.

6.1. »Right sibling« needs to be chosen on the basis of his/hers motivation towards the family business

Choosing between siblings, especially since these are your children, is not an easy task. Like Fred, from company F, who still has to go over transition period and choose between two sons, said: “You know…it’s hard with these things. Since these are not just your employees, but also children. And you love them both.”

Therefore choosing between siblings usually means, making a logical decision, best suited for your business, on personal grounds. I believe that completely rational decision is rarely able to achieve, but with some factors, mentioned in this research, this can be mitigated.

Based on my results I discovered that the first and most important sub-factor for all the predecessor participants in this research was motivation of their successors. In order to give away their companies to their children, all agreed, that future successors needed to prove their motivation towards company. Motivation can be expressed in various ways such as: previous voluntary working experiences in the family business, ideas and plans for future development of the family business, involvement in everyday work and problems of family business, etc.

Another observed sub-factor, which is related to motivation, was commitment. I would say that this factor is even more important than motivation, since it can show how someone really feels about the company even in the darkest times of the business, for example working in the family business even though you would get payed more elsewhere.

Following sub-factor for choosing between siblings was only visible in one case: decisions based on gender, where predecessor choose his son over his daughter. He clearly stated that he strongly believes this job was more of a “men’s job” and therefore he believes his son is better suited for it over his daughter. However this factor was not observed among other cases and is therefore attributed to traditional mentality of this family.

Another observed sub-factor was previous working experiences and background education- both relevant for the family company. I believe these factors, not only prove that possible successor is professionally capable of running the business, but also that his motivation and commitment by working in their respective fields is usually at higher levels.

Last sub-factor observed, and in my opinion very important one, was relationship status between predecessor and successor. Based on research findings I can suggest that good relations between predecessor and successor are vital for successful transition process. On one hand predecessor feels secured that company was inherited by the right person, he or she can trust-and on the other hand, successor feels more confident about new managerial decisions, when he or she has full support from predecessor.

6.2. Upbringing experiences of future successor are vital for motivation later in his/hers adult life

This thesis research also implicates that upbringing experiences and childhood relationship towards family business are vital for future attitude and motivation levels for family business. It supports the claim, with all participants agreeing; that more the child was involved in family business at young age, higher is his/hers motivation for family business later on in his/hers lives.

However, involving children into family business could be challenging. Some predecessor respondents admitted that they already knew, that this could be a relevant factor for future of their family business, but they never wanted to force this to their children and choose their career paths for them.

On the other hand, one successor admitted: “Although I always helped out in our company in my childhood I never felt obligated to something. I still had a wonderful growing up experiences. When I think back now: I guess I was just happy that my parents included me in so many things and therefore spent so much time together, that it hadn't bothered me at all. They always managed to make it a fun activity with all the family involved. "

Based on these research findings I can suggest that involving children into work at a young age doesn't always have to be perceived as a bad parenting. Furthermore, if work is presented in a fun way, suitable to their age and more part of a game rather than work, it can result in a fun experience for all the family. It is important for a child to develop a healthy attitude towards family business, which can result in higher motivation for work in later stages of their lives.

6.3. Motivated successor owns part of the family business

Owners of the company have the most important role in the business. Therefore division of ownership shares is sometimes perceived as a hard decision to be made. Family businesses participating in this research all had 100% shares of the company within the family and no outside shareholders were ever present. However, it is maybe surprising to know that not all family members had shares in the company, but just the founder and predecessor. Yet, shares were not equally distributed between them.

During the interviews I could observe that successors, who own part of the shares, had higher motivation levels towards company, than the ones that haven't. This was visible in various different ways: through enthusiasm when they talked about the family business, plans and ideas they have for the future, attitude towards employees and other family members involved, etc.

Phenomenon of having higher motivations for work, when owning a company, is quite obvious and can be observed also in other aspects of business. Example was a big story in April 2016, where Chobani yoghourt owner gave 10% of shares to his 2000+ employees. Owner, Mr. Hamdi Ulukaya said: "I've built something I never thought would be such a success, but I cannot think of Chobani being built without all these people. Now they'll be working to build the company even more and building their future at the same time." On the other hand, this meant a lot to employees. Rich Lake, an employee at Chobani said: "It's better than a bonus or a raise. It's the best thing because you're getting a piece of this thing you helped build." (Storm, 2016)

Reason for this could be found in next factors:

1. **Working for yourself:** When a successor owns (at least) part of the family business, he/she gets a feeling of doing something that will benefit him/her in a long run and not just through monthly pay checks.
2. **Company becomes part of your personality:** All successors owning some shares stated that they don't perceive their work as nine to five work place, but rather as an everyday, whole day part of their lives. Generally being in family businesses usually comes with late night work schedules, holidays with business meetings, limitations in personal lives, etc. However, successors that owns part of the family business, perceive these changes much better and with much more enthusiasm, than the ones who don't.
3. **Feeling of being appreciated for the work:** Majority of successors stated that they had to prove themselves in order to be trusted with the company. Therefore owning shares in the family was seen as an ultimate acceptance and proof of their good and valuable work within a family business.

6.4. After the transition period is over predecessor needs to step out from managerial positions

As Murray(2003) described in his transition cycle of family businesses, commitment to the change is a vital part after the transition is over. Since predecessors usually show their commitment at the beginning when they decide to take over the business, we talk here mostly about predecessors commitment to the new structure.

As explained many times in this thesis, family businesses represent very big part of professional, personal and social lives for the family involved. This is particularly true for the predecessors, especially if they are also founders of the family business. Therefore letting go of such big parts of their lives is hard.

On one hand it is difficult to let go of the lifestyle one is used to. These is visible in various different ways: not going to the office every day, not being around your employees, losing contact with your existing business partners, no more business trips, etc.

On the other hand it is challenging to let go of the company to someone else. Even though these are their children, predecessors perceived this step as a really hard one. They sometimes felt that they would do something better, they would use different approach, they would employ someone else, etc.

However, successors whose predecessors (parents) are still involved in the company somehow, and don't want to let it go, felt trapped. They reported that this doesn't allow them to express their capabilities and new approaches. Furthermore, other employees sometimes don't perceive them as capable authorities and because of that, still see predecessor as an unofficial manager.

7. CONCLUSION

Transition process in family businesses is due to its emotional involvement of successor and predecessor a highly complex period in family business lifespan. For the purpose of this thesis six case studies in form of family businesses in transition period from Slovenia were observed and twelve people interviewed. Out of each family, at least two people were interviewed (exception was case study E), to get an objective picture from family business transitions. Purpose of the thesis was to answer the research question: “How to successfully transfer family business to younger generation?”

Research findings suggest that four factors are crucial for successful generational transition in family businesses: selection of suitable sibling for successor, upbringing experiences of successors, division of ownership and involvement of predecessor after transition period. Family business values and ethics should be part of children’s life in early stages of their childhood in order to increase their motivation and sense of loyalty towards the family business. When having multiple children, successor should be chosen on the basis of their motivational levels and commitment towards the family business values and future plans. When succession period is over, it is recommendable to give successor some shares of the company and increase in that way their motivations and better work ethics. Predecessor’s role should be mentoring and helping a successor learn about family business values and ethics. However after the transition period is over, predecessor should act only as an advisor and let successor establish himself as a new leader with his own style of management, novelties and values.

7.1. Limitations

Since transition period in family businesses is usually a long process, with different stages, I believe greatest limitation of this study was time. However, by presenting multiple case studies, which were carefully selected, for being in different stages of transition periods, I manage to mitigate that.

Being part of family business myself and knowing some of the participant family businesses from before, could be perceived as a limitation of this study. However, I see it as an advantage since the involvement with the cases created a deeper understanding of the subject and resulted in high quality in-depth interviews.

These research findings can not be generalised to the population, since only 12 people were interviewed. Nonetheless, the in-depth interviews presented the case thoroughly and can be confirmed and rejected with quantitative research design.

7.2. Recommendation for further research

Findings of this thesis may not only be useful for practical implications in family businesses in Slovenia, but also elsewhere is the world. However, there are number of areas to investigate even further.

One possible suggestion would be to investigate what happens after the transition period is completely over. How and how many changes has new successor brought into the management of the company and how these changes affected overall success of the company.

Since population is getting older and people live longer than ever before it would also be interesting to do a study where one could evaluate how to make a predecessor successful advisor for their successors after the transition period is over.

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