

# THE STAGES OF TRANSFERRING KNOWLEDGE IN SMALL FAMILY BUSINESS SUCCESSIONS

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## Abstract

The present paper seeks to build understanding of family business succession by focusing on knowledge transfer between the older generation and the younger generation. Following the literature on resources, competences and knowledge management, we suggest that the introduction of the second generation in a family business involves the transfer of both explicit and intrinsic knowledge, i.e. tacit knowledge. An interesting question is: what are the routes to acquire these different types of knowledge and what role does single-loop and double-loop learning have in family business succession?

The present paper is explorative based on a qualitative case study. Empirical evidence shows how difficult it is to depict the moment when a succession process has been completed. More than that, the central issues in succession, i.e. the transfer of knowledge, capabilities, responsibility and power, are linked to each other in a sequential manner, thus bringing out the process of learning. The stages of transferring knowledge can be divided into i. getting to know the field (growing into entrepreneurship), ii. familiarization (actual stage of transferring knowledge), and iii. the stage of the independent development of the business (creating new explicit and tacit knowledge).

Key Words: Family business, succession, knowledge transfer, small and medium -sized enterprise

## INTRODUCTION

### Family business research

Academic interest in family business is relatively recent. This rapid increase is similar to that which occurred in the field of entrepreneurship during the last two decades. Entrepreneurship and family business literature have also many other similarities (Brock, 1994). Among other things, similarly as entrepreneurship literature, the previous literature on family business has concentrated on the debate on the definition of family business. Recent authors (e.g. Astrachan, Klein & Smyrnios, 2001) have suggested that instead of presenting an exact definition of a family business it is maybe more fruitful to create definitions for different levels of family businesses. Family business can be understood as a long continuum with different combinations of variables such as the share of ownership, the number of family members participating in the daily business or the number of succession processes in the company.

The succession processes in family businesses, during which the business is transferred from one generation to the next, represent, without any doubt, the most critical issue confronting family firms. Family firms represent relatively stable systems as long as the founder is present and in a leading role (Morris, Williams, Allen & Avila, 1997). The evidence suggests that only 30 per cent of family firms survive into the next generation, and just 15 per cent survive into the third generation (Morris, Williams & Nel, 1996; Kets de Vries, 1993; Fox, Nilakant & Hamilton, 1996). The previous studies of family business transitions can be divided into two categories: normative studies and process studies (e.g. Barach, Gantisky, Carson & Doochin, 1988). The emphasis has been on normative studies, which have tried to produce checklists on how to manage succession processes successfully (e.g. Morris, Williams, Allen & Avila, 1997; Barach & Gantisky, 1995; Dumas, Dupuis, Richer & St.-Cyr, 1995; Ibrahim & Ellis, 1994; Handler, 1992; Ambrose, 1983; Longenecker & Schoen, 1978). Studies will typically concentrate on one or two factors at a time (e.g. Stavrou, 1999). The greatest amount of attention has been devoted to the need of family firms to develop formal succession plans and to engage in early estate planning (Morris et al., 1997). Other significant insights have been the problems of selecting successors and managing the succession process from the founder's viewpoint, assessment of family business succession from the next generation's viewpoint, the impact of daughters on the succession process, the issues of trust and communication among family members, descriptions of how to avoid conflict in family business, or the importance of shared values (Morris et al., 1997; Harvey & Evans, 1995).

According to Handler (1990), in evaluating the succession process one should distinguish between the quality and effectiveness of the succession. Quality is a reflection of how the involved family members personally experience the process while effectiveness is more related to how others judge the outcome of the succession. Naturally, it would be logical that quality and effectiveness are related, although the relationship is not always obvious (cf. Kets de Vries, 1993). Harvey and Evans (1995) suggest that only seldom are all participants satisfied with both the process and the outcome.

To meet the standards of quality and effectiveness in succession, the transition process should consider the transfer of three different elements between the two generations: (1) ownership/power, (2) management responsibility, and (3) competence / knowledge. Previous process studies of family business succession have focused on studying the

changes in power and responsibility (Harvey & Evans, 1995; Churchill and Hatten, 1987). Relatively little attention has been devoted to studying the nature of transfer of knowledge in family business succession. However, while the free and unlimited exchange of knowledge could be regarded as a virtue by itself, it is possible to identify situations where full range of knowledge transfer is not warranted or could lead to organizational problems: First of all, one objective of the succession process is to update the knowledge base in the company. In this case, efficient knowledge transfer merely slows down the updating and thus interferes the business renewal. Secondly, the company may face a crisis in terms of market competition or R&D, and there is a need to restrict the number of insiders in the company to minimize the possibilities of information leaking. Nevertheless, even if the ultimate goal would not be the transfer of all knowledge, the understanding on the prerequisites of knowledge transfer is important for the family businesses. Some of the previous process models of succession are partly or implicitly mentioning some thoughts of training of a successor (e.g. Longenecker & Schoen, 1978; Ibrahim & Ellis, 1994). Most explicitly to knowledge transfer are referred by Morris et al. (1997) and Dumas et al. (1995).

### **Objectives of the paper**

The present paper is explorative by nature. It seeks to build understanding of family business transition by focusing on the knowledge transfer between the older generation and the younger generation. Following the literature on resources, competences and knowledge management, we suggest that the introduction of the second generation in a family business involves the transfer of both explicit and intrinsic knowledge, i.e. tacit knowledge. In the distinction between explicit and tacit knowledge, we may regard know-what-knowledge and know-why-knowledge as more related to explicit knowledge, and, respectively, know-how-knowledge and know-who-knowledge as more person-specific tacit knowledge. Interesting questions are: What are the routes to acquire these different types of knowledge and to entail context-related knowledge? What kind of role have single-loop and double-loop learning in a family business succession?

The paper consists of three parts. In the first part, we review family business research in terms of knowledge transfer and, in particular, the challenges in the transfer of tacit knowledge. In the second part, we build a new framework for the study of knowledge transfer in family businesses. Finally, the third part provides qualitative case illustrations of the transfer of knowledge in family business successions.

### **THE STAGES OF KNOWLEDGE TRANSFER IN A FAMILY BUSINESS SUCCESSION**

In small business research, the role of resources has been recognized as central to the success of the SME. In small businesses, the main responsibility of managing the material and immaterial resources falls to the owner-manager, and very often, the owner-manager may be the only person capable of identifying the relevant resources and capabilities in the company and its network. In the transfer of business ownership, this personal knowledge is in danger of being lost.

In the succession process, the central question is how could the successful 'start-up' of the next generation be secured. In this process, the availability of the unbiased information, the ability to identify false assumptions and active knowledge of the central actors in the business both in- and outside the company are crucial resources for

the successor. The situation calls for efficient methodologies of managing the transition and securing the knowledge transfer.

### **Family business and the resource-based approach**

In recent literature the resource-based view has been applied within the family business research (Davis & Harveston, 1998; Habbershon & Williams, 1999). The resource-based view of the firm offers tools for understanding the basis of competitiveness and the sustainability of competitive advantage (Penrose, 1959; Wernerfelt, 1984). The characteristics of resources and capabilities, such as uniqueness, heterogeneity, immobility, low transferability, imperfect imitability, their relatedness to learning curve effects and thus for liabilities of newness (cf. Peteraf, 1993; Stinchcombe, 1965), are major factors leading to the importance of each company knowing its resource base.

It seems that the resource-based approach leads the research to take a new perspective into the presence of the family in the business: the family relationship with the business proves to be a valuable resource to the business. The family characteristics are difficult to imitate and may indeed lead to several advantages applicable in the business. The family-characteristic could be a resource, if it can 1) be a way to improve the company's competitiveness, 2) work as a basis or a necessary ingredient for the strategy and survival of the company, or 3) provide the company a route to differentiate in respect to customers, suppliers and financiers.

From the point of view of long-term survival, the family is a resource in the company. (Habbershon & Williams, 1999) As an ongoing relationship, the family forms an arena for carrying over the inherent and hidden knowledge of the business and its operations. This takes place through the internal culture of the family, the way of talking about business, entrepreneurship, new ventures and competition, and the commitment into the long-term development of the company (Johannisson & Huse, 2000). The presence of the family also adds in the strategic dimension of the company development. McConaughy, Matthews & Fialko (2001) suggested that the involvement of the family in the business adds in the patience of the capital invested, the continuity and commitment into the business over generations and the perspective of strategic development. As a result the life cycle of the company is likely to be longer than of those without the family as a resource.

Applying the resource-based approach, the succession process could be interpreted as a benefit rather than as a disadvantage. That is, a proportionally large share of family businesses can foresee and manage the changes in company management. This is in stark contrast to those 'normal' companies, where the need to find a new head-figure often takes place rather suddenly. The evolving awareness of the forthcoming transition provides the family company with the opportunity to start the leverage of the tacit knowledge to the next generation in due time, often many years before the explicit transition. Succession could be interpreted as a process of self-referential renewal, i.e., autopoiesis – the process of the family and the business defining themselves a new way (Maula, 2000).

### **Knowledge management**

The research on knowledge management builds on the importance of managing the knowledge stock and the process of knowledge creation within the company and the business processes. The process of knowledge creation, i.e. learning has occupied a

major space in the knowledge management literature. Argyris and Schön (1978) suggested there are two main models behind learning: the single loop learning and the double loop learning. In the single loop learning the actor adapts to the occurring situations and does not create new approaches to the process itself. In double loop learning the process leads to a shift in paradigm resulting in the transition to the new level of operations and the learning of the new routines in the new situation.

The influential model by Nonaka and Takeuchi (1995) on the knowledge conversion is relevant in the study, also. In the model, the knowledge transfer is depicted to take place through four distinct processes: externalization, internalization, socialization and combination. An important distinction that Nonaka and Takeuchi pointed out was the difference between implicit and explicit knowledge. Explicit knowledge is easily identified in the rules, formulas, standards, models and explicit routines in the company. Explicit knowledge is a stock of information that often can be learned explicitly, without further needs for time-consuming efforts etc. On the other hand, the hidden, often process-related knowledge, i.e. tacit knowledge, causes problems, as it most often forms the backbone of the organizational routines and ability to produce and create products. The competitiveness lies in the tacit knowledge of the company. However, due to the hidden nature of the tacit knowledge, it is also difficult to change and use for organizational renewal.

Resulting from the apparent importance of the tacit knowledge for the business success, companies have taken a number of measures to manage their stock of tacit knowledge: some of them seek to create new data bases where the company could have more of the information used, some companies see the distribution of the tacit knowledge to be too centralized to a few people and seek to create work rotation systems securing the availability of tacit knowledge even if certain key personnel would not succeed to be present in the company. In family businesses, old managers start growing their successors from early on to secure the transfer of the essential tacit knowledge.

Lundvall and Johnson (1994) suggested a division between four types of knowledge: the 'know-what' refers to the facts of business and the 'know-why' refers to the technological and scientific knowledge behind the business and production in the business. These two types of knowledge could be seen as explicit knowledge, even if some of the understanding on these issues would require elements of tacit knowledge as well. On the other hand, the 'know-how' refers to the skills and routines associated with the operations in the business, and the 'know-who' refers to the person-specific aspects of the business. An interesting question is: what are the routes to acquire these different types of knowledge and to entail context-related knowledge?

### **The succession process and knowledge transfer**

The succession process is normally a lengthy period, including the transfer of ownership to the successor and the learning of the essentials of the business. In fact, should the process be fast, the transition does not differ substantially from a normal, non-family business in other respects than in the selection of the successor. (Dyck, Mauws, Starke & Mischke, 2002). Brunåker (1996) suggests the transition to be a process characterized as socialization. It is about the business, family and the company members accepting the transition and the adopting new ways of doing things. Handler (1990) described the process as mutual role adjustment, where the roles of the owner-manager are incrementally transferred into the role of a consultant, while the successor proceeds from a no-role situation to the role of a helper, of the manager and, finally, of the leader.

Both transfer of ownership and transfer of knowledge benefit from the incremental approach to the transition.

As suggested earlier, the process of succession forms an arena for autopoiesis for the family and the business. Maula (2000) refers to Mingers' (1995) definition and suggests that the theory of autopoiesis claims that "living systems undergo a continual process of internal self-production, whereas non-living systems (allopoietic) produce something else than their own self-components". In the process of autopoiesis, the knowledge flow takes place in two forms: the sensory function and the memory function. The sensory function is characterized as one of openness and information collection – the relevant elements of organizational renewal. On the other hand, the memory function builds on self-reference and closure, creating more space for organizational identity and strengthening the role of history, tradition and – that of the family. In family business succession, the process of autopoiesis accelerates and goes through the two functions several times. This adjustment concerns the 'what', 'how', 'who' and 'why' of the business, although these pieces of knowledge are also subject to redefinition to meet the new image and identity of the business, family and the owner-manager.

Table 1: The four phases of knowledge transfer taking place in succession.

	Contents	Task	Method of learning	Level on intensity in the process
Phase 1	'Know-what' 'Know-how'	Routines learning	Learning by doing	Intense in the early phases
Phase 2	'Know-why'	Getting used to responsibilities	Socialization	Continuous and tacit, becomes explicit along the process
Phase 3	'Know-who'	Building networks	Getting to know the people	Growing intensity along the process
Phase 4	'Know-how'	Transfer of knowledge on capabilities	Learning by doing	Intensity grows in the last phases

From the viewpoint of the successor, the process involves a certain order (See Table 1). The first tasks include learning the 'what' of the business. In this situation, the successor finds him/herself in routine work, often doing unchallenging tasks but nevertheless "filtrating" the business in depth. This phase does not develop the family-business definition much; the stage concerns mainly the learning of prevailing memory. In the second phase, the successor meets 'the why' of the business. This stage activates the development of the organizational image as the successor starts asking questions. The stage is about socialization but it is also a relevant period for opening up the company for new influences. The third phase concerns the 'who' of the business, which is a long period of getting to know people involved in the business in- and outside the company. In this phase, the organization's network faces the changing image of the organization and the new management. New routines and expectations are formed and institutionalized. Finally, the 'how' of the business is the last phase that the successor is about to adopt. In this phase, the capabilities and knowledge that are transferred have been under fast development and scrutiny. The company has moved to the new stage in terms of identity and image, and the openness stays for some time before it changes into the new organizational memory. An important point is to note that the learning of these four tasks take place at the same time, but because they demand different times to be learnt, they are realized at different times in the process.

## **EMPIRICAL REALITY**

Small and medium-sized family companies constitute the cornerstone of Finnish economic life, as they do in many other countries as well. More than two thirds of all the Finnish companies are owned by families. Due to their great significance as generators of economic welfare, it is very alarming that the number of retiring entrepreneurs with small family firms is rapidly increasing, and according to many recent reports, only approximately 25 to 30 per cent of these firms have a successor inside the family. According to our pilot survey (Varamäki, 1999), in addition to the general problem of finding successors, the insufficient preparedness of enterprises for a future shift in ownership, power and competence proved to be another very serious problem. According to several recent inquiries made in Finland (e.g. Ministry of Trade and Industry 2001; Chamber of Commerce 2000, Finnish Entrepreneurs 1999; 2003), finding a suitable successor is the biggest problem in regard to forthcoming family business successions. Approximately 40 to 50 per cent of family business owners have regarded this as the most difficult thing. Correspondingly, according to 13 per cent of the respondents, transferring knowledge from a predecessor to a successor is the most difficult challenge.

The empirical part provides a qualitative case-illustration of the family business knowledge transfer. The present paper is explorative, seeking new empirical ground for further theoretical development. It seeks to build understanding of family business transition by focusing on the knowledge transfer between the older generation and the younger generation. This paper is a part of a broader research project where several different cases are analyzed from the perspective of transfer of knowledge in the transition process. The analysis of the present paper is based on one case. The data collection has been longitudinal. The semi-structured interviews with the predecessor, the successor, and the external employees in the company were conducted in three different rounds between 1999 and 2003. The approach of the analysis can be termed abductive, which means theory building by using both empirical data and existing theory.

### **Case description**

Hellsten Flooring Ltd is a family business founded in 1979. The enterprise produces floor covering. Currently the whole production is exported as half-finished goods to the Scandinavia and other European countries. The enterprise stores the goods in Belgium, where an external cooperation partner carries out the finishing work. At its best, the enterprise had 12 employees, but at the moment the number of employees is only six. The decrease in the number of employees results from new products and more effective methods of production. In spite of the decrease in the number of employees, the turnover of the enterprise has stayed at the level of about 1 million euros. The enterprise has one Swedish competitor. In this line of business the central competitive ability depends on the enterprise's own rug and carpet machines. At Hellsten Flooring the personnel skills relate to the use of machines. The role of the management is to acquire unique machines to produce unique products.

At Hellsten Flooring the succession planning began as early as ten years before the actual transition took place. At the time, in 1990, the 50-year-old owner told his sons that in five years they would have to know if they would like to continue the operation of the enterprise. This was the first time the transition process was discussed. The

entrepreneur's two children were given complete freedom to choose whether to stay in the family enterprise or to enter on a different career somewhere else.

All in all, in the succession process at Hellsten Flooring, the transfer of authority, responsibility and ownership has taken place in a parallel and overlapping fashion. The succession process was finally carried through in 1999 as far as ownership and managerial responsibility were concerned. The successor was nominated as the managing director of the enterprise. The process of transferring knowledge is, however, still going on. The predecessor is still working every day in the enterprise, being responsible for production operations and especially for the service and repair of the machines. He also stays as the chairman of the company's board of directors. The successor operates as the managing director and, in addition to his managerial duties, is also responsible for the marketing and exports. The routine tasks of economic administration are outsourced. Although the three transferring processes are below described as individual divisions, the boundaries between these three elements are difficult to draw because they are so closely related.

#### *Transfer of ownership*

In the case company, the succession process started concretely by the arrangement of property, although before this stage alternatives with regard to the transfer of the enterprise to the younger generation had been deliberated in numerous discussions. The enterprise was changed from a limited partnership to an unlimited partnership and then further to a joint-stock company. Only the business activity of the enterprise was transferred to the joint-stock company, which meant that the value of the enterprise could be estimated at a minimum and the capital transfer tax could be as low as possible. In 1995 the predecessor gave equal shares in the ownership of the enterprise to both of his sons (40% and 40%) as an inheritance advance, retaining 20% of the stocks for himself. The predecessor also, at this stage, retained the majority of the voting shares. The real estate of the enterprise also remained in the predecessor's private possession.

Four years later the transfer of the ownership continued. In the autumn of 1999 the predecessor and the successor exchanged the company shares between them so that the successor received the predecessor's voting shares. The exchange of the shares also concretized the final transfer of authority. According to the predecessor, "authority and responsibility should go hand in hand". The successor at the same time also became the main owner of the enterprise, for he bought 20% of his brother's shares. The successor's brother does not in any way participate in the operations of the enterprise. The successor owns at this moment 60% of the enterprise.

In the succession process the help of outside experts has been utilized merely in matters related to the transfer of ownership, that is, mainly in questions concerning taxation and financing.

#### *Transfer of knowledge / competence*

The knowledge transfer has taken place between the predecessor and the successor for nearly 20 years. The longish period of transfer began as early as the 1980s, when the successor started to work in the enterprise during the school holidays and whenever he had some spare time. The work consisted of packing the carpets and performing other easy tasks. The successor graduated from a commercial institute and started to work in



the metropolitan area for a few years. At this stage returning to the family business did not seem very attractive to him. Although the tasks done under an external employer were not very demanding, the successor himself regards this period as extremely important from the standpoint of his subsequent options. Living elsewhere enhanced the possibilities of becoming independent and widening up his personal experiences. During this time the successor also took a Bachelor's degree. In total, the successor stayed outside the family business for eight years because of his employment elsewhere and qualifying for his degree.

In the case company, the transfer of knowledge has been intimately connected with the transfer of managerial responsibility. Along with the growing expertise in the different lines of business of the enterprise he was given the associated managerial responsibility. The systematic transfer of knowledge from the predecessor to the successor started, when the successor returned to the family business after eight years. From 1995 on for two years, the successor got acquainted with tasks in production, machines and material.

After the learning period in production, the successor began to focus on the marketing and exports activities. Until then, an external employee was responsible for this section of the company. During this period the successor was introduced to the customers of the enterprise, at the same time bringing in new customers. In 1999, when the successor assumed the role of managing director, the transfer of knowledge switched over to personnel management. The successor assumed the role of the figurehead of the enterprise also with respect to other interest groups, in other words financiers, suppliers etc. The predecessor nevertheless stood by the successor's side in different appointments with interest groups, indicating that he was still part of the enterprise as adviser and a counselor in the background. After many different stages, the transfer of knowledge is still some extent uncompleted, although the succession has already taken place. Of the different processes in the ownership transfer, the transfer of knowledge has taken the longest time to carry out.

The predecessor feels that he still possesses a fair amount of unique tacit knowledge, even if a great deal of knowledge and know-how has already been shared with the son. For instance, only the predecessor holds the tacit knowledge of the repair and maintenance of machines, which is a most essential part of the carpet business. Service of the machines is needed in the enterprise almost daily. The successor has not yet had time to get familiar with this aspect. On the other hand, since the predecessor has taken care of service and repair in an exemplary manner, the successor has had no compelling reasons to acquaint himself with technical matters, especially since he has not been particularly interested in such things. In the predecessor's opinion, not everything can even be taught but only learnt through experience. One alternative that has been considered in the enterprise is whether somebody else, for instance one of the employees, could be trained to take care of this field of know-how instead of the successor, who has his hands full with the business administration. In general terms, the successor follows systematic methods in regard to tacit knowledge. He seeks to commit as much as possible of the tacit knowledge in the firm to paper.

According to the classification of knowledge to what-, why-, who- and how-knowledge, the Hellsten Flooring successor first concentrated on absorbing know-what and know-why from the predecessor and secondly on doing and learning by himself. This stage involved the successor above all in learning tasks and processes in production. The who-stage was part of the following stage, when the successor began to get acquainted with and take responsibility for the marketing and exports of the enterprise. The last

stage, learning the how, began more or less with assuming managerial responsibility, although the know-how had already been part of the successor's productional and marketing stage. The know-how related to the service and repair of machines has not yet been transferred from the predecessor to the successor. The know-how as well as know-who is by nature tacit knowledge.

#### *The transfer of managerial responsibility*

The successor entered his duties in the family business in 1995, after having received his Bachelor's degree in Business Administration. As was stated above, he began his career in the family business in productional tasks. In this way he got the feel of all the operations of the enterprise. When he had learnt how to use the carpet machines, he began to take more charge of various managerial tasks. Having left the productional section, the successor assumed responsibility for marketing and exports. In 1999 the duties of managing director were transferred from the predecessor to the successor. As a result of this, the final supervision of work and the leading of the employees were transferred to the successor.

Both the successor and the predecessor consider it important for a successful succession that the successor worked in the enterprise even in his schooldays. Similarly important was the period he spent away from the family business since his absence made him interested in continuing the family business. The successor's previous work in his own family business helped him in that he by this means gradually managed to gain the confidence and respect of the personnel. The personnel was in good time informed of the transition process, although they had no possibility of influencing the matter in any way. When interviewed, the employees of the enterprise stated that the transition had taken place incrementally, and the outwardly visible processes of the transfer of responsibility and know-how had occurred little by little.

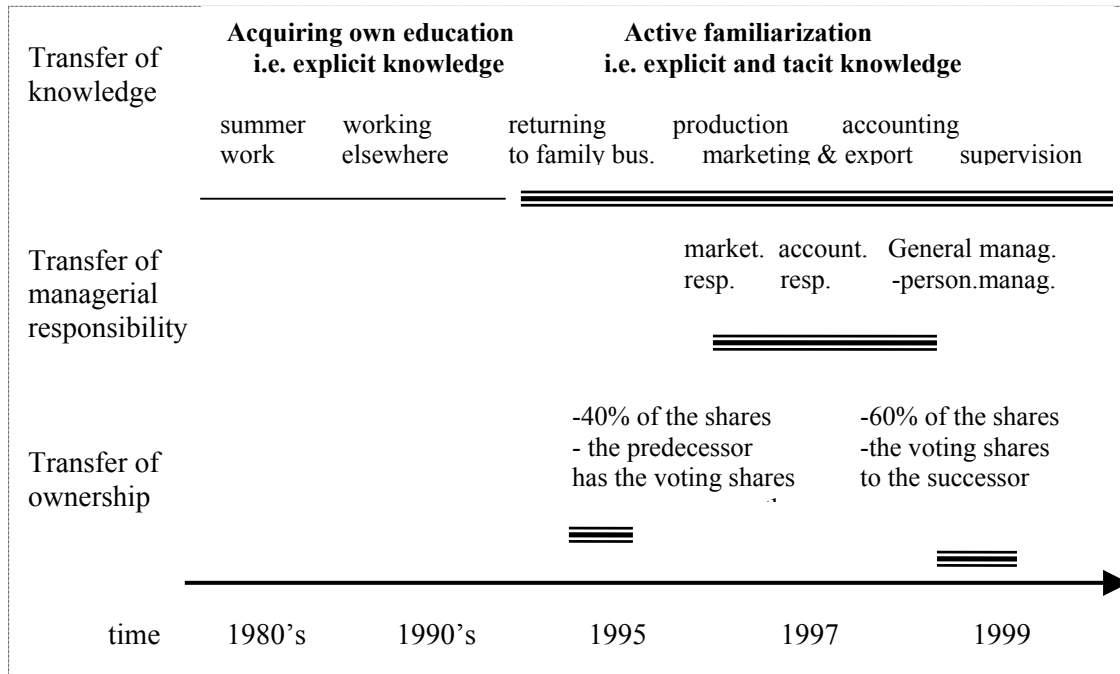
#### *Single-loop vs. double-loop learning*

After the ownership transfer, both the customer base and the product line have changed. The change in the customer base is due to the new products in the business. With the old line of products, the company met a growing competition. The competition originated from abroad in terms of cheap products, which led to price pressures. The change in the circle of customers due to the new products would not have succeeded without the competence of the successor. His knowledge of languages and his skills in international marketing have made the choice of a completely new orientation possible. A few years ago the share of exports of the enterprise was 40 %, whereas it is today 99 %.

In Business College the successor's main subject was data processing. It is only natural that the successor has brought his computer skills into the family business. The enterprise makes creditable use of computers today compared with other small enterprises of similar size. The successor has also created a new manager-employer relationship. The predecessor was a more authoritative leader, whereas the successor's style of leadership is more conversational. Between the predecessor and the successor there have actually been no conflicts in connection with the transition process. Both have similar ideas about matters relating to the enterprise and about plans for the future. Although the customers and the products have changed almost completely after the succession, the trend of development has received the full support from the predecessor.

In the following figure, it is illustrated how three different sub-processes of succession have been involved with each other in a case company. These three processes cannot be separated from each other. As can be seen, explicit knowledge can be acquired from the school, but tacit knowledge can be learned only by following, discussing and doing.

Figure 1: Transfer of knowledge, managerial responsibility and ownership in the case company as parallel processes.



## DISCUSSION

### The stages of transferring knowledge

The case evidence seems to fit in reasonably well with the earlier literature on the succession process and especially the transfer of knowledge in the process. The family business ownership transfer can be analyzed from a multitude of perspectives. The perspective of learning and knowledge transfer provides a useful picture of the transition as a process, where some aspects of transition require a long time to absorb and to be understood. This analysis may also give guidance to a process where the family crisis issues related to the long succession process may be softened. Usually in the family business, the uncertainty about the new leadership or about the direction of the family business may naturally produce a stressful environment (Harvey & Evans 1995), but in the case above this has not been the case, although so many things have changed after succession. It is likely that this lack of disagreement and problems stems from the predecessors understanding of the time-perspective associated with the process of knowledge transfer. To undertake the process in a small company the total time needed is about 20 years, where the actual ownership transfer started after 10 years of learning. In the following table, different steps of transferring knowledge based on one empirical case have been described.

Table 2: Stages of transferring knowledge in family business succession.

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**i. Getting to know the field (growing into entrepreneurship)**

**The successor:** -Acquires basic education and thinks about career choices  
-acquaints himself with the operational work in the family business  
-growing to entrepreneurship in an entrepreneurial environment  
-after finishing studies spends some time working in a unfamiliar environment

**The predecessor:**-Begins to look for the successor for the business and discusses on the different alternatives and the alternative successors future plans

**ii. Familiarization (actual stage of transferring knowledge)**

**The successor:** -Having returned to the family business he begins to familiarize himself with the various areas of the business, receiving first guidance for the task and after this to take responsibility for and develop the different areas by his own efforts  
  
-proves at the end of the stage his ability to entrepreneurial decision making, independent acting and business management

**The predecessor :**-Works to get the successor familiarised in the business  
  
-the length of the phase is affected by the background and abilities of the successor, and the extent and quality of the tacit knowledge to be transferred  
  
-works as the background supporting the successor during the whole familiarization period  
  
-in the end of the phase the predecessor may revert from the daily basis working in the business

**iii. The stage of independent development of the business (creating of new explicit and tacit knowlegde)**

**The successor:** -Manages the business independently  
  
-utilizes the knowledge transferred from the predecessor and combines it with double-loop learning acquired through his own work and education  
  
-as an entrepreneur actively seeks to develop the business further

**The predecessor:**-Works as a mentor and support in the background

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The case shows also, how difficult it is to depict the moment when the succession process has been completed (cf. Handler, 1990). More than that, the central issues in the succession, i.e. the transfer of knowledge, capabilities, responsibility and power are linked to each other in a sequential manner, thus bringing out the process of learning. It could be seen that in some respects the succession process may not be finished for a long time even if most processes of transfer have already taken place. The knowledge transfer and learning proceed from "know-what"-knowledge to "know-why"- "know-who"- and "know-how" -knowledge. The routes of learning vary a little bit. As was shown in Table 1 "know-what" and "know-how" are typically learning by doing issues. "Know-why"-knowledge i.e. getting used to responsibilities is usually transferred through socialization, and "know-who"-knowledge is transferred by getting to know the people with the assistance of the predecessor. Naturally, mentoring by the predecessor is related to all phases of knowledge transfer.

## **Implications for the further research**

The study suggests a number of implications with regard to further research. This case was a single case study, providing insights into only one succession process. This paper is a part of a broader research project. A natural further is to ask if there is variation in the knowledge transfer processes across different cases. Actually, several additional cases have already been followed although they were not analyzed here. A further question would be to focus on the issue of success in the succession process.

In this case the main focus has remained on the relationship between the successor and the predecessor, while the process includes also many other participants, such as the company personnel and the other family members. To provide a wider view of the knowledge transfer process would mean to include at least the other second generation members into the analysis of learning within the family business. In this setting, an especially interesting question would be to focus on the selection: for the successors, what are those knowledge-transfer factors associated with the decision to take part in the family business and for those staying out, how does the knowledge transfer process describe the gradual or sudden decision to decline the role in the family business.

A neglected issue in family business research has been the effect of parties' learning styles or cognitive styles on the transfer of tacit knowledge. The parties' differences in learning styles, e.g. 'diverger', 'assimilator', 'converger' or 'accommodator' (see Kolb 1984) may, at worst, make the interaction impossible, or at best, enrich mutual communication. Similarly, different cognitive styles see the things differently, for example, at the affective, cognitive, and operational levels causing mutual misunderstanding. That is why, in order to understand better the problems related to knowledge transfer, in the future research, attention should be directed especially to the learning styles and the personalities of the predecessor and of the successors, as well as to those of the family members.

In terms of practical implications, the case study provides at least one serious insight: the succession process takes a lot of time. The transition in the case company has taken 20 years, and is not quite finished yet. It is possible to see the succession crisis as a normal state of things in the family businesses, a state of things that never really goes away but merely strengthens or weakens from time to time.

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