

Succession in Hungarian Family Firms

Research Report



**CORVINUS
UNIVERSITY**
of BUDAPEST
CENTER OF
FAMILY BUSINESS



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Corvinus University of Budapest

Budapest, 2021

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The publication of the book was supported by the Péter Horváth Foundation

Layout, graphic design: Corvinus University of Budapest, Campus Service,
Printing House

ISBN 978-963-503-898-5

ISBN (e-book) 978-963-503-899-2



Publisher: Corvinus University of Budapest

Budapest, 2021

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DEAR READER,

It is our pleasure to hereby present the Research Report of the Corvinus Center of Family Business on succession.

In the recent years the necessity of succession occurs *en masse* in the life of Hungarian family-owned enterprises: therefore, this is not only one of the most important tasks of the companies concerned, but it is also a challenge for the country at the level of the national economy. There is no precise recipe for success in facing this challenge, moreover, not all the elements of the succession process have been disclosed in detail so far, despite intense research interest.

The aim of this research was to focus on the exploration of lesser-known elements of succession (while building on prior results), and to provide a comprehensive picture of the succession situation of Hungarian family businesses.

We hope that the statements of the research, and based on them, our list of recommendations will prove to be useful support for both family businesses and professionals dealing with this topic.

Prof. Dr. Dr. h.c. mult. Péter Horváth, Prof. Dr. Reinhold Mayer
Péter Horváth Stiftung

Stuttgart, 23 November, 2021

Edited by dr. Attila Wieszt, dr. Viola Sallay and dr. Tamás Martos on the basis of the research results

SUMMARY

1. About the research¹²

Between 2019 and 2021, the Center of Family Business conducted a comprehensive research about the characteristics of succession in family businesses in Hungary, with the support of the Horváth Péter Foundation. The primary objective of the research was to identify the factors that help and the factors that set back the transfer of a company within the family, but it also gives a general picture about the succession situation in Hungarian family businesses.

Succession is one of the most investigated topics of international and Hungarian family business research. In addition, following the research work of recent decades, the less explored parts of the process have also been identified. Consequently, building on the work completed so far by Hungarian and international researchers, and starting from that basis, the project focused on these unknown or less known parts: the early phase of the succession process, the processes of making decisions on successors and becoming a successor within company and family relations, and on the development of family relations and the personal relationship of the predecessor and the successor during succession, and how this impacted the operation and the succession of the company.

The research project consisted of three phases. First we created a theoretical framework for the investigation in 2019, on the basis of processing international and domestic family business and relationship psychology literature. During the second phase, between October 2019 and October 2020, we conducted a grounded theory qualitative research with the involvement of 14 businesses. Finally, between

¹ We would like to express our special thanks to dr. Imre Branyiczki and dr. György Drótos, professional reviewers, for their valuable suggestions and support.

² We would like to point out that this research is the result of the joint efforts of the staff of the Center of Family Business and external researchers involved in the work. Authors of the chapters: dr. Tamás Martos, dr. Viola Sallai, dr. Szabolcs Varga, dr. Péter Vékás and dr. Attila Wieszt. For their valuable support, we say thank you to dr. György Drótos, dr. Marcel Hülsbeck, Zoltán Gódor, Zoltán Soma Kárpáti, Krisztofer Molnár, Rita Tóth, dr. László Trautmann, Éva Vajda and dr. Péter Vakhal.

October 2020 and January 2021, we carried out a questionnaire survey at 301 businesses based on telephone and in-person queries, building partly on our theoretical model, and partly on the results of the qualitative research.

The family nature of a business can be originated from the effective personal presence of the family at the company and among the owners, and from the emergence of family values in the business. Summarizing these two aspects, we considered all the following companies as family businesses: where one or more families either have effective dominant control over the business, or – independently from ownership relations – reported their influence dominant and consider themselves as family businesses. We examined only at least strong small enterprises and medium-size enterprises which qualify as bigger family businesses under Hungarian conditions. We supposed that at these businesses the phenomena of succession within the business, within the family, between the owners, and between the business and the family are more separated from each other and can be observed more easily, due to the bigger size and more complex operation. Our unit of investigation was the complete family business system, with its family, business and ownership subsystems. For each business we investigated the characteristics of the individual family members, the subsystems and the whole system.

2. Key results

2.1. In the middle of the first big Hungarian family business succession wave

- ◆ We are now in the middle of the first Hungarian family business succession wave: the average of the years of realised or planned transfers in our sample is 2022, with a standard deviance of 12 years.
- ◆ Selected succession outcome:
- ◆ The most common planned outcome is the maintenance of both management and ownership within the family: 83.5% marked this as planned outcome. 77.9% of them would keep the company in full family ownership, while 5.6% are thinking about allowing minority owners to enter the firms.
 - ❖ 12.03% would like to keep only a certain part of the family ownership, but would not have family members as managers. 8.9% of them will keep full control, 2.5% will keep the majority position only, while a

negligible portion, 0.6% would participate in the life of the business as a minority owner, under the operative control of a non-family member managing director.

- ❖ 2.9% are planning to sell the business.
- ❖ 0.8% said the plan was to sell the ownership, but keep the management, and 0.8% were planning to close down the business.
- ◆ The successor's characteristics
 - ❖ The vast majority (94%) of the owners of family businesses have already decided who should be their successor.
 - ❖ However, only 65% of the businesses announced their potential successors publicly;
 - ❖ 50.5% of them already have the successor working for the business.
 - ❖ In the case of a group of companies that make up approximately 20% of the sample, it is true that the succession process seems to be partly or completely stuck, either because no successor has been selected yet, or the successor is not accepted or involved yet, or because of the non-identified succession outcome.
 - ❖ 7% of respondents indicated that the business would be run in the future by a non-family member professional.

The above data on the successor overshadow the perhaps overly optimistic picture of the preferred succession outcomes. Considering that the succession of domestic family companies as a whole is already very late, the fact that almost half of the selected successors do not yet work for the company, and that the succession process is stalled for every fifth company, carries a risk regarding the feasibility of their family succession intentions.

- ◆ Plans with the transfer of ownership:
 - ❖ 60,5% of respondents indicated that if the present management generation retires, the ownership would be transferred fully to the family, while 12% would keep it for themselves after retirement. 7% would transfer ownership to a family member only partially, and 4% would fully transfer it to a non-family member. 12% of the participants of the survey did not answer this question.
 - ❖ The vast majority of the businesses participating in the survey, 90%, wish to keep the majority ownership of the family in the business.
 - ❖ The business share not intended for family members is sold by the family typically to professional and not professional investors, secondly to non-family managers, and thirdly to employees. The former option was selected by 41.7% of the respondents, the second by 30.6%, the third by 13.9% It is worth highlighting that (in line with the earlier answers), these respondents made up 12% of the sample only, although not all

stakeholders (people selecting not full family ownership succession, or hiding for some reason) submitted answers.

- ◆ Success:
 - ❖ The majority of respondents find the process successful. 61.8% find it successful or very successful for the firm, and 61.1% find it successful or very successful for the family.
 - ❖ As success from the two aspects move closely together, and there is a small difference between the values, it can be supposed that respondents thought of the family rather from the aspect of the business. In addition, it can also mean that the question of succession is not experienced by the players in a way that family and business form two – partly related, but different - systems and criteria systems.

2.2. Succession as a process – planning in itself does not matter

- ◆ Previous process models of succession distinguished the different phases of succession along the necessary steps; reasonable decision-making points followed each other (for example, selecting the outcome of the succession, selecting the successor, the successor's decision, the successor's entry or the official takeover of the business). As a consequence of these models, we can conclude that the succession process can and should be planned as a pre-designed series of necessary decisions based on each other.
- ◆ The qualitative research showed that succession is made up of processes of relationship negotiations between the person currently holding the position (predecessor) and the successor. Major decisions that seem to be built on each other are primarily the results of these relationship negotiations, and not the consequences of comprehensive and conscious planning processes. Based on all of these, the planning of succession, that is the decisions made in advance about circumstances, context and the most important steps of succession, can operate efficiently only through continuous relationship negotiations between the predecessor and the successor.
- ◆ These relationship negotiation processes are about the personal closeness of the predecessor and the successor, their trust in each other and their autonomy. During the negotiations about their relationship, these two people
 - ❖ determine their common identity,

- ❖ determine what they will do together, how they will proceed together in the business, and
- ❖ determine their approach to the family rules applied in the succession within the company, and how they should develop these rules further.
- ◆ The quantitative research showed – confirming the pattern showed by the qualitative research –, that formal planning in itself has low efficiency from the side of both the company and the family:
 - ❖ the planning of succession negatively affects the efficiency of the operation of the business;
 - ❖ formal planning does not have an impact on product and service innovation and the extent of internal development processes;
 - ❖ neither does it influence the success of succession in family context;
 - ❖ conversely, examined as an outcome variable, no examined variable of the succession process has effect on the planning of succession.
- ◆ In addition, the processes of relationship negotiations control those decisions, too, which are considered as management or strategic decisions of the business by a significant part of the literature on research concerning family businesses:
 - ❖ when and how does the successor join the company;
 - ❖ the possible invitation and participation of managers and managing directors not belonging to the family;
 - ❖ the participation of close and distant family members in the business;
 - ❖ the continuous growth of the leadership autonomy of the successor;
 - ❖ the recreation of the relationship between the predecessor and the company.

2.3. How to 'success' well?

We define the following factors as the guarantees of successful succession processes.

1. It is worth focusing on improving the relationship negotiation skills of family members, especially the predecessor and the possible successors, by exploring possible relationship regulation methods, and facilitating the exercising of relationship negotiations.
2. Family members must recognize how the family members of the next generation can decide freely about becoming (possible) successors, while remaining faithful to family traditions and accepting the family heritage.
3. In terms of efficient succession, it is highly significant for the predecessor to recognize the similarity with the successor within the family. This

recognition is primarily the discovery of the fact that the successor resembles the predecessor in some of his/her positive values. This can be related to the similarity of one of the characteristics of the successor, or maybe to the way he/she handles business opportunities or business partner relationships. In cases where the predecessor did not discover any similarity with his/her successor, he/she had mixed feelings about passing the baton, and looked for external managers not belonging to the family instead of the family successor.

4. It is important for both the predecessor and the successor to personally experience whether they are capable of doing something good for each other. In general, this common knowledge comes from before the official succession process, usually from an early phase of the successor's life, and it contributes to forming a common identity with the predecessor.
5. With the advancement of the succession process, concrete relationship dynamics becomes more and more important, and grows into one of the significant challenges of the company. This means the finding of a subtle, unique balance between the predecessor giving enough autonomy to the successor as a manager, and staying by the successor in such a way and such closeness that meets the needs of both of them. During the qualitative research we found no examples, not even after the official transfer, where the successor - the newly appointed manager - opted for terminating the professional relationship with the predecessor.

The results of quantitative research also show the parallel emergence of the demand for autonomy and the demand for connection:

- ❖ the impairment of the successor's autonomy has a negative impact on company developments; in addition, the planned degree of the successor's withdrawal after the formal transfer has a positive impact on the efficiency of the company;
- ❖ moreover, the less the predecessor plans to stay involved in the operation of the company after the transfer, the less he will treat the successor as a family member and a boss, but rather as a partner, during the joint work;
- ❖ however, the degree of the successor's withdrawal from the company after the transfer in leadership has a negative impact on the success of the succession as perceived from the point of view the family.

6. The results of the quantitative research further clarify what the predecessor should be deliberate in during relationship negotiations, so that it is useful for the family and efficient for the company:
 - ❖ he/she should initiate succession within the family actively, but should not take it for granted, he/she should keep the opportunity open both within the family and the company for family and non-family succession;
 - ❖ beyond the identification of possible outcome(s), when involving the successor in the work and during the evaluation of the autonomy to be given to the successor, he/she should pay attention to his/her relationship with the successor; he/she should form the possible steps not alone, but together with the successor;
 - ❖ he/she should plan on leaving operative work after the formal transfer in leadership, but instead of leaving the successor to him/herself, he/she should help him/her further in the professional questions of strategic planning.
- ◆ 7. And finally, one more parameter, which adds to the success of the succession process: the ability of the successor and the predecessor to negotiate the predecessor's new place in the system of the family business during and after the succession, to re-build his/her relationship with the company, and connect him/her to the business again. Unfortunately, the complete termination of the relationship between the predecessor and the company is often confused with the situation when the predecessor lets go of the company to a significant degree. The successor and the predecessor must avoid this confusion. This can be done by treating the forming of a new relationship between the predecessor and the company as a topic to be discussed and agreed in their relationship, and they should focus on this on purpose during succession.

2.4 The false myth of the 'original incompatibility' of business and family

- ◆ Our analysis showed that family members' socioemotional relations to the business have positive impacts on its performance and the assessment of the success of succession. This result is valid for the family SME group that comprises the samples.
- ◆ In the case of 'family' businesses where the identification of the family member with the family is high, the personal emotional connection of family members to the existence of the company and the intention to keep

family control over the business on the long term are present, and the quality of the relationship between the stakeholders of the business and the family is important, that leads to

- ❖ higher economic performance,
 - ❖ more intensive company developments,
 - ❖ and family members are more satisfied with succession than at companies where the behaviour of family members is not really characterised by the above list.
- ◆ An important aspect of the positive effects of socioemotional relationship is - if we look at its influence on the company only - that this impact may become negative at a time of economic recess.
 - ◆ The ratio of family members in the management has a positive impact on the efficiency of the company: the higher this ratio is, the more efficient the production will be at the company. This relationship does not work under all conditions: it is probably true specifically for the examined companies, and for the situation where the founder involves his/her children in the operation of the company, too (following the involvement of spouses or partners).
 - ◆ At the same time, the actual presence of family members in the management of the company does not matter in itself, only together with the attitude of family members to the company, i.e. how they add content to their presence: the socioemotional relationships of sub-groups selecting different control formats and family and non-family management (board of directors, supervisory board, trust) are different from each other.

2.5. The decision to become a successor - appearance and reality

- ◆ Contrary to the assumptions of succession planning models, data shows, that there is no established way of the successor telling the family his/her decision as a truly equal, autonomous player. The predecessor is dominant in initiation and communication, and his/her communication in its content is more of an announcement or notification about choosing or appointing the person concerned. In his/her relation with the company, this person is not an autonomous player in the succession process. The possible successor can make a clear personal decision on family succession only with his/her company employment.

- ◆ Even though this would probably increase the quality of decision-making, only a few percent of the responders would involve a family member not active in the company, a nonfamily member manager, or an external professional.
- ◆ The provision of information to the organisation has no established forms. Family owners typically do not inform the whole organisation about this decision; all that non-family member and non-management employees see is that the successor starts to work for the business. The drawing of any conclusions depends on the features of the organisational culture, too, but it is basically up to them.

2.6. Female and male successors - differences between individual fates and business management

- ◆ Male and female successors have different relations with the business and are seen in different lights in succession.
 - ❖ For male successors, the process starts already during the primary school, but for female successors, it starts during the secondary school. While a higher ratio of boys join the family business right after graduation, most of the girls start their own career first, and return home to the company later.
 - ❖ The selection of girls is more like a collective decision by the family, while in the case of male successors, it is agreed between the predecessor and the successor.
 - ❖ It takes more time to recognise female successors as successors, and the decision about their selection is communicated less to the organisation, they progress slower within the organisation.
- ◆ However, the average age of successors is not significantly different, and the family support behind female successors is the same as behind male successors, i.e. very strong.

2.7. Non-family management – reasons from a quantitative research perspective

- ◆ 51.2% of those who chose non-family management think that the background of the decision is that the possible family successor did not show any motivation to take over the management. 26.8% think the person has not got the necessary managerial skills, and 24.4% think that the selected family members has no professional skills. Altogether 7.3% said

that the successor worked for the company, but left it. The two options, which say that the management succession process came to a halt because of a conflict between the predecessor and the successor or the successor and the family members, was not marked by anyone.

- ◆ The low ratio of dropping out from the company refers also to the fact that the failure of family management succession is basically not caused by negative experiences stemming from the joint work. The possible family successor does not even join the company to work there full-time. In other words: if the selected and identified successor of full age does not join the company, it is a warning sign that there is low chance for it later, too.
- ◆ The apparent absence of conflicts confirms the discoveries of the qualitative research. It refers to the fact that the common predecessor-successor identity among the previous and the next generation family members and the predecessor-successor relation were not deep or strong enough, and the inevitably negative emotions from the rejection of succession were not interpreted in the relation of the family with the company. What they realize is that the next generation family member simply does not want to come, or he/she is not suitable.
- ◆ Separately examining the group indicating the lack of motivation in the successor, we can see that the role of the predecessor in the succession process is stronger than the average. The value of all dimensions of socioemotional wealth is lower than the average, and the index measuring emotional relation is especially low. In this group of responders, the average age of the predecessor is higher than the mean, 66 years.

2.8. External, non-family member professional as manager

- ◆ Based on the cluster analysis, a small group of those who chose non-family member management have an already identified successor. A part of the majority – which consists mostly of smaller companies – have no plan, no possible successor, thus they experience succession as a failure. The other part of the majority, consisting of larger companies with strong founder-management control, where – although there is no successor yet, the manager wishes to completely withdraw after succession, and the evaluation of succession is neutral. From the aspect of the latter groups, it is concerning that if the company management successor is not a family

member, not an employee who worked for the company for a longer period, but an external professional, the opposition from the family is strong.

- ◆ If there is no family member successor, then, in the case of Hungarian family businesses, that does not only mean that there is no family member who would accept this role, or there is no predecessor who would give way to him/her, but it also means that in this situation, the family refuses to employ external professionals, too, who are probably brought into the family business system by the predecessor.

2.9. Succession as a resource of the family company system

- ◆ The family support given to family successors is uniform and very strong.
- ◆ As soon as the decision is made about the successor, the socioemotional relationship of the family with the company improves. This high value is there until the closing of the formal succession.
- ◆ Companies that went through at least one closed succession process, and now look back, find succession extremely successful. They select the long-term maintenance of the dominant influence of the family as the second or third succession outcome, too, without any exceptions, i.e. complete or majority family ownership succession, with family or non-family company management.

RECOMMENDATIONS

for the implementation of successful succession within the family

In the case of family businesses, succession within the family is not a one-off decision that affects the company only, but a long-term process that affects the whole family business system.

In the parent-child³ relationship, the formulation of the *joint identity of the predecessor and the successor* starts already in early childhood.

1. The parent should clarify his/her expectations - including hidden ones - against the child.
 - ◆ *What kind of succession outcome does he/she prefer?* What expectations and possibilities would that mean for the child?
 - ◆ *How is it possible to solve 'non-succession' within the family?* In his/her communication and relationships, conduct open discussions and negotiations about the way how the child is able to decide freely in the issue of succession. In addition, how can the child remain loyal to his/her parents and the parental inheritance in the case of any decision about succession.
2. The child should have a personal connection with the company.
 - ◆ *The parent should allow the child to get information on the operation of the company in a way that is suitable in his/her age* – the parent should gradually introduce the products, the organisation, the buildings of the head office and the outlets, as well as the work in these buildings and his or her work.
3. The parent should have a relationship with the child that lays the foundations of the predecessor-successor identity - already before the successor actually and formally starts working.
 - ◆ The predecessor should try and find some kind of personal similarity between the prospective successor and himself/herself, i.e. the predecessor

³ Of course, a family successor may not necessarily be a direct descendant, yet we decided on using the word "child". Firstly, because in practice this is predominantly the case (in our quantitative research, the proportion of direct descendants in the case of family succession is 95%), and the predecessor-successor relationship can be based on the parent-child relationship. Secondly, the recommendations here, applied according to the given family and company situation, can be valid and useful for predecessors and successors based on a non-parent-child-, but also for other types of family relationship.

should discover the positive values he/she shares with the successor. We found that this similarity is one of the bases of the creation of trust that is essential for joint work, and thus one of the bases of efficient succession.

- ◆ The predecessor should look for opportunities when the future successor and himself/herself may experience that *they are able to do something good to each other in a joint activity*.

4. In the formulation of joint work, it is the 'how' that matters, not formal planning in itself.

- ◆ Succession consists of the processes of relational negotiations between the predecessor and the successor. Major decisions that seem to be built on each other are primarily the results of these relationship negotiations, and not the consequences of comprehensive and conscious planning processes.
- ◆ Continuous relationship negotiations are about the personal closeness of the predecessor and the successor, their trust in each other and their autonomy.
- ◆ The predecessor and the successor should jointly specify the targeted or possible outcome(s) of the succession process. They should continuously reconcile the steps of implementation, and in the course of personal or corporate discussions, trust in each other and the comparison of autonomy requirements should have high priorities.
- ◆ *Both persons should be prepared for the fact that this will be a constant feature and one of the key tests of joint work.* The predecessor asks the following question: 'Can I trust him/her so much?' While the successor asks: 'Why does he/she not give me the autonomy I want? What shall I do to make him trust me?'
- ◆ The predecessor should be prepared to play a dominant and active, as well as initiative role in succession. However, this should be done in a way that the successor is treated as a partner in their joint work, not as a family member or a colleague.

5. Make attempts to separate family and business during the succession.

- ◆ *The predecessor should think over what non-family succession options are realistic, and how could the company be prepared for that. This will also help in identifying the skills and the type of the successor the business needs, as well as the expectations against potential family candidates.*

- ◆ *Family members that are not active in the business should be involved in the selection of the successor, but in the further progress of the successor within the company, they should not participate in decision-making.*
- ◆ *Non-family member company managers should also be involved in the selection of the successor.*

6. The predecessor should not lose hold of the company, but rather transform his/her relationship with it.

- ◆ There is often a confusion here because it seems that the predecessor basically loses hold of the company when the relation between the predecessor and the company is terminated. *The predecessor and the successor should continuously make sure that subjects to be discussed and reconciled should include the creation of a new type of relationship between the predecessor and the company.*
- ◆ Similarly to the relation between trust and autonomy, a balance should be found between two dynamics of opposite directions. It is useful for both the success of the company and the succession, and for the family that the predecessor withdraws from operative work after the change in managers, but does not leave the successor alone, but stays available for her/him on request and renews his or her connection to the company.

7. Use external help.

- ◆ The recommendations defined above present a number of challenges in skills and knowledge for the predecessor and the successor, as well as the whole family business system. However, they do not necessarily have these: in the course of their development, a high number of companies have not faced fundamental changes caused by succession yet. The system should allow information required for development to enter from outside.
- ◆ *All the phases of the research prove that the utilisation of this external help has positive impacts from the aspects of family relationships, the performance of the company, and for the success of the succession process.*
- ◆ For the assessment of the succession outcomes and starting in the selected direction, it is important to develop family members', and especially the predecessor's and the possible successors' skills related to the relationship negotiations, in addition to assistance in possible legal, taxation, company transaction, asset planning, organisational development, business consulting, family business advising or mentoring help. This can be done

by exploring the ways of regulating family relations and facilitating the exercising of relationship negotiations.

8. Becoming a business family - each family member should find his/her place within the company business system.

- ◆ In a certain rate and way, succession and the development of the company results in the more efficient operation of the company organisation. The relationships and the cooperation of family members who are less active in the business, or not active at all, should also change with the company, because of the growth of the family and the business, and the situation that is changing and getting more complex during succession.
- ◆ The distribution of tasks and competencies among siblings and the rest of the family, the partial overlaps between management and ownership roles, or the separation of these roles, and the distribution of assets among family members raise questions which have to be decided in a situation where there are no family rules yet reflecting the fact that efficiency and justice mean different things from the sides of the family, the company management and the ownership. In the case of the company management, the primary norm is the maintenance of decision-making ability under all conditions. In the case of ownership, the primary norm is the maximisation of asset values. Family norms about justice are enforced in different ways in both respects. Even if both remain with the family, *it is necessary to prepare for the fact that leadership succession and ownership succession will be decided on the basis of different considerations.*
- ◆ *Well thought-out considerations can only work if family members not active in the business and formally not affected in ownership are also aware of their rights and obligations, and personally accept those - if everybody sees and accepts his/her place in the family business system.*
- ◆ *Thus relationship negotiations refer not only to the predecessor and the successor, but to the whole family.*

Chapter I

THE SUCCESSION PROCESS OF HUNGARIAN FAMILY BUSINESSES – A LITERATURE REVIEW

1. Introduction

The succession phenomenon is one of the key topics in family business research: as opposed to the non-family businesses, the ownership and the control over the company is permeated by the family intention to keep the company in the long term, over generations. The researchers of the topic agree that extent and form of the family effect can be so versatile that no single comprehensive definition can be established for family businesses. Still, there seems to be unanimity regarding that one of the key manifestations of the family effect is connected to the succession intentions of the family. One opinion that is prominent in the literature insisted that the real division in the separation of family and non-family businesses is the succession process (Chua et al. 1999). This problem arises in Hungary in an even more complex way: family businesses not only have to face the challenge of succession, but as a result of historical reasons, countless enterprises founded in the decade following the regime change arrived at this point by the 2010s.

Family business succession is both a well-researched topic and a topic that has significant hiatuses. It is well-researched because due to the significance of the succession, as a result of the succession research emerging since the 1980s, we learned the most important components and impact factors of the process. It has hiatuses because although we know the stages of the process in detail, and the frameworks of the decisions of the actors (primarily the current leader and the successor), we still know less about certain elements of the process model: the antecedents, the consequences of the process, and the decision mechanisms which help the transition between the stages, and how the national cultural-institutional frameworks affect the development of each stage. Over the last decade, Hungarian researchers have been increasingly interested in the succession in family

businesses, as a result of which we learned a lot about the circumstances of succession in the small and medium enterprises. Still, as it will be explained later, the literature has yet to examine the limits, stages, circumstances and family connections of the succession process, or the numerous outcomes of the succession.

The Center of Family Business started to survey the succession process of the Hungarian family businesses during the autumn of 2018. The goal of our innovative research is to – based on the Hungarian results achieved so far - examine the phenomenon of succession in a comprehensive way, to put the elements already known in a uniform framework, and to contribute to learning about those modes of action which have not been mapped out yet. Based on this, our initial research question is the following: what are the economics, sociocultural and family factors that determine the succession in the Hungarian family businesses?

As the first step of the research, we reviewed the relevant literature in economic sciences. Afterwards, based on the review, we outlined a conceptual model for the succession, which we complemented by sociological and psychological aspects arising from the family control and the family effect. Lastly, based on the complex conceptual model, we finalised our research questions, which provided the foundation for the next steps of the research. This chapter explains the steps of this preparatory and model-making work.

2. The sources and the methods of the literature review

In course of the preparation of the systematic literature review, we applied the methodology specified in the study of Tranfield et al. (2003). In their paper, the authors outline the process of planning, execution and dissemination by dividing it into ten stages. Accordingly, in the introduction we outlined the motivations behind writing our paper, and then we outlined the frameworks of the research, in addition to providing a delineation of the topic and specifying the concepts applied. Afterwards, we mapped out the scope of Hungarian-language publications related to the succession of family businesses. We strived to learn as much of the works published as possible, however, since compiling a bibliography-level database is not one of our goals, therefore our work does not include the full scope of the relevant publications. This act is rather aimed at understanding the Hungarian literature and then specifying the selection aspects.

In course of the search, we found

- ◆ articles published in peer-reviewed journals – e.g. Bogdány et al. (2019),
- ◆ book chapters – e.g. Filep (2007),
- ◆ works published in scientific announcements – e.g. Gál–Karmazin (2016a),
- ◆ papers published in conference publications – e.g. Reisinger–Kovács (2013),
- ◆ working papers – e.g. Mosolygó-Kiss et al. (2018),
- ◆ and final study reports – e.g. Gere (1997).

The review of the works collected provided substantial help in the next step of the research, the determination of the keywords of the search.⁴In addition to the review of the relevant Hungarian literature, we also planned to prepare a systematic summary of the English literature as well, however, in case of the latter, with the restriction that we looked for reviews only, taking into consideration two factors. On the one hand, in the English-language literature, this topic is researched with a significantly wider focus, and the sub-topics are also researched in a much more targeted manner and more extensively. On the other hand, the more than thirty-year history of the succession research provided the discipline with the opportunity to prepare literature reviews which include the knowledge collected until then in an integrated manner. The English-language literature already includes published summaries which contain the research findings in a summarised manner, and on which a geographically-focused review which analyses the Hungarian succession situation can be built.

We ran the search in the general search interface of EBSCO, in the MATARKA and the MOKKA ODR databases. Based on the preliminary mapping of the literature, we used the following search terms in the title and in the text of the abstract:

- ◆ “családi vállal (in English: family compan)*” AND (“utódlás” (in English: succession) OR “generációváltás” OR “nemzedékváltás” (in English: generational change);
- ◆ “review” and “succession” AND (“family business*” OR “family firm*” OR “family compan*” OR “family enterprise*”).

⁴ One specific example: the term “generational change” was included in the search words based on the review of the works.

We used similar search terms in the title and in the abstract in course of the search for English-language reviews, and we used the EBSCO platform again:

- ◆ “review” and “succession” AND (“family business*” OR “family firm*” OR “family compan*” OR “family enterprise*”).

The next step of the research was the selection of the works to be analysed based on professional aspects. With respect to the Hungarian and English-language publications, we adhered to the international practice, and our study takes the works published in peer-reviewed journals as the basis of the processing. In case of the Hungarian search results, we included those publications in the scope of these journals which are accepted by the Doctoral Qualification Council of the IX. Section of Economics and Law of the Hungarian Academy of Sciences.⁵ We did not narrow our search down to the category “A” periodicals, so we reviewed the databases of 48 periodicals in total. We did not specify a time interval for the publication in advance, and due to the low number of search results, the English-language articles were also involved in the analysis. As a result of the search, we found publications published in the topic of succession in family businesses exclusively in the journal titled “Vezetéstudomány”, twelve articles in total. We complemented the search in the database by reviewing the references of the articles, in order to find additional papers, similarly to the snowball method. As a result of this additional work, we found an article published in the journal titled “Gazdálkodás”, which we included in our analysis sample, considering that it is accepted by the Doctoral Qualification Council of the IV. Section of Agricultural Sciences of the Hungarian Academy of Sciences as a peer-reviewed journal. By the addition of this article, the number of publications increased to thirteen. This however is not the final number of elements. It was considered as a disqualifying condition, if a paper pertained to succession, but it did not examine the situation in Hungary, and also if despite the title of the publication or the keywords specified therein, it did not deal with the topic of succession. For this reason, we excluded two publications from the scope of analysis: Csákné (2012) and Heidrich et al. (2016). Eventually, we had a sample consisting of eleven elements in total.

The English-language search brought an unexpected result. We did not find any review publication published in a peer-reviewed journal which would review the papers written on the succession processes of family businesses. Instead, we

⁵ See the list here: <https://mta.hu/doktori-tanacs/a-ix-osztaly-doktori-kovetelmenyrendszer-105380>. Date of download: 20th March 2019

found reviews which examined specific matters, and which pertain to a specific part of the succession or which analyse the succession from a given point of view, for example, review the value-creation processes (Pradhan–Ranjee 2012) or the mapping out and analysis of the researcher network of family businesses (Cisneros et al. 2018). Having reviewed the references of the articles, we identified the work of Carolin Decker et al. (2017), which stands out due to the number of peer reviews, the high-level methodology and the high number of journal articles processed. Their paper is built on the systematic literature review of the English-language literature and on the explanation of the general succession model developed based on the review. The search keywords used by Decker et al. cover the English-language literature exhaustively, furthermore, the systematic analysis of the articles found ensures that their conceptual model includes all research findings. Based on this work, overall we made the decision to apply this model by Decker et al. – which engrosses the findings of the English-language literature – for the analysis of the Hungarian situation. The next stage pertains to the detailed description of the model.

3. The succession process

We present the process model of succession based on the work of Decker et al. (2017). As opposed to the previous works published in this topic – which analyse the hindering factors of succession (within the family), psychological factors, methodology or theoretical issues – the authors analyse the succession as a process divided into stages, along the lines of several dimensions. Their work regarding the former is without precedent. Based on the paper of Le Breton-Miller et al. (2004), they use a division containing five stages, in which the following are separated: The stages of

1. succession preparation,
2. choice of successor,
3. exploration and implementation,
4. the incumbent's withdrawal,
5. and post-succession.

Their literature review is innovative in that the papers examined are also classified based on whether the paper concerned examines the topic of succession

on the individual, organisational⁶ or the contextual-environmental level. Through reflecting to this, they describe the most researched topics and highlight those research hiatuses which offer potential additional areas of research.

According to their approach, the first stage is the preparation for the succession. The researches focusing on this concern two large fields; on the one hand, the intentions to participate in the family business and the determinations of the next generation, and on the other hand, the planning of the succession. The former field of research focuses primarily on the individual characteristics and the impact factors, and it tries to find the answer to the main research question: what influences the decision of the members of the next generation regarding whether or not they will join the family business? The results show that the more the successor realises their own goals, the more they explore their career opportunities, and the stronger they break away from their family tradition, the more likely it is that they will not work in the family business. It seems like the role of social genders is also crucial in this topic. According to the research of Stavrou (1999), in the Far East the male, and in Europe typically the female successors are more likely to join the family business, however, this situation is nuanced by additional factors (Cf. Decker et al. 2017: 22).

With regard to the planning of succession, the primary focus of the research is how the various external and internal factors affect the succession process. In connection with the planning the majority of researchers agree that the efficiency of the succession is based on this to a significant extent, meanwhile, it seems like that this is a rather rare phenomenon in practice. In addition, there were also analyses according to which succession planning is an important but not necessarily fundamental for the long-term survival of the company (Santiago 2000). Numerous other findings help understanding the topic, such as findings related to the age of the owner (Marshall et al. 2006), the role of family relations (Lansberg–Astrachan 1994), or the implicit knowledge (DeNoble et al. 2007). Regarding the literature hiatus, the researchers highlight the topic of the socialisation of the next generation. Although there are studies which encourage the proactive involvement of the successors in the succession process (Lambrecht 2005), or which point out that the different style of the testators has a strong

⁶ On the organisational level, the family, business, management and ownership dimensions are separated.

influence on the character of the value transfer (García-Álvarez et al. 2002), nevertheless, this field is still mostly unexplored.

The second stage is the selection of the successor. This crucial topic is examined along the lines of the extent to which the selection is determined by the characteristics of the potential successor and the organisational-cultural environment in which the company operates. With regard to the characteristics of the successor, it seems like in numerous cultures it is fundamental that the heir is honest and committed to the company (Keating-Little 1997, Sharma-Rao 2000). It is interesting that neither the birth order, nor the social status has a crucial role.

According to the findings of Lee et al. (2003) related to the organisational particularities and needs, those South Asian family businesses which are characterised by idiosyncratic investment activity, prefer the offspring of the family during the succession, even if they seem less competent compared to an external executive. An exception to this is if the successor is so underqualified that such appointment would risk the future of the company. A new Danish research shows that the chief executive officer (CEO) is more likely to be chosen from the family members if the company is smaller or if the firstborn child is male, compared to if the company is medium-size or large, or if the firstborn child is female (Bennedsen et al. 2007).

The literature hiatuses of this stage include our knowledge related to the decision-making processes and the country-specific frameworks. How is the successor chosen? How do the different decision-making styles affect this process (Friedman-Olk 1995)? How do the legal, political, regulatory and socioeconomic institution systems of the different countries affect the selection of the successor? All these questions are yet to be answered.

After the selection of the successor, the third stage is the exploration and implementation phase. The main research emphases concern two large areas. The first one is the transfer of ownership process – regarding the relationship-emotional and the economic-legal aspects thereof – and the second one is the transfer of the management, leadership role, which analyses key questions such as when and how the leadership role can/should be transferred, and how the accumulated implicit knowledge and social capital can be transferred. The examinations were carried out in both fields on the organisational and contextual-environmental level, and also on the individual level in connection with the transfer of the management.

The process of the transfer of ownership differs from family to family, and the method thereof is influenced significantly by the system of family values, the lifestyle and style of operation, as well as the lifecycle of the family (Dunn 1999). In addition, the role of traditions, the legal and taxation system, as well as the role of the culture in the narrower and the broader sense in which the family business operates are also crucial (Carney et al. 2014). The efficient execution of the process is unambiguously aided by the constant communication between the parties concerned, and the series of actions satisfying the needs of the parties and taken in due time (Thomas 2002). The reduction or abolition of legal restrictions, for example the duties on gifts or inheritance, (Bjuggren–Sund 2005) or the protection of (minority) owners (Burkart et al. 2003) could be similarly beneficial. Countless research papers have been published about the transfer of the leadership role, especially about the timing of the transfer (Matthews et al. 1999; Kimhi 1997), the settled social relationships (Haberman–Danes 2007), or the leadership skills of the successor (Salvato–Corbetta 2013). Their most important findings can be understood through two key factors. The first one is the interest of the successor generation in continuing the family business. According to Bachkaniwala et al. (2001), this is fundamentally influenced by the qualification of the successor, the job opportunities in the market, the growth potential of the family business, the identical ethnic clientele, as well as the alternative succession options (external acquisition, etc.). The second key factor concentrates on the transfer of the social capital, and it underlines that the use of management decision support systems which ensure a common language is an important knowledge transferring element of the well-considered and planned succession, especially if a non-family successor is entrusted (Steier 2001; Giovannoni et al. 2011).

Even though there are plenty of research papers that analyse the exploration and implementation phase, more research is necessary, especially regarding the unforeseeable traumas and shocks, and the effects thereof. We have little knowledge about the cases where an illness, depression, addition or even the death of the predecessor or the successor interrupts, or even halts the transfer or the entire succession processor. Similarly, the family events (marriage, divorce, birth of children, etc.) and the environmental changes (taxation, change in the relevant legislation, etc.) could also be of interest for researchers.

The fourth stage of the succession process is the incumbent's withdrawal. Analyses are typically carried out on the individual and organisational levels, and

they research the dangers threatening the company, the opportunities, and the new role of the predecessor that develops in the changing situation. With regards to the dangers, there could be countless conflicts between the predecessor and the successor who had already taken the predecessor's place. The disagreement may be based on several factors, such as distrust in the successor, insufficient communication, changes in the leadership style and/or in the business strategy, the predecessor's reluctance to give up his/her informal power, or perpetuating his excessive influence related to important business decisions (Harvey–Evans 1995). The withdrawal is an important period for the development of the new role of the predecessor as well. If there had been any earlier period during which the predecessor managed the company together with his/her successor, when the predecessor acted as a mentor, teacher or supervisor. Ideally, these roles change after the transfer, and take the form of expert, adviser or guardian angel instead (Cadieux 2007). Lastly, it should be mentioned in connection with this stage that there are significant research gaps in the exploration of the factors that induce the withdrawal of the predecessor. Learning about the intercultural differences related to this could help the development of good practices to be used widely.

The last and final stage is the post-succession phase. The researches analysing the post-succession on the individual and the organisational levels typically explore the following questions: What are the forecasting factors of an efficient succession process? How does the succession affect the performance of the company? What ensures satisfaction for the participants of the succession? In connection with the matter of efficiency, the researches consider the preparedness of the successor, the personality of the incumbent, the family and business culture, the quality of the relationship between the predecessor and successor, and the appropriate quality of the planning and controlling activities related to the family business as good indicators of the forecast (Fahed-Sreih–Djoundourian 2006, Morris et al. 1997). (Fahed-Sreih–Djoundourian 2006, Morris et al. 1997).

The findings are divided on the effect of succession on the performance of family businesses. This is due to several factors, from which it stands out that each and every research uses different definitions and measurement methods to measure the corporate performance during and after the succession period. Instead of presenting the different results, we emphasise that the change in the leadership is a complex, fundamental change process, in which not only the identity, qualifications and experience of the new leader are relevant, but also

numerous factors - ranging from the parties' willingness to cooperate to the macroeconomic situation – which also affect the personal and relationship systems, in addition to the economic relations.

This also includes the question of how satisfied the participants are with the course and consequences of succession. Analyses show that in the case of succession within the family, the willingness of the predecessor to step down, the successor's intention to take over the leadership, the level of planning of the succession, the agreement on keeping the company and the acceptance of the changing individual roles lead the parties to view the process with satisfaction (Sharma et al. 2001; Venter et al. 2005). In the case of succession outside the family, this process is helped the most by the smallest possible information asymmetry, the high level of trust, the good personal and professional relationship, and the settlement of disputes in a cultured manner and through negotiations. Finally, it should be noted that there are also significant gaps in the post-succession literature, for example, in the exploration of cases of failure. Although efforts have been made in this regard (Cf. De Massis et al. 2008, Miller et al. 2003), countless further details require in-depth analysis, including the clarification of the fundamental question of from which point(s) of view a succession process can be considered a failure or a success?

4. Analysis of the Hungarian-language publications

As it was mentioned in the description of methodology, the cleaned database of our paper contains eleven publications in total. All but one of the publications were published in the periodical titled Budapest Management Review (Hungarian title: Vezetéstudomány), while the exception mentioned above was published in the journal titled Scientific Journal on Agricultural Economics (Hungarian title: Gazdálkodás). We summarised our key bibliographic data in Table 1, in chronological order of the publication.

I The bibliographic data of the publications

Number	Year of publication	Author(s)	Title of the study	Bibliographic data
[1]	2004	Bálint, András	Hogyan tovább kis- és középvállalkozások – Stratégiai lehetőségek az utódlás folyamatában (What's Next, Small and Medium-Sized Enterprises? – Strategic Opportunities in the Succession Process)	Budapest Management Review, Vol. XXXV, special issue, pp. 67-72
[2]	2006	Filep, Judit – Szirmai, Péter	A generációváltás kihívása a magyar kvv-szektorban (The Challenge of Generation Change in the Hungarian SME Sector)	Budapest Management Review, Vol. XXXVII, Issue 6, pp. 16-24
[3]	2013	Csizmadia, Tibor – Bogdány, Eszter	Az utódlás és a kis- és középvállalkozások növekedésének kapcsolata (Relations Between Succession and the Growth of Small and Medium-Sized Enterprises)	Budapest Management Review, Vol. XLIV, Issue 6, special issue, Veszprém, pp. 22-28
[4]	2013	Reisinger, Adrienn	Családi vállalkozás folytatásának tervei a felsőoktatási hallgatók körében (Plans for Continuing the Family Business Among Higher Education Students)	Budapest Management Review, Vol. XLIV, Issues 7-8, pp. 41-50
[5]	2016	Nábrádi, András – Bárányi, László – Tobak, Júlia	Questions and Problems of the Succession of Generations within Family Owned Businesses	Scientific Journal of Agricultural Economics, Vol. 60, Issue. pp. 427-462
[6]	2016	David Devins – Brian Jones	Strategy for Succession in Family Owned Small Businesses as a Wicked Problem to Be Tamed	Budapest Management Review, Vol. XLVII, Issue 11, pp. 4-15
[7]	2016	Makó, Csaba – Csizmadia, Péter – Heidrich, Balázs	Succession in the Family Business: Need to Transfer the 'Socio-Emotional Wealth' (SEW)	Budapest Management Review, Vol. XLVII, Issue 11, pp. 16-28
[8]	2016	Csákné Filep, Judit – Karmazin, György	Financial Characteristics of Family Businesses and Financial Aspects of Succession	Budapest Management Review, Vol. XLVII, Issue 11, pp. 46-58
[9]	2016	Péter Csizmadia, – Csaba Makó, – Balázs Heidrich	Managing Succession and Knowledge Transfer in Family Businesses: Lessons from a Comparative Research	Budapest Management Review, Vol. XLVII, Issue 11, pp. 59-69
[10]	2017	Noszokay, Erzsébet	Tapasztalatok a családi vállalkozások átörökítésének dilemmái kapcsán (Experiences Related to the Dilemmas of Transmission of Family Businesses)	Budapest Management Review, Vol. XLVIII, Issues 6-7, pp. 64-72

[11]	2019	Bogdány, Eszter – Szépfalvi, Anita – Balogh, Ágnes	Hogyan tovább családi vállalkozások? Családi vállalkozások utódlási jellemzői és nehézségei (What's Next, Family Businesses? – The Succession Characteristics and Difficulties of Family Businesses)	Budapest Management Review, Vol. L, Issue 2, pp. 72-85
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The table shows that after the regime change, papers related to the succession were published in peer-reviewed journals for the first time around the mid-2000s, specifically two papers. After those, increased interest in the topic is noticeable, which is represented by the fact that over the last six years, nine more publications were published on similar forums. Looking at the years of publication, it is evident that the year 2016 is outstanding compared to the others; five publications were also published at that time, four of them in the same issue of the journal. In examining the reason for this more closely, it is revealed that the Budapest Management Review dedicated a special issue to the topic, which made it possible to make the results of the research launched in 2014 and coordinated by the Budapest Business School (which then had university-college status) available to the public.⁷ For that matter, the latter research is the only one of the studies that carries out an international comparative analysis: the authors of the articles (Makó et al. 2016; Csákné – Karmazin 2016; Csizmadia et al. 2016) publish the results of a survey which was executed in 3 countries at the same time (United Kingdom, Poland, Hungary). All other empirical research is based on a Hungarian sample.

The majority of the papers, a total of seven articles included empirical research (see Table 2); two of these (Csizmadia – Bogdány 2013; Reisinger 2013) use quantitative analysis, and within that processed the results of questionnaire surveys. Another five papers used qualitative analysis, four papers used case study methods (Makó et al. 2016; Csákné – Karmazin 2016; Csizmadia et al. 2016; Bogdány et al. 2019), while one author (Noszkay 2017) relied on the results of semi-structured interviews. The other four studies were theoretical in nature, devising a new concept (Devins – Jones 2016), creating a model (Bálint 2004; Filep – Szirmai 2006), or works describing a model and urging the adaptation thereof (Nábrádi et al. 2016).

⁷ For more details of the INSIST project see its website: <https://www.insist-project.eu/> and <https://uni-bge.hu/projects/insist> Date of download: 8th April 2019

There are only minor deviations in the examined population. Apart from one work, all works examined family businesses, and we found differences in connection with the size of the enterprises included in the analysis sample:

- ◆ one paper examined family businesses without distinction (Nábrádi et al. 2016),
- ◆ one research concentrated on family-owned small businesses (Devins–Jones 2016),
- ◆ one research examines micro and small businesses (Bogdány et al. 2019), while
- ◆ seven researches examine small and medium-sized enterprises (SMEs) (Bálint 2004; Filep–Szirmai 2006; Csizmadia–Bogdány 2013; Makó et al. 2016; Csákné–Karmazin 2016; Csizmadia et al. 2016; Noszkay 2017).

The exception mentioned above is the work of Adrienn Reisinger (2013), who surveyed the plans to continue the family business and the willingness to start an own company among 23 students of Hungarian institutions of higher education. The authors shows her findings based on a 2011 international research.⁸

⁸“Hungary joined the international research conducted among higher education students about their entrepreneurial activity in 2006 (Global University Entrepreneurial Spirit Students’ Survey: GUESSS project).” (Reisinger 2013: 41). The website of the project: <http://www.guesssurvey.org/>
Date of download: 1st June 2019

Author(s) and year	Examined population	The methodology applied	Nature of the study
Bálint (2004)	small and medium-sized enterprises	literature analysis	theoretical-conceptual analysis
Filep–Szirmai (2006)	the scope of small and medium-sized enterprises which are about to undergo ownership change	creation of theory - establishment of a model ⁹	theoretical-conceptual analysis
Csizmadia–Bogdány (2013)	the SMEs operating in Hungary which had already undergone any one of the types of succession	questionnaire survey ¹⁰	quantitative analysis
Reisinger (2013)	the students of 23 Hungarian institutions of higher education	questionnaire survey ¹¹	quantitative analysis
Nábrádi et al. (2016)	family businesses	literature analysis	theoretical-conceptual analysis
Devins–Jones (2016)	small family businesses	literature analysis	theoretical-conceptual analysis
Makó et al. (2016)	The total of 10 small and medium-sized enterprises of 3 countries (United Kingdom, Poland, Hungary) ¹²	literature review and case study method (multi-case/multi-site case studies)	qualitative analysis
Csákné–Karmazin (2016)	The total of 10 small and medium-sized enterprises of 3 countries (United Kingdom, Poland, Hungary)	literature review and case study method (multi-case/multi-site case studies)	qualitative analysis
Csizmadia et al. (2016)	The total of 10 small and medium-sized enterprises of 3 countries (United Kingdom, Poland, Hungary)	literature review and case study method (multi-case/multi-site case studies)	qualitative analysis
Noszky (2017)	35 SMEs	semi-structured interviews ¹³ (pilot-type)	qualitative analysis
Bogdány et al. (2019).	5 Hungarian family-owned micro and small businesses	literature review and case study method	qualitative analysis

Having described the context of the publications, we examine the research goals and research questions of the publications included in the scope of the analysis. First of all, the majority of the works reflect that succession is a critical process for the survival of businesses, and that it is a phenomenon that has been

⁹ Outlining of the theoretical opportunities of the possible scenarios of the succession.

¹⁰ The data were collected in the last third of 2012, the authors used 104 questionnaires for the analysis.

¹¹ For the detailed characteristics of the respondents see Reisinger (2013: 45).

¹² For the most important company information see page 28 of the paper.

¹³ The article does not reveal the number of interviews that were completed at the 35 SMEs involved in the analysis.

affecting Hungary particularly strongly in these years and decades, primarily for historical reasons. In connection with this, the first papers (Bálint 2004; Filep – Szirmai 2006) attempt to create theoretical-analytical frameworks.¹⁴ They are searching answers to questions such as the important tasks of the succession process. To which factors should the predecessor entrepreneur find a solution, taking into consideration also if he/she has or does not have a successor. The fact that these early publications already highlight the complex and difficult nature of succession, on the one hand, provides the basic tone for the later Hungarian empirical experience and, required to successfully complete the often unsuccessful process. This is confirmed by that all the articles which were published later refer - although to varying degrees - to the challenging nature of the process. Some authors implicitly (Devins – Jones 2016), while others explicitly (Nábrádi et al. 2016; Noszkay 2017; Bogdány et al. 2019) set it as a research goal to explore the key elements, important dimensions, and the hindering factors of the generational change.

After more than a decade of publication hiatus following the work of co-authors Filep and Szirmai, the papers published in the 2010s are characterised by diversification in terms of research goals and issues. Based on a possible classification, the analysed articles can be divided into two parts according to whether the succession is examined based on several factors or as a complex process, or only a specific element, stage or a specific aspect of the process is researched. According to this classification, the first groups includes the following:

- ◆ A paper by András Bálint (2004), who in his analytical model lists the elements influencing succession, from micro factors (owner characterisation), to macro components (the effect of the external environment), and who calls for the item-by-item examination of these factors and components.
- ◆ The work of Judit Filep and Péter Szirmai (2006), who reviewed many theoretical generational change scenarios from the point of view of the testator, the successor and the environment.

¹⁴ In their article Filep and Szirmai describe that their research is the theoretical foundation of a later study (which was presumably intended to be empirical). András Bálint does not refer to this in his work, but his doctoral dissertation that was published two years later reveals that the author built qualitative and also quantitative research around his theoretical ideas, which was already explained in an expanded form therein - for more details see http://phd.lib.uni-corvinus.hu/4/1/balint_andras.pdf. Date of download: 27th May 2019

- ◆ The article by András Nábrádi et al. (2016), who analyse the central elements of succession, embedded in a three-phase, exchange relationship-focused succession model.
- ◆ A publication by David Devins and Brian Jones (2016), which offers both an analytical framework and strategy-making suggestions for succession planning.
- ◆ In addition to the analysis of knowledge transfer and learning processes within the family, the paper of Péter Csizmadia et al. (2016) studies different succession strategies and leadership efforts to harmonise the family and the business goals.
- ◆ The paper of Erzsébet Noszkay (2017) examines the issues of responsible transmittance (values, corporate strategy, the level of regulation of the operations, succession plan, selection of the heir).
- ◆ Eszter Bogdány et al. (2019) analyse the succession process with the help of stage-based and continuous models, and lifecycle-based models.

The works to be ordered into the second group analyse the following specific topics:

- ◆ Tibor Csizmadia and Eszter Bogdány (2013) examine the changes in the size of SMEs which operate in Hungary and which had already undergone some type of succession.
- ◆ Adrienn Reisinger (2013) examined the attitudes and motivations of higher education students related to starting a family business and starting their own business.
- ◆ In their publication, Csaba Makó et al. (2016) concentrate on the role and transfer of social-emotional wealth (SEW) in succession.
- ◆ Judit Csákné Filep and György Karmazin (2016) examine the financial behaviour of family businesses and as part of this analysis, they examine the financial characteristics of succession.

A summary of the above provided in Table 3, supplemented by a brief description of the content of the articles.

3 Research goals, questions, abstract

Author(s) and year	What is the research goal?	What is (are) the research question(s)?	What is the article about?
Bálint (2004)	Description of the analysis model of the succession process, proposal of aspects and suggestions. *	What important (partial) tasks does the succession process have? To which factors should the entrepreneur find a solution? *	The author outlines opportunities and aspects for entrepreneurs in connection with succession.
Filep-Szirmai (2006)	Creation of a partial theoretical framework for a later research. *	What opportunities are available during the generational change if there is a successor and if there is no successor?	The article examines several possible theoretical scenarios for the change in ownership of businesses.
Csizmadia-Bogdány (2013)	Analysis of the changes in size of those SMEs operating in Hungary which had already underwent any one of the types of succession.	What correlations exist between the size change and the type of succession?	The co-authors explore the changes in size of those SMEs operating in Hungary which had already undergone succession, as well as characteristics which could influence the future prospects of the research.
Reisinger (2013)	Exploratory analysis on how motivated the interviewed students are regarding the continuation of the family traditions.	- Would higher education students continue the family business (if any) or would rather start their own business? - What motivations are behind the continuation of the business and the starting of an own business?	The author examines the attitudes of higher education students towards starting a business. Researches the students' plans to continue the family business and the motivations behind continuing or starting a business.
Nábrádi et al. (2016)	While prioritising the methodological and practical aspects, exploring the central elements of generational change.	What are the important questions, models and practical aspects that appear in the international and the Hungarian literature?	The publication examines the difficulties, conflicts, challenges and possible solutions that arise in connection with the succession issues of family-owned agricultural businesses.
Devins-Jones (2016)	Analytical framework and strategy-making in relation to succession planning. *	What solution strategies exist regarding those succession issues of family businesses which seem difficult or irresolvable, as the case may be? *	The paper offers a framework for the analysis of the concept of "wicked problems" in relation to the succession planning of family businesses and the practical tasks to be completed.
Makó et al. (2016)	Specifying the role of social-emotional wealth (SEW) in succession. *	What role does the transfer of the social-emotional wealth (SEW) in succession process of family businesses?	The article concentrates on the transfer of social-emotional wealth (SEW). The authors outline the concept of SEW in the narrow and broad senses, while paying attention to the risk-taking and the risk-avoiding entrepreneurial attitudes as well.

Csákné-Karmazin (2016)	Summary of the key findings of the financial characteristics of family businesses and the research related to succession, as well as drawing conclusions about the financial characteristics of the succession process.	<ul style="list-style-type: none"> - What are the most important findings of the literature in connection with the finances and succession processes of family businesses? * - Regarding the same topics, what are the experiences of the case studies, considering especially the financial aspects of succession? * 	The authors examine the general characteristics of the financial behaviour of family businesses. In addition, the authors present the main findings of the corporate case studies of the research related to funding issues and strategies and they specify the financial characteristics of the succession.
Csizmadia et al. (2016)	Identification of the learning patterns of the management, the succession, the knowledge transfer and the family businesses.	<ul style="list-style-type: none"> - How do the businesses examines harmonise the goals and the functioning of the family and the business? * - What succession planning strategies exists and what are the impact factors thereof? * - How are the processes of knowledge transfer and learning like, and how to these processes take place? * 	In addition to the analysis of knowledge transfer and learning processes within the family, the paper examines the succession strategies of the companies examined and their efforts made in order to harmonise the family and business goals.
Noszkay (2017)	Obtaining information about the succession-related situation of family businesses, as well as the examination of the important dimensions of responsible transmittance.	<ul style="list-style-type: none"> - Do family businesses of “more favourable facilities” consider the issue of succession, and if yes, then along the lines of which dimensions? - What are the experiences of this which can be utilised more broadly? 	Based on advisory empirical studies, the author examines the issues of responsible transmittance.
Bogdány et al. (2019).	Exploration of the succession difficulties of family businesses, based on the periodic-continuous and the lifecycle-based model of succession.	<ul style="list-style-type: none"> - Which stage of the succession are the family businesses examined in according to the model of Handler és Gersick et al.? - Based on the model of Handler and Gersick et al., how can the current succession situation of the family businesses examined be described? - What difficulties and challenges do the family businesses examined face in course of each stage? 	The publication mapped out the succession processes of 5 Hungarian businesses, while also taking into consideration the characteristics and difficulties thereof.

* = own wording, does not appear explicitly in the article

Before reviewing the findings of the researches, we think that the examination whether the papers cross-reference each other could be a useful addition. In other words, do the publications examined connect to the earlier research papers

published in Hungarian peer-reviewed journals and the conclusions of such papers in course of formulating their own findings? We consider this important because in case of mutual referencing, it can be assumed that the Hungarian texts are integrated on a higher level in the Hungarian professional discussion, that critical discourse is more likely to occur, and the scientometric evaluation of certain works and thereby the authenticity of the results could become more nuanced. Having reviewed the source lists of the articles, we noticed that two articles refer to any one of the works we have examined:¹⁵

- ◆ The references of Reisinger (2013) include the 2006 work of co-authors Filep – Szirmai, which also appears in the main text as an important reference;
- ◆ Bogdányi et al. (2019) refer a total of five publications (Reisinger 2013; Devins – Jones 2016; Makó et al. 2016; Csizmadia et al. 2016; Noszkay 2017), four of which are referenced at least once in the main text, too. In connection with this article, we emphasise that in their text Bogdányi et al. do not restrict the works listed to the part which collect the succession difficulties of the Hungarian family businesses, but they insert such work integrally into their message in other parts of the text as well.

Based on this it can be established that barely a fifth of the texts examined show any connection to the others. According to our interpretation, despite the fact that in some cases the list of literature used in the article is quite extensive, the papers published in the Hungarian peer-reviewed journals in this topic usually do not converse with each other, therefore they are unable to reflect critically to each other's results, and the opportunity for synergy that lies in the connection remains unused.

At the same time, several bridge themes that connect the papers examined can be found. As it was mentioned in the section about the research goals of the publications, all articles, although to varying degrees, refer to the complex, difficult, and challenging nature of the succession process. This topic clearly runs through every paper, but it is so diverse that even a mere summary of its individual elements would go beyond the scope of the study. For this reason, we will grasp two specific aspects thereof below, while emphasising the limited scope of the elaboration. The first one is the issue of succession planning. Based on

¹⁵ By definition, we cannot expect the 2004 work of András Bálint to respond to later works.

international and Hungarian theoretical and empirical mentions in the articles, this seems to be an element that is almost as fundamental as the role of design documentation for the construction of a house. Most of the papers contain thoughts related to this topic, as research result or as suggestions (see Table 4):

- ◆ Bálint (2004) suggested that succession planning can also be defined as a vision that shows a desired outcome and the road that leads to it.
- ◆ The work of Filep – Szirmai (2006: 19, 21) refers to several pieces of international literature that mention the planning of the generational change as (one of) the most important factor(s).
- ◆ Nábrádi et al. (2016) emphasise the importance of not only the planning but also urged the use of the model of Le Breton-Miller et al. (2004) for the implementation of the process.
- ◆ Devins and Jones (2016) concentrate on the difficulties arising from the complexity of planning, and they encourage a change of attitude and the implementation of a multi-factor, iterative process.
- ◆ The work of Csákné – Karmazin (2016) emphasises the importance of financial planning, which also requires creativity, cooperation, foresight and the development of individual solutions.
- ◆ Csizmadia et al. (2016) underline the actual and symbolic role of the ownership transfer, the efficiency-enhancing power of formal planning, and the involvement of the successor in the process, which has a trust- and commitment-building effect.
- ◆ Noszkay (2017: 70) highlights that “in 2/3 of the surveyed companies, there is no transmittance idea or plan at all, let alone a transmittance process”. Noszkay also emphasises the importance of business socialisation, which, in addition to building trust, enhances cooperation, develops new skills, and provides a routine for the successor.
- ◆ According to the findings of Bogdány et al. (2019: 79), “planning is characteristic for businesses, but recording it in writing is not”, and they found the reason for this in the poorly formalised operation of businesses. The plans which are defined informally and are broken down to periods, focus on processes, provide a time frame, and can be overwritten.

All this clearly indicates the importance of the topic. Since this paper is about family businesses in which there are greater risks due to family relationships, it is important to emphasise that “during succession, those family businesses can

survive consistently which manage to create harmony between the values of the family and the business. This can be achieved if the parties are able to form and maintain a balance between the interests of the family and the business in course of the determination of the business strategy, by the management of the family business being able to reconcile family and business strategies and plans.” (Noszkay 2017: 67).

Another similarly fundamental topic that appears in several articles is the role of learning and knowledge transfer, and in connection with this, the significance and difficulty of getting the successor involved in the business. The papers discuss various methods of this and consider its role to be inevitable.

- ◆ Filep and Szirmai (2006) emphasise that during the examination of the aptitude of the successor, the educational attainment and the work experience gained until the transfer constitute an objective point of reference. What is more difficult to measure, but is available to the family is the openness and desire for knowledge of the chosen child and the willingness of the entrepreneur to transfer the knowledge.
- ◆ Nábrádi et al. (2016: 439) mention that “knowledge resources acquired from a non-family member play a valuable role in the learning and development of the legal successor”. In addition to the knowledge incorporation from an external person, they also highlight the frame of reference-providing nature of the common knowledge of the family members, which acts as a community-developing power. The exchange relationship based on trust between family members is a key driver of this.
- ◆ Devins and Jones (2016) consider individual and shared learning to be one of the key factors in problems that are difficult to resolve. In addition to the factual knowledge, this is also important for participating in and mastering problem-solving processes. In connection with this, they also mention the decisive nature of building and managing relationships.
- ◆ The main message of the study by Makó et al. (2016) is that the role of the transfer of socioemotional wealth is at least as significant as the transfer of material assets. It also has elements such as trust and reliability, honesty, learning the mutually supportive ways of working, or mutual respect for each other’s opinions.
- ◆ Csákné and Karmazin (2016) draw attention to the fact that if the business owner fails to transfer the financial control, then he/she deprives the

successor of gaining knowledge and experience in this important area of management. This also creates a trust deficit.

- ◆ Csizmadia et al. (2016) discuss extensively the importance and methods of learning within the family business. They point out that it takes place between and also within the generations, and has countless areas, ranging from informal rule learning and value transfer during socialisation, to participation in formal education, to mentoring and family discussions. Its key concept is participation.
- ◆ Noszkay (2017) points to the lack of a culture of transmittance and calls for the appropriate role of chambers and higher education.
- ◆ Bogdány et al. (2019) suggest involving the successor in business processes. In order to do so, it is advisable to clarify the expectations related to the successor in advance, this will clearly increase predictability. In addition, regular performance assessment strengthens the successor and has a self-confidence and competence-enhancing effect.

We mentioned earlier that based on our research, the articles published in Hungarian peer-reviewed journals on this topic are mostly not in discourse with each other. At the same time, in the light of what has just been described, it should be noted that several of their research results are related to each other, complementing and nuancing the overall picture. There is a difference among these articles in that their suggestions for resolving difficulties or the description of some good practices are presented in the body of the text (e.g. Bálint 2004; Filep – Szirmai 2006) or in a separate section at the end of the article (e.g. Nábrádi et al. 2016; Devins – Jones 2016), but this does not prejudice the above statement that the studies do not present the topic analysed and some of the sub-questions thereof in a contradictory manner. Overall, the articles paint a picture that is informative even in its details and which includes many elements, while also presenting a forward-looking research result, according to which Hungarian companies that have already undergone succession, where “growth was higher, [...] had a higher rate of “complete” succession, which means that in addition to the ownership share, the transfer of the management function was also completed. Furthermore, organisations where as many management functions as possible were transferred, the rate of growth was also stronger. In addition, businesses where overall only the ownership share was transferred, and where the

management functions were not transferred, are usually in the category with decreasing numbers.” (Csizmadia–Bogdány 2013: 27).

Finally, we briefly refer to that the majority of studies make research proposals for the future, raising one or more possible research directions. There are authors who:

- ◆ raise a specific research question, either in connection with the extension of their own research and / or model (Csizmadia – Bogdány 2013; Csákné – Karmazin 2016) or based on the review of the literature (Nábrádi et al. 2016);
- ◆ urge the conceptual re-framing of research (Devins–Jones 2016);
- ◆ make research proposals regarding the method (Makó et al. 2016);
- ◆ make a recommendation regarding the complexity of research design (Bogdány et al. 2019).

It can be established that their suggestions are organic evolutions of their research already completed, as well as evidence that the authors consider further, in-depth research of the topic important.

4 Results, conclusions, research directions

Author(s) and year	Most important research result(s)	Conclusions, suggestions	Research vision for the future
Bálint (2004)	<ul style="list-style-type: none"> - Presentation of the analysis model of the succession situation (analysis of the succession situation, strategy formulation, preparation and execution of the process), and detailing the inputs (description of the owner, organisational characteristics, relationship between family and business, etc.). 	<ul style="list-style-type: none"> - It is advisable to develop a succession strategy that has a vision for the future. 	<ul style="list-style-type: none"> -
Filep-Szirmai (2006)	<ul style="list-style-type: none"> - Presentation of those cases of ownership change where there is and where is no successor. 	<ul style="list-style-type: none"> - It is advisable to examine those cases where the businessman has no successors: if that is the case, then how can operational continuity be preserved? 	<ul style="list-style-type: none"> - Small and medium-sized enterprises facing ownership change.
Csizmadia-Bogdány (2013)	<ul style="list-style-type: none"> - The majority of the respondent businesses had already underwent any of the forms of succession. - The size change is stronger in businesses where there has been a higher rate of transfer of leadership roles since the foundation. - Professionalisation could have a substantial effect on the size changes of businesses. 	<ul style="list-style-type: none"> - It is important to research the issue of succession in Hungary, furthermore, it is necessary to prepare for a stringer wave of generation change on the individual, corporate and national economy level. - It can be assumed that there are correlations between the size change and the different types of succession. 	<ul style="list-style-type: none"> - Exploration of the contradiction that although as the transfer of leadership roles increase, the size change is also stronger, a lot of medium-size enterprises still transferred the ownership share only. - What direction and force do the different types of succession have on the change in size? - Model expansion with different variables - for example, examination of the frequency of the succession, the variables of professionalisation, etc.
Reisinger (2013)	<ul style="list-style-type: none"> - 1,451 of the 5,677 students asked lived in families where one or both parents worked in family businesses. - 330 of them planned to or were already implementing the takeover of the family business. - The majority of them would prefer working as an employee for 5 years after the completion of their studies, and then want to found their own companies. - They saw the hindering of the long-term career plans as the most substantial obstacle to the takeover of the family business. 	<p>The role of education is important: (high-quality) university courses which provide information on family businesses would be necessary.</p>	<ul style="list-style-type: none"> -

Nábrádi et al. (2016)	<ul style="list-style-type: none"> - There are countless theoretical models supported by practical experience and case studies are available, which could be applied to the Hungarian situation. 	<ul style="list-style-type: none"> - There a relatively few research results and publications related to the topic. - It is advisable to assess the principles of operation and recommendations of successful multi-generational family businesses. - Nationwide change tracking qualitative research into the factors influencing the generational change, and the development of recommendations for the agricultural sector. 	<p>The authors identify at least a dozen possible research directions and questions, for example:</p> <ul style="list-style-type: none"> - What are the factors that influence the knowledge transfer during the succession? -How do the resource exchanges within the family influence the development of the successor?
Devins– Jones (2016)	<ul style="list-style-type: none"> - Both the complexity and uncertainty of the succession cause serious difficulties for the small business and the family. - The authors recommend that it is advisable to consider this as a “wicked problem”, which can be managed efficiently in cooperation, gradually and with a process approach. - As a part of this, the use of adaptive strategies, cooperation, planning and recognition of problems are all equally important. 	<p>Recommendations in different fields - for example:</p> <ul style="list-style-type: none"> - regarding “familiness” the consideration of the expectations of the family and the business world are both fundamental; - it is advisable to take into consideration that the multiple roles of the family members (which change over time) influence the decision-making and the strategy development; - the intermediaries (e.g. accountants, attorneys, bankers) have important roles during the knowledge transfer; 	<ul style="list-style-type: none"> - In the interest of sustainable family businesses it is important that the new researches are able to transform the traditional approach of the business-strategic planning processes.
Makó et al. (2016)	<ul style="list-style-type: none"> - The transfer of intangible assets during the succession process seems more important than the transfer of the tangible assets. 	<ul style="list-style-type: none"> - According to the findings of case studies, it is advisable to facilitate mutual respect and mutually supportive cooperation during the succession process. - Reliability, honesty and the mutual respect for each other’s opinion are similarly important. 	<ul style="list-style-type: none"> - Conducting survey researches with large samples, in order to measure the role of the businessmen’s willingness to take risks and the role of tangible and intangible assets.
Csákné– Karmazin (2016)	<ul style="list-style-type: none"> - Family businesses tend to mix family and business finances, and typically reject external equity funding. Their main sources of funding are the cash flow, shareholder loans and bank loans - but all of this depends on the size of the business. 	<ul style="list-style-type: none"> - The financial difficulties of family businesses burden the succession process. As a result of this, and due to the lower control costs caused by trust, family businesses 	<ul style="list-style-type: none"> - Analysis of the gender aspects of the division of labour within the family business, the correlations of financial control, decision-

	<ul style="list-style-type: none"> - Financial support by the family and the application of bootstrapping techniques have a key role in starting a family business. This is explained primarily by mutual trust and strong emotional bonds. 	<ul style="list-style-type: none"> try to keep the financial management in their own hands. - A disadvantage of the former is that it reduces the chances of the successor to get an overview and to gain practical knowledge in this important area of management. - In order to overcome the complex financial difficulties of succession, it is advisable to develop a clearly defined succession strategy. 	<ul style="list-style-type: none"> making and the traditional family roles. - Researching bootstrapping, trust, and the role of family members in funding a family business are all exciting fields of research.
Csizmadia et al. (2016)	<ul style="list-style-type: none"> - Three fundamental factors influence the nature and efficiency of succession: conscious planning of the succession, division of ownership, and involvement of the successor in management. - Knowledge transfer and shared learning are essential for functioning and succession. The main field of these is the joint participation in the processes. - An integral part of knowledge transfer is the transfer of socioemotional wealth (SEW), which forms a bond among family members. 	<ul style="list-style-type: none"> - It is important that the position of the successor is recognised and confirmed by all important actors in the business. - It is advisable to arrange the legitimacy of the successor in a process-like manner. Gradualness enables the successor to acquire different leadership skills and, during a reflexive learning process, also to have the opportunity to make mistakes and make adjustments. 	-
Noszkay (2017)	<ul style="list-style-type: none"> - Most companies in the labour-intensive sectors have a set of values. - In 2/3 of companies without traditions, the set of values are being developed. - The results are divided on the issue of corporate strategy. - 65% of the surveyed companies are characterised by appropriate and transparent regulations. - 2/3 of the surveyed companies do not have any succession plans at all. 	<ul style="list-style-type: none"> - The reason behind most of the succession shortcomings is rather the complete lack of a culture of transmittance, and a model and method that can be learned properly. - Many owners believe themselves to be immortal, which hinders facing the reality. - It is important that higher education and chambers also play an appropriate role in education, training and counselling. 	-
Bogdány et al. (2019).	<ul style="list-style-type: none"> - The results confirm the difficulties identified in the previous literature (unregulated operation, overwhelmed management, communication problems, etc.). 	<ul style="list-style-type: none"> - In course of getting the successor involved, it is useful to clarify the expectations related to him/her in advance. 	<ul style="list-style-type: none"> - It would be important to conduct qualitative and quantitative data-based research along the lines of the

	<ul style="list-style-type: none"> - Involving the successor in business processes would resolve the issue of multifacetedness. - Only a child who has the ambition and skills to take the business over is considered a possible successor. - It is essential for the successor to be trusted and for him to feel his/her responsibility. - It is the task of the founder to pique the interest of the successor. 	<ul style="list-style-type: none"> - In the interest of successful succession, the founder must make a decision on the transfer and must uphold it consistently. - The definition of the goals after the conclusion of the business, as well as the separate property also help the founder in the transfer. - External incentives such as tenders or tax and contribution reductions could also help facilitate the process. 	<p>principle of triangulation.</p>
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Note: We had neither the intention, nor the opportunity to present all the results of the studies. In highlighting the results included herein, we followed the author's desire that appears in the abstract.

The “psychological profile” of the papers analysed

We also examined the analysed papers from the point of view of the extent to which they included concepts and phenomena which are relevant (also) from the psychological standpoint in their theoretical framework of interpretation. Overall, naturally, we did not expect studies that represented fundamentally economics aspects to present formal psychological theoretical frameworks or to attempt to apply those. At the same time, the consideration of those phenomena and processes presented in the papers which can be interpreted from a psychological point of view, and the review of the method and concept of reflection on such aspects are important in themselves, as they show the connection points where psychological theories and approaches can “enter” Hungarian research into family businesses.

The phenomena raised by the papers analysed can be classified on three levels: 1) the role of individual, i.e. intrapsychological, such as personality traits; 2) highlighting the role of interpersonal, relationship characteristics and processes, and 3) references to the operation and characteristics of broader systems (e.g. a systemic approach to a part or the entirety of an enterprise, the family system and its lifecycles). As it will be shown below, there are other approaches that represent transitions between the approach levels or more comprehensive approaches. The papers differ in the extent to which they consider discussing these characteristics

important, and also in the extent to which the mentioning of certain phenomena and concepts is given key significance (or are peripheral, ad hoc, as the case may be). Nevertheless, in this paper we concentrated primarily on gathering and summarising the topics that appeared, and less on the manner in which these topics were embedded, although we will refer to that as well in certain cases.

1. Intrapyschological phenomena

Some of the papers take into consideration the intrapsychological characteristics and processes of the persons who are involved in the succession process. The most common mentions of personal characteristics are related to the personal motivation and the related emotional states. The successor's intentions, moreover his/her desires, dreams, the endeavour to experience the "taste of success" on his/her own (Filep – Szirmai 2006) - these are difficult internal states that are difficult to delineate, but which are also relevant and can be interpreted from a motivational-emotional point of view. In addition, Reisinger (2013) highlights the role of the individual life plan as a motivational characteristic in the potential successors' intention to take over. In the same way, the internal states also appear in case of the founder, both in the motivational sense and as references to emotional states, e.g. the founder "does not actually want to hand over" the company, is "afraid" to get part with it, "habit and distrust" make the handover process more difficult (Filep – Szirmai 2006), envy and reluctance (Reisinger 2013), or personal commitment (Csizmadia et al. 2016) may also have a role in the development of the situations. These expressions refer to the importance of the emotional factors. In addition, personality traits also appear, which affect, for example, the development of the authoritarian vs. delegative leadership style (Bálint 2004). Another example of intrapsychological characteristics is the role of personal experience gained during the upbringing of the successor (Filep – Szirmai 2006), and the participation-based learning process that results in tacit, implicit knowledge in the successor (Csizmadia et al. 2016). The concept of "psychological ownership" (Cf. Makó et al. 2016) seeks to capture the psychological aspect of personal attachment to a business, which however, is not explained in detail in the work quoted.

2. Interpersonal characteristics

Interpersonal characteristics are represented as relationship experience and as relational processes. At the level of family relationships, relationship experiences

mean love, trust, and commitment to each other, which are presented in a somewhat idealised way. This suggests the presence of fundamental relationships which draws a fundamental distinction between companies which can be characterised by dominant family control and the intention to sustain it in the long-term and other economic operators. For example, in terms of responsibility to each other and employees, relationship honesty, and emotional involvement. In the even more narrower sense, while focusing on the emotional aspect of the transfer, the topic of relationship trust is given priority, primarily from the transferor towards the potential successor (Csákné Filep – Karmazin 2016), and partly from the successor.

In terms of relational processes, the support between the transferor and the potential successor also appears, one of the important measures of which is the degree of autonomy and competence of the successor (Csizmadia et al. 2016). This also includes the conflict in relationships (Filep – Szirmai 2006; Devins – Jones 2016), which is likely to occur in terms of the degree of personal and emotional involvement of the participants - and it is surprisingly underrepresented in the papers analysed.

The structural side of the relational processes is represented by the approaches that are embedded the most in the discussion of family businesses from an economic science point of view. These approaches create “order” in the dynamic and sometimes chaotic conditions of actual relationships, partly in categories of roles and partly by outlining the predetermined stages. The structural model of the succession process is described and applied in detail by - among other - Bogdány et al. (2019). The descriptions and the models of the family socialisation process can also be considered as similar structured approaches to the interpersonal knowledge transfer (e.g. Csizmadia et al. 2016; Noszkay 2017).

3. Systemic approaches

In part of the papers analysed, the images of the two systems which have a dynamic interaction and which influence each other - i.e. the business and the family - appear explicitly (Cf. Reisinger 2013; Devins – Jones 2016; Nábrádi et al. 2016). This approach is however not easy to fill with “content”: for example, the issue of conflict or harmony between family and business goals, the need to address the resulting tensions and contradictions (Csizmadia et al. 2016), or raising the question of whether the degree of openness of the family system can also affect the functioning of the business and the succession (Csizmadia et al. 2016). The

systemic suggestions also include the exploration of the lifecycle of the family system and the business, which may be different, the necessity of harmonising the lifecycles, as well as the significance of handing the difference (Bogdány et al., 2019; Csizmadia – Bogdány 2013; Nábrádi et al. 2016). Finally, the systemic approach is also presented by those studies which incorporate the impact of the broader economic and regulatory environment on the family business and specifically on the succession process into the overall picture, or which at least mention this as an important aspect (Bogdány et al., 2019; Nábrádi et al. 2016).

4. Complex, multi-level concepts and approaches

One example for the individual and systemic concepts is the socioemotional wealth, which simultaneously represents the potential profit of the individual and the complex social (family-corporate) system that enables this profit (Makó et al. 2016; Csákné Filep – Karmazin 2016; Csizmadia et al. 2016; Bogdány et al. 2019; Devins – Jones 2016). At the same time, the individual's interest in optimising his/her attitude towards socioemotional wealth also appears in the concept. From the point of view of succession processes, this primarily means the participation in the maintenance and upkeep of the socioemotional wealth, but this is obviously not the only option.

The other complex concept is “family identity,” which is associated with business (Makó et al. 2016; Csizmadia et al. 2016). A unique example for the interconnection of the family identity and the business is the increased reclusion of family businesses from research and the general public (Noszkay 2017), since the exploration of the business experiences could also mean the reveal of the family “internal affairs”.

Finally, Devins and Jones (2016) defined the succession of family businesses is defined as a “wicked problem,” in other words, as a “problem which is difficult to solve”. Both the concept itself and the details of the authors’ manner of discussion suggest that family business processes are complex, non-linearly organised system processes, in which both individual, interpersonal, and broader system-specific factors have a role and it is often difficult to predict what result these processes will lead to. This complexity, non-linearity, and unpredictability are essential characteristics of the operation. The message of the approach is that although it is important to plan the succession process from a business perspective, what happens to the family itself is at least as important during the process. The authors

therefore emphasise that the theoretical and practical work concerning family businesses should partially be focused on this in the future.

5. Summary

The succession model of our research

Having examined the succession literature as part of the systematic literature review of the field of family business research in economics, we identified a succession model (Decker et al. 2017) which itself is the result of a systematic literature review. Since this model includes all possible process elements and impact factors related to the succession process, we used this as the basis for the analysis of the succession of Hungarian family businesses, and we use an extended version of the model which is innovative in the sense that we analyse the succession from the point of view of not only the economic sciences but - in following the recommendation of Decker et al. - holistically, from the point of view of other disciplines.

In summation of the elements described in Chapter 3, the model we used views succession as a process, and is it based on a family business environment and antecedents which go through the stages of preparation for the succession, the selection of the successor, the exploration and implementation, the withdrawal of the incumbent, as well as the post-succession, so that after the conclusion of the steps, it could give way to the consequences of the succession which appear within the family business system and beyond that. The theoretical basis of the model is provided by the disciplines of economics, psychology (family psychology and family system theories) and sociology, which identify different factors along the lines of their unique criteria. These affect or may affect either the process as a whole or the antecedents, the individual stages or consequences separately. The innovation of our model lies in that it assesses these effects at the level of the individual, the corporate organisation and owners, the family, and the environment surrounding the family business system.

We highlight two concepts from the field of sociology. We mention the theoretical construction of embeddedness first, one of the best known researchers of which is Mark Granovetter, and we apply his concept in our work. The centre of his analysis is “how action and institutions are embedded in a system of concrete, continuously existing social relations” (Granovetter 1994: 63), where embedded means that “economic action, outcomes, and institutions are

influenced by the personal relationships of actors, and the structure of the entirety of the relationship network” (Granovetter 1994: 65). If we apply this to our topic, it means that the functioning of family businesses is determined by the personal relationships of the actors, the characteristics of their self-networks, and the structural features of those relationships networks in which they carry out their actions. Their field of operation is constituted by the intertwined duality, which is determined not only by the relationship characteristics of the economic-business sphere related to the enterprise but also by the nature, quality and structure of family relations. These different forces influence the execution of the process from the preparation for succession up to post-succession.

Regarding the operation of family businesses, in addition to the embeddedness of the actors, the level of trust between them is also crucial. In our paper we apply Mari Sako’s (1998) concept of trust, according to which trust is the expectation (state of mind) of one partner in relation to the other that the other party will behave in a predictable and mutually acceptable way. The quality of personal and institutional relationships is essentially determined by whether there is trust between the parties, and if yes, then what kind and to what extent. As it was shown in Part 3, trust runs through the entire process of the succession. From preparing for the succession, where there is trust in that the business can be carried on, through the selection process, where the key question is whether the transferor trusts the successor’s abilities and commitment, to the withdrawal of the incumbent and to the post-succession, where it could arise for example whether the predecessor can trust that the company will survive and be successful, or whether the successor can trust that he/she will be trusted. The significance of trust in case of family businesses culminates in that it embodies an informal enforcement mechanism that - by facilitating the socioeconomic relationships with good intention - makes the cooperation between the family members and the non-family members, reduces the (transaction) costs of the family and the business, and makes the social-economic processes related to ownership, management or succession smoother.

From the psychological point of view, it is advisable to formulate the basic elements of the model in three areas, while we would like to also keep in mind that these areas are interrelated and interacting parts of systemic operation. The key factors of the personal characteristics and experiences are the motivations of the persons involved in the succession process: their basic aspirations, plans, and the

related values, interpretations, and emotions (Cf. Martos 2009). On the relationship level, processes are shaped by a system of mutual collaborations, supports and conflicts. In connection with the way of implementing the support, the need for basic psychological needs, autonomy, competence and connection, and the role of the fulfilment of these should be emphasised. The support methods that take into account basic psychological needs are deemed essential for both individual and the relational well-being, as well as for optimal systemic functioning according to several studies (described, for example, by Martos – Sallay 2017). Learning about these relational experiences accumulated is important because these experiences 1) provide feedback to the participants in the process, thereby shaping the expectations and attitudes of the participants in the succession process, and 2) reinforce and / or challenge the “family self-image” represented by the family businesses, which can at the same be an important reference and a common resource in need of renewal during the succession process. Lastly, in our opinion, two concepts are important from the family psychology standpoint for understanding the transactions between the family system and the business as a system. The first is the quality and essential elements of family cohesion, togetherness (e.g. the combined degree of family identity, emotional closeness, and differentiation in the family) and the meaning(s) that business-related events take in these. The second aspect focuses on longer-term temporal dynamics: in this case our goal is to formulate the possible interactions between family and lifecycles of the business, the tensions and synergies of the complex changes that take place in these areas.

The model is innovative in several respects, and it also fills a research gap in the study of family business succession. Firstly, although the model is based on the economic science foundations, as we have just pointed out, it integrates key sociological and psychological concepts in order to have a multi-aspect and more accurate understanding of how the family business system works. Secondly, the model consciously makes a distinction between ownership and management succession. As a result, it focuses not only on the traditional output, where the dominant family ownership control remains and family members also retain their role in the operational management of the company. The model analyses all the other possible outcomes while considering them to be equally valid as the outcome specified above. Third, the model examines the entire population at the same time and it can be applied to both small and medium-sized family businesses and large

corporations. Fourthly, the holistic approach allows for a more detailed analysis of the boundaries of the succession process and a deeper analysis of the dimensions of success beyond economic sciences.

Although overall the succession in family businesses is a significantly researched area, there are several issues that have been examined less or have not been examined at all so far. According to the Chapter 3, one such area in the international literature is constituted by those organisational and environmental-cultural factors in which the succession process is embedded. Another important area is the exploration how the decision-making mechanisms of the family business system work at each stage of the succession. According to Chapter 4, the Hungarian literature typically examined small enterprises and - to a lesser extent - medium-sized enterprises, and made little distinction between the two groups, and it did not examine the succession process of large enterprises. Of the possible outcomes, the Hungarian literature examined primarily the traditional succession aimed at keeping both the ownership and the management in the family, and the systematic analysis of the other possible outcomes did not take place. There was no accurate analysis of the boundaries of the succession process. Although we have more knowledge about the beginning of the process (among SMEs), we know little about the conditions after the end of the process, or about the Hungarian characteristics of the actual influence of the former leaders. Finally, since both the Hungarian literature and the international literature research succession from the point of view of economic sciences predominately, the most unique and perhaps the most important factor of the family business system, i.e. the family, and the intra-family relationship processes are left out of the comprehensive analyses. Our work is innovative also because the model we use and described above is able to handle all areas mentioned herein and which are less researched or not researched at all.

Finally, the possible critical elements related to the succession process model should be discussed. Like all similar theoretical concepts, the succession process model does carry assumptions already in its structure which are not fulfilled in many cases. On the one hand, the linearity of the elements of the model obscures that each stage affects not only the logically next stage but all other stages as well. Furthermore, in reality, the stages often overlap each other, run parallel to each other, some stages may be left out, and in many cases it is difficult to separate the stages by drawing a clear boundary. On the other hand, the sections - although

fairly general - relate primarily to the traditional succession outcome, where family control remains in both the management and the ownership. A completely different process takes place at the stage of implementation or the formal transfer, if the output chosen by the family is the full sale or if the management is transferred to a non-family member, while maintaining the family ownership. Therefore, overall, the components of the model are logically correct, but the structure of the components and the direction of assumed modes of action are not necessarily correct, and the logic of the model is also based on traditional, family succession.

Our research responds to these suggestions in two ways. On the one hand, from the theoretical side, wherever we transform the general research problem into research questions and where we question the critical elements with the help of sub-questions. We discuss the research goal and questions are at the end of this chapter in detail. On the other hand, we work with a mixed research methodology from the point of view of practice. As the first step, we explore the possible components of the process and the structure thereof by using qualitative research, the Grounded Theory, and then we test the hypotheses formulated on the basis of qualitative research and our preliminary conceptual model in the framework of quantitative research.

Research goal and research questions

The general starting point of our research is the examination of the succession process of Hungarian family businesses and the characteristics of the process. This overall goal can be broken down into further possible sub-goals due to the differences between family businesses and the succession process.

Firstly, the research focus can be kept on the process itself. In this case, the question then is: What is the framework of the process, where does the process begin and where does it end? What factors determine the efficiency and effectiveness of the process? When is the process considered successful? What factors lead to the specific succession outcomes?

Secondly, a further goal could be the examination of the succession process from the point of view of the business. In this case, starting from the heterogeneity of family businesses, it is advisable to examine the possible differences in the succession process in every group of family businesses, such as size categories or different existing channels of family influence. The question in this case is: How do small, medium and large companies differ in terms of their succession process?

Another question is that to what extent does the emergence of different family influences alter the succession practices of the companies?

Thirdly, in addition to the above two aspects, the process itself and the business, the research could also be focused on the pre-established conceptual model. In this case, the goal of the research is to test the holistic model, to test it partially or completely, and to formulate suggestions and hypotheses in order to refine the model.

Overall, we found that if the overarching goal is to explore the succession process of Hungarian family businesses and characteristics thereof, then we will put the research focus primarily on the process. With the help of the results that followed from this, later we will be able to reflect on the questions asked from both the business standpoint and the point of view of the holistic model.

Our initial research question: which are the economics, sociocultural and family factors that determine the succession in the Hungarian family businesses? Based on the primary focus of the process, we broke this question down to additional sub-questions:

- ◆ What are the turning points that determine the succession process?
 - ❖ What role do the decision-making mechanisms of the family corporate system have in this, and looking back, how and in what environment were these decisions made?
 - ❖ What is the schedule of the transfer of functional areas of governance and corporate management?
- ◆ What external impacts are the family businesses exposed to during the succession, and how can the family businesses themselves influence this process?
 - ❖ What role do the decision-making mechanisms of the family corporate system have in this, and looking back, how and in what environment were these decisions made?
 - ❖ What is considered as successful succession? What proved to be right for them? In their opinion, what processes led to success with respect to their own examples?
- ◆ What are the factors that determine the process of becoming a (potential) successor?
- ◆ What happens to the incumbent executive/executives after the formal succession?
- ◆ What processes lead to (positive) agreement on the individual, family, business organisation and the social level?

Considering that the conceptual models concern the succession process which is complex in itself, and that the theoretical frameworks include several disciplines at the same time, we used a mixed methodology for the analysis of the research questions. Firstly, with the help of the Grounded Theory we explored the process itself, and then we formed hypotheses based on the results of this exploration, which we then tested in the framework of a quantitative, questionnaire-based survey. The details of the methodology and the results are provided in the following chapters.

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QUALITATIVE RESEARCH–RESEARCH REPORT

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Negotiating the family relationships during the first generation succession in Hungarian family business – a grounded theory study

Executive summary

About the research

- ◆ The present report describes the qualitative research phase of the research project “Succession process of Hungarian family businesses” of the Center of Family Business, Corvinus University of Budapest. The qualitative phase was conducted between 2019-2020 as grounded theory research involving larger small-sized and medium-sized Hungarian family firms with the aim of exploring how both psychological and business processes shapes the succession process in family firms.
- ◆ Using relationship regulation processes (RRPs) as a theoretical framework, the present study aimed to identify how family RRP support or hinder the succession process in family businesses during the first-generation succession by regulating closeness, differentiation, reciprocity, emotions, and time perspectives. We applied a qualitative constructivist and interpretivist grounded theory methodology. The theoretical sampling process yielded 27 interviews from 12 family firms. A grounded theory model summarized that intrafamily succession in family firms is a web of relationship negotiation processes that are organized around three main relationship tasks: negotiating the shared identity, the common construction, and the family rules.

Main findings:

- ◆ Previous process models of succession differentiate among various phases of succession along necessary steps, rational decisional points following each other (such as choice of succession outcome, choice of successor, decision of the successor, entrance of successor or formal takeover of the company). As a consequence of these models, it had been implied that succession process could and should be planned as a series of necessary decisions built on each other in advance.
- ◆ However, our analysis showed that succession is a web of relationship negotiation processes between the incumbent and the successor. Milestone decisions that are seemingly built on each other are rather the results of these negotiations and not the outcome of comprehensive and conscious previous planning.
- ◆ It implies that succession planning, that is making the decisions about the circumstances, context, and most important steps of succession in advance can work only with the help of these continuous negotiations in the relationship between the predecessor and the successor.
- ◆ These relationship negotiation processes are about the personal closeness of predecessor and successor, trust in each other and autonomy of the two of them. As they regulate their relationship through these negotiations,
 1. they establish their common identity,
 2. they identify what to do together, how to build together in the company and
 3. how to relate together towards the family rules applied throughout the succession in the company.
- ◆ Relationship negotiation processes also regulate those decisions that have been accounted for managerial or strategical decisions in the company by considerable part of the literature of the family business research:
 - ❖ how and when the successor joins the company;
 - ❖ possible invitation and involvement of non-family managers and CEOs;
 - ❖ continuous increase of leadership autonomy of the successor;
 - ❖ re-establishment of the relation between the predecessor and the company.

- ◆ We identify the following points as keys to the successful succession process.
 - ❖ **Ability of family members** and specifically the predecessor and the potential successors **to negotiate can be developed by showing ways and forms** of regulation of their relationships and help them practice the negotiation.
 - ❖ Family members should identify ways how next generational family members can avoid being a (potential) successor yet remaining loyal to the family tradition and accept family heritage.
 - ❖ It proved to be highly significant **for the predecessor** to endorse **the perception of similarity with the successor** from the point of view of effective succession. This perception may relate to the similarity of a personality trait of the successor, his or her way of handling business opportunities or to relationship with business partners. But it has to be there. In cases where this perception was missing, predecessors were ambivalent about passing the baton to successor and looked for external, non-family leaders.
 - ❖ It was also **important both for the predecessor and the successor** to have the personal experience that **they have the ability to do each other something good**. This joint knowledge should stem from before the formal succession process, usually from the early life-cycle phase of the successor and **contributes to a strong common identity** with the predecessor.
 - ❖ One particular dynamics becomes increasingly important and grow into a real challenge in the firm as succession process matures: finding a delicate, unique equilibrium between giving enough autonomy for the successor as a leader by the incumbent, but, at the same time **staying by his or her side in a way and in a closeness that fits the needs of both of them**. No instances occurred, even after the formal takeover where successors as newly appointed leaders preferred to be left alone by the predecessors.
 - ❖ Finally, a topic that contributes to the successful accomplishment of the succession process is the capacity of the dyad of successor and predecessor to negotiate the new position of the predecessor in the family business system, to rebuild his or her relationship towards the firm and to re-connect to the company. Unfortunately, a generally-held confusion occurs that mixes the letting go of the old relationship between the predecessor and the company with the letting go of the company in general by the predecessor. Successors and predecessors should avoid this confusion by consciously focusing on the re-connection of the predecessor as a topic to be discuss and negotiate in their relationship.

Introduction

Family business research is a vividly growing interdisciplinary research field integrating insights from other social sciences such as psychology, sociology, social anthropology, history, and economics (Payne, 2018). The succession process is at the forefront of these theorizing and investigations (Decker et al., 2017). While family business is inherently interconnected to the family (Aldrich & Cliff, 2003), the family business scholarship was often challenged of missing one of the main explanatory variables from its models: the family (Jaskiewicz & Dyer, 2017). Nonetheless, in recent years, scholars put more effort into exploring how various channels of the presence of family members exert influence on the operation and performance of the company (Holt et al., 2017). From the perspective of generational change and the succession process, family business scholars applied concepts from family psychology, social psychology, and sociology (Jaskiewicz & Dyer, 2017) for linking them to specific aspects of succession (Decker et al., 2017). Jaskiewicz and Dyer suggested that one of the main reasons behind the lack of integration of models of family science and family business research may be that „many scholars commonly apply management theories” that do not include characteristics of family and family functioning (Jaskiewicz & Dyer, 2017, p. III.).

Therefore, our research focuses on the role of family relationships in the succession process. Based on systems theory, family businesses „are usually conceptualized as systems comprising different subsystems” (von Schlippe & Frank, 2013, p. 384.). Definitions of systems and parts of systems may differ in various models in family business research. However, underlying theories highlight the significance of the components' relationships in understanding the characteristics of the family system and its influence on the business (von Schlippe & Frank, 2013). Many scholars also call for dynamic, interactive models of the interplay between family relationships and family business succession (Cater et al., 2016; Umans et al., 2019). Here we focus on a less studied, systemic aspect of this interplay, the relationship regulation processes in the business family. Relationship regulation processes (RRPs) represent essential and elementary functions of relationships and mean that family members mutually influence each other's actions, emotions, and cognitions to establish and maintain complex equilibria of closeness, differentiation, reciprocity, emotional stability, and time perspective in the family system, whereby they strive to ensure optimal functioning. While previous studies addressed several distinct aspects of the

relationships between family members involved in a family firm, no research has systematically applied the concept of multiple RRP and aimed to describe their operation during the succession processes. Therefore, through qualitative analysis of interviews with incumbents and successors of Hungarian family firms, our goal was to discover the role of family RRP in the succession process of family businesses. Our research was centered around the following research questions: *How do family RRP support and hinder the succession process in family businesses?* We defined a business as a family business “when they identify themselves as a family firm and the firm is family-managed and/or when at least 50% of the shares are owned by a single family and the firm is family-managed.” (c.f., Umans et al., 2019)

The paper is structured as follows. First, we discuss how family relationships were explored and treated in the literature of succession. Second, the concept of RRP is introduced in a detailed way. Third, grounded theory methodology and our research design are presented, ensued by the analysis of the interviews, the developed code system, and the corresponding grounded theory model. Finally, in the discussion part, we interpret the results and embed and integrate them into the conclusions of the previous research.

Theoretical considerations

Family relationships in family business succession

The family business consists of three overlapping subsystems: the family, the ownership, and the business (Tagiuri & Davis, 1996). Each family member can be assigned to one particular subsystem or intersection of subsystems. The unified systems model focuses on how the interplay of the three subsystems generates the unique bundle of resources that the company should transform into idiosyncratic capabilities, resulting in the company's competitive advantage (Habbershon et al., 2003). The bull's eye model (Pieper & Klein, 2007) aims to analyze the interrelationship of the subsystems and the causal dynamics among different levels of systems (von Schlippe & Frank, 2013). The Wittener model of family business is based on the new system theory and considers family business as a social system. It accepts the differentiation of the three subsystems by Tagiuri and Davis (1996) but in a modified meaning. Family, business, and ownership are not subsystems on their own but constituted by communication. Neither the family

members nor the individuals are elementary parts of the system. It is their communication that assigns specific meanings to the communication patterns and hence creates the subsystems. Despite the partially different and diverging theoretical backgrounds, all models emphasized the relationship processes between the members of the system (Distelberg & Sorenson, 2009), as a significant aspect of understanding both the family business's internal processes and their outcome at the family and the company level (Holt et al., 2018).

Family relationships are certainly permeating the whole evolution of the family business system (von Schlippe & Frank, 2013). Literature on how family relationships impact succession can be grouped based on the specific role that family relationships play in the research models. Family relationships may serve as an initial or independent factor, as a moderator or mediator factor linking family dynamics and the succession process. Finally, when family relationships serve as an indirect, contextual factor, the research focus is on a firm-level phenomenon rather than on the link between family and business.

Family relationships as an independent factor in succession

The quality of the parent-child relationship, such as parental emotional support, enhances the development of succession intentions of the next generational family members (Lyons et al., 2020), and the incumbent's trust in the successor was linked to the successor's higher perception of support, confidence and intrinsic motivation that finally may predict successful transition (Gagné et al., 2019). Reciprocal altruism in the relationship of the parents and children gives way to collaborative succession planning in both generations (Meier & Schier, 2016). Family embeddedness of the family members (Aldrich & Cliff, 2003) and its combination with the individual resources, work experience, and motivation of the members may lead to various forms of commitment and attitudes towards the entry into the business (Pittino et al., 2018). Individual attachment to the firm and emotional ownership accumulate from the positive family climate complemented with the group support in the firm as perceived by individual family members (Björnberg & Nicholson, 2012). In line with this notion, Cater and colleagues (Cater et al., 2016) identify altruism and the relationship of incumbent and successor as components of family dynamics impacting successor team formation in the family business and the performance of this team. Interestingly, however, it was also hypothesized that parental altruism might adversely affect the successor's

relationship to the company and possibly the emerging counter-normative behavior in the firm (Eddleston & Kidwell, 2012).

Family relationships as an intermediary factor in succession

A considerable part of the research handles family relationships as an intermediary variable in their research models, showing that relationship quality between the family members positively moderates the connection between succession intentions and succession planning of the family (Umans et al., 2019). Other scholars emphasize the role of relationships among family members in the socialization of next generational family members and the differentiation among the various types of socialization processes (Bika et al., 2019; Daspit et al., 2016) and point to the importance of the knowledge transfer emerging in the dyadic relationship of incumbent and successor (Cabrera-Suárez et al., 2018). Scholars also inspected the impact of communication among family members and found that communication shows dynamic and temporal patterns (Leiß & Zehrer, 2018; Schell et al., 2020). Even when members share the same priorities, attitudes, and interests regarding the succession process, insufficient communication can still hamper the transition (Michael-Tsabari & Weiss, 2015). Finally, at a more conceptual level, Hedberg and Luchak (2018) suggested that the founder's attachment style may broadly impact the strategical preferences of the family in terms of how the family is aimed at preserving socio-emotional wealth.

Family relationships as a context of succession

In studies where the focus is on firm-level processes and concepts, aspects of family relationships are occasionally involved in the model development. For example, the presence of family human capital in the company may reduce the intention of the family to select a family CEO, but more extensive family involvement in the operation of the top management team decreases this adverse effect (Campopiano et al., 2020). In addition, the number of children and the number of family shareholders have a positive impact on the intrafamily succession intentions of the incumbent (De Massis et al., 2016).

Relationship regulation processes

The above research results can demonstrate the various aspects of family relationships involved in the succession process. In addition, we call for the application of the psychological concept of RRP. Using RRP as a theoretical framework, we can account for a rich layer of functional and dynamic aspects of interpersonal relationships in the business family and describe the interpersonal dynamics of the succession process more accurately. Importantly, there is not yet such as a unified theory of RRP; however, we provide a state-of-the-art overview of the concept and scrutinize its potential application in family business succession.

Models of interpersonal regulation processes hold that individuals in close relationships, such as intergenerational and cross-generational family relations, tend to largely synchronize their emotions, cognitions, and actions. This applies in short and long-term situations and involves a shared understanding of the present situations and goals and narratives of the past and future states. Thus, by the term relationship regulation processes (RRP), we refer to the actions and strategies that individuals use to achieve better synchronization level in a specific relationship (or web of relationships); either by regulating their mental states and behaviors or by striving to modify that of others. Family ties are especially rich in interrelated interests in every aspect of individual identity; therefore, relationship regulation processes are of primary importance in developing family relationships. In turn, basic strategies of relationship regulation are learned and practiced in primary family relationships during early individual development.

RRP in the family system have two overarching functions: navigating the system through inevitable changes and transitions while maintaining the continuity and stability of relationships. Family business succession is an exceptionally complex transition where the double criteria of change and stability extend to the firm as an interrelated system (Cater et al., 2019; Lambrecht & Lievens, 2008). Therefore, relationship regulation efforts between family members always involve references to family, ownership, and business relations at the same time. Below, we summarize essential aspects of relationship regulation processes and their relevance to the regulation of the family business succession process: the regulation of closeness, differentiation, reciprocity, emotions, and time perspectives.

Before giving a detailed overview, it is worth considering some general rules that apply to the operation of RRP. First, RRP constantly operate, while their functioning is mostly hidden (Dyer & Dyer, 2009) and unconscious; however, they may gain significance and awareness during transitions, crises, and conflicts. Second, RRP are realized during verbal and nonverbal communication acts in nonlinear, circular processes. Third, family members may have different set points for the several aspects, and there is a need to negotiate them during the succession process; however, different aspects may not be easily reconciled, which may create tensions and paradoxical effects in relationships (Cunha et al., 2021). The following five aspects of relationship regulation are interrelated and interwoven in the actual relationship functioning.

Regulation of closeness

Regulation of closeness refers to maintaining the optimal level of interpersonal warmth, trust and relatedness and is associated with the preference of kinship, and trust-based non-kinship relationships (Lang et al., 2009). Perceptions of closeness are often connected to physical proximity and shared time, while, at the symbolic level, the perceived similarity of attitudes, personal characteristics, and values also provides feelings of closeness. Family members have a strong tendency toward regulating closeness. Correspondingly, deviations from the preferred level, that is, too much or too low closeness, triggers regulation processes in the family members (Simpson et al., 2016). Models and findings of the succession process and the socialization of the next generation often include elements of proximity and the resulting involvement – either proximity to the incumbent (Cater & Justis, 2009) or the firm (Björnberg & Nicholson, 2012; Murphy & Lambrechts, 2015) and, optimally, to both (Bika et al., 2019). In family firms, the incumbent’s support for the potential successor often enhances the latter’s involvement, emotional ownership, and engagement with the business and the family (Björnberg & Nicholson, 2012) which may result in a higher level of closeness in the system. However, intensive communication targeted to restore the optimal level of cohesion in family firms may be a double-edged sword, increasing conflicts in family and business (Qiu & Freel, 2020). Situational distance – signs of missing closeness – between the incumbent and the successor may take several forms (for example, spatial, temporal, and normative) and predicts the founder’s worries about the succession process (Malik, 2019). However, it remained unstudied how

incumbents may react to regulate the relational distance and their emerging negative emotions. On the other hand, the incumbent's own strong emotional ownership can hamper the succession process (Davis & Harveston, 1999), partly by generating conflicting strivings for emotional closeness with the firm and the family members.

Regulation of differentiation

While setting the optimal level of closeness is about creating cohesion in relationships, there is also a need to define individual differentiation for the family members. Indeed, autonomy was conceptualized as a basic psychological need in relationships (Ryan & Deci, 2017). Consequently, efforts of excessive interpersonal control of the incumbent, aiming at lowering the level of differentiation by constraining autonomous behavior, have been often linked to relationship conflicts (Qiu & Freel, 2020), while autonomy support was found to create high performance, good functioning, and cooperation between the partners (Gagné et al., 2019). Regulation of differentiation often occurs by mutually expressing overt or covert expectations that convey the family members' beliefs and needs about the optimal level of standards and diversity (Overall et al., 2006). In family firms, the incumbent's expectations may have a robust effect on the successor and the succession process, and, ideally, they can be formed into shared expectations of the partners involved (Martínez-Sanchis et al., 2020). Importantly, there is an often ambivalent relationship between closeness and differentiation. At times, conformity preferring successors have to accept the incumbent's control and need to downregulate the resulting negative feelings, while rejection of control strivings by the successor may lead to greater autonomy but higher emotional distance and conflict with the incumbent (Radu-Lefebvre & Randerson, 2020). Nevertheless, successful succession processes manage to cope with the paradoxical challenge of closeness and differentiation where family members adjust their communication types to the actual stage of the process (Leiß & Zehrer, 2018), implying a flexible and dynamic series of relationship regulation efforts.

Regulation of reciprocity

Regulation of reciprocity is intertwined with expectations of fairness and negotiations on norms of exchanges and cooperation (Lang et al., 2009) and

extends to the regulation of responsibilities. Family members are motivated to create and maintain relationships where roles, tasks, and resources are distributed fairly, albeit differential individual expectations may challenge the prevailing family system from time to time. On the other hand, perceived injustice and lack of fairness in the relationship may be constant source of conflict (Alderson, 2015; Qiu & Freel, 2020) while also triggering reparative efforts. Family members in family businesses often strive for establishing an implicit ‘family contract’ during the succession process that tries to integrate the family members’ obligations in the business and the family (Schell et al., 2020), thus counterbalancing inevitable uncertainties about reciprocity in the process. Indeed, consciously negotiated rule systems about fair treatment and mutual respect of interests are necessary for the succession process. In addition, other theories suggest that there are also implicit ‘ledgers’, that is, accounts of giving and taking, between the family members, especially the generations. Using the concepts of the Contextual Family Therapy approach, Hanson and colleagues showed that implicit notions of the ‘family ledger’ are linked to the family’s resilience (Hanson et al., 2019). A more balanced, mutually respectful, and supportive ‘family ledger’ of relationships may create an entrepreneurial family culture that efficiently transcends multiple generations and directly supports the succession process. This aspect also emphasizes the role of family traditions rooted in the experiences of previous generations.

Regulation of emotions and stress

To a great extent, relationship regulation processes focus on achieving positive emotions and alleviating stress in close relationships, both on a momentary basis and in the long run (Marroquín et al., 2017; Mikulincer & Shaver, 2019; Zaki & Williams, 2013). The regulation of emotions also entails the management of loss experiences (Rompilla et al., 2021). Fear of loss may be connected not only to persons but “to shared fears around loss of family contact or intimacy” (Qiu & Freel, 2020, p. 94.). Interpersonal emotion regulation processes are seldom addressed in family business literature, although recent qualitative studies provided valuable insight into some aspects of the emotional work during the succession process (Cunha et al., 2021; Murphy et al., 2019; Radu-Lefebvre & Randerson, 2020).

Regulation of time perspectives

Finally, family members need to form a shared understanding of their common story, including an integrated view of past experiences, the actual situation, and possible future scenarios (Fivush & Merrill, 2016). Theoretical considerations also imply that family members are interested in constant monitoring and negotiation of each other's goals and intentions (Fitzsimons et al., 2015). Since the succession process is embedded in time, it is inevitably subject to regulation processes that involve time perspectives, including perceived succession intentions (Umans et al., 2019), dialogues and sharing narratives (Helin & Jabri, 2016), and family stories about family routines (Reay, 2019). As Leiß and Zehrer (2018, p. 5.) argue: "communication patterns continuously reconstruct the relationships", and this means that narratives about the future (and the past and present) of the family firm, including the succession process, may directly affect the process itself.

We pointed to previous research that can be interpreted through the lens of RRP. However, we did not mean that family business research has fully capitalized on the concept's potential. On the contrary, we hold that there is a need to apply a systemic concept that may arrange several findings on elementary relationship processes and provide a theoretical framework for the description of family relationships in the family business. Thus, in the present qualitative research, we aim to demonstrate the usefulness of RRP in understanding the dynamics of the succession process by discovering how family members cope with the challenges of the succession, whereby they regulate their relationships along the dimensions described above.

Methodology

To explore the above-described relationship regulation processes during first generation succession, we applied a qualitative constructivist and interpretivist grounded theory methodology (GTM; Charmaz, 2014; Corbin & Strauss, 2008; Strauss & Corbin, 1998). GTM is the most appropriate methodological choice for the study of perceived social realities when existing theories do not sufficiently describe the studied phenomenon or possible hypotheses would be too abstract to be tested deductively (Suddaby, 2006), and the research problem involves the need for elaborating a general abstraction of the actors' interactions and actions (Creswell et al., 2007). Although existing theories on RRP and family business

succession informed our worldviews, we opted for an open research question (a “how” question) as no prior theories provided direct hypotheses on relation regulation processes during the succession period.

GTM applies to a systematic and theoretically informed inductive (open) coding of research data, along with theory development, and building locally valid substantive theory by identifying relevant social processes connected to the research question (Corbin & Strauss, 2008). In our approach to data generation and analysis, we followed the coding paradigm proposed by Corbin and Strauss (theoretical sampling in parallel with open, axial, and selective coding of data (Corbin & Strauss, 2008)), together with the interpretivist and constructivist approach proposed by Charmaz (2014). In our interdisciplinary research team, we took a constructivist stance towards the entire research project where “we are part of the world we study, the data we collect, and the analyses we produce. We *construct* our grounded theories through our past and present involvements and interactions with people, perspectives and research practices.” (Charmaz, 2014, p. 17.). In the in-depth interviews, the team members and our research participants, incumbents and successors of Hungarian family firms, constructed and interpreted the personal meaning of the participants’ relationship experiences during the succession process. We aimed to offer “an interpretative portrayal of the studied world, not an exact picture of it” – where “research participants’ implicit meanings, experiential views – and researchers’ finished grounded theories - are constructions of reality.” (Charmaz, 2014, p. 17.).

Our approach was exploratory and inductive at the start, and later we used the abductive logic of theory-building (Bryant & Charmaz, 2007). However, as an interdisciplinary team, we developed a ‘theoretical sensitivity’ through discussions and engagement with the relevant literature, while we were aware that ‘theories, professional knowledge that we carry within our heads, inform our research in multiple ways’ (Corbin & Strauss, 2008, p. 32.). Thus, preliminary theoretical considerations were used for forming the research questions and interpreting the emerging GT. However, theory-building was not meant to justify or falsify theoretical concepts.

The Hungarian context

The average year of the foundation of Hungarian family businesses is around 1993 because of the timing of the historical, political, and economic turns of 1990

(Wiesz, 2019). The large majority of these firms have been facing the challenges of the first formal succession around the 2010s and 2020s. In this historical context, prototypical social and cultural behavioral patterns are missing for the incumbents and the successors. These involve ways of letting go of the involvement in the company and finding a new type of relationship with the company for the incumbents and ways of creating a secure position for the successors while they let the members of the previous generation find their new type of relationship. Moreover, several factors may increasingly challenge the intrafamily processes. These challenges include the lack of shared social-economic norms related to the succession of family firms, the relatively low level of trust in the society (Keller, 2009), and personal experience of insecurity caused by the drastic historical changes around the 1990s. In this context, family resilience and how business families search for and invent their solutions gain importance, whereas family-specific RRs play an essential role in this transition. Thus, the study of the experiences of first-generation family businesses in Hungary can be interesting beyond the Central and Eastern European context for those studying family business in an economic context, becoming only decades ago a market economy, since they provide a 'laboratory' of family-level solutions for the succession process.

Theoretical Sampling

In GTM, quality and rigor are assured by the joint processes of systematic data collection and analysis (Morse, 2007). Our sampling strategy started the process with purposeful sampling and proceeded to theoretical sampling as the research process developed. 'Theoretical sampling is the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyses his data and decides what data to collect next and where to find them, in order to develop his theory as it emerges' (Glaser & Strauss, 1967, p. 45.).

Theoretical sampling requires searching for differences and variations in the study data. In order to enhance heterogeneity within the study group, initially, we purposefully recruited first-generation incumbents (founders of their businesses) from different age groups and assured diversity in the industry sector, year of foundation, regional distribution, and the succession process's actual phase. To capture the family system level of individual relationship regulation processes, we invited at least two members of each family (incumbents, successors, owners, or

employees of the family business). We also aimed at the inclusion of potentially two generations from each firm. Larger small and medium-sized family firms were approached through the professional network of the research institute. In the first rounds of interviews, we reached several parent-son and parent-daughter (incumbent-successor) dyads. As we worked on the developing theoretical framework, we realized that relation regulation processes among siblings and parents could be perceived and interpreted with significant differences by brothers and sisters. We then sought out families where siblings also could be invited and, in one case, a family successor together with a non-family owner (who bought a 50% property share after the incumbent's death).

We explored the participants' relationship experiences through semi-structured, in-depth interviews. To generate rich and well-focused data on RRP, we consulted the first draft of our interview guide with representatives of three different family firms who were asked for detailed feedback on their insights. Participant check supported the elaboration of a common language integrated into the final version of the interview guide. We used broadly formulated, open questions that covered the dynamic aspects of the following themes: the short story of the founding of the family firm; family members' relationship to the firm and other family members; the succession process (family interactions around the process, major turning points and expected future steps, the participants' own perspective on the process along with their perception of family relationships); the personal journey of becoming a "incumbent" and a "successor" (relationship experiences around the choice of the successor, intra- and extrafamilial relationships that influenced the process and changes in professional roles along with family relationships during the process); the influence these actions had on family relationships and, in turn, how family members and family processes influenced the actual process. The interviews were audio-recorded and transcribed verbatim. Interviewers revised the transcripts and anonymized the text, masking all identifiable personal information (names of individuals, firms, places) from the texts. In addition to interviews, we used field notes and analytic notes (memos) to make accounts of the subjective and interpersonal context, theoretical ideas, and researcher observation during the interviewing and coding process (Charmaz, 2014).

Theoretical sampling is "the disciplined search for patterns and variation" in data that are not fully evident at first sight (Wiener, 2007, p. 304.). Team

discussions can not only accelerate the search for patterns (Wiener, 2007), but can enhance the validity of the findings by involving multiple perspectives in the analysis. Our interdisciplinary qualitative research team comprised a core team (two psychologists, one management scholar, and one sociologist – the authors of this paper), and three economy Ph.D. students who participated in the interviewing process. The two psychologists had prior expertise in qualitative research and teaching and had family therapy training and practice. The management scholar and the sociologist also had mental health-oriented training experience, and the management scholar had prior practice in consultation with family business families.

Since the qualitative research team's professional background and experiences with the qualitative methodology were diverse before starting the research, a training process was designed for the team. In subsequent workshops and discussions, the team members conveyed information on theoretical and practical aspects of the family business, qualitative research in social sciences, the reflective interview and analysis processes in GTM to each other. All team members conducted interviews and shared their memos in team meetings where the first analytical codes were created. The team members made first-hand verbatim transcripts of their first interviews to reflect on their interview practice (a professional typist transcribed later interviews). The first author supervised the entire process who provided professional supervision to team members to refine their qualitative interviewing skills. The core team continued the discussions during the theoretical coding process and the drafting of the paper.

Data Analysis: The Coding Process

The authors followed the principles of constructivist GTM (Charmaz, 2014) throughout the data analytic process. The initial team discussions on the interviewing experiences also facilitated the open coding process, which started right after the first interview transcripts were available. First, the four authors developed open codes in the interview transcripts parallelly, starting with their first interviews, whereby we searched for meaningful patterns of relationship experiences and interpersonal processes inherent in the texts, which answered the research question. In the next step, the first author analyzed the open codes using the constant comparative method (Charmaz, 2014): open codes and the original interview excerpts were searched for similarities, discrepancies, and connections, which all represented meaningful patterns of family interactions and

intrapersonal interpretations of the succession process. The constant comparison of data to data, incident to code, code to code, and codes to abstract category generated progressively more abstract concepts and theories and finally led to an emerging theory.

Following initial open coding, the extracted patterns were used for the elaboration of the first axial codes. In this step, we identified specific contexts, casual conditions, intermediary processes and informative consequences for the most important phenomena in the analysis (Corbin & Strauss, 2008). In line with the principles of theoretical sampling, the first axial codes directed the subsequent interviewing process (as described above). The elaboration of new axial codes also led to the reexamination of previously developed codes, and meaningful changes were initiated in the developing coding system. Through this circular process, the saturation of the axial codes reached a point where the first author started theoretical (selective) coding (Charmaz, 2014). She reconsidered and reorganized the system of preliminary open and axial codes and formulated emerging theoretical selective codes. In addition, she also built a tentative theoretical model by graphically representing the associations between the first selective codes. The selective codes and the initial model of the tentative grounded theory were subsequently discussed in the team of the four authors, together with the analytic memos of the team members. In this phase, the tentative theoretical (selective) oriented the coding of the new interviews. Thus, we were deeply involved in the circular analytic process of GTM that is “an open-ended, sprawling type of research, indeterminate, and structured by one’s own ability to manage ‘grounded abstractions’ and ‘local emotions’ while continuing to develop theoretical sensitivity” (Star, 2007, p. 81.).

The interdisciplinary teamwork enhanced the validity of the findings through ‘investigator triangulation’ (Hamlin et al., 2007). The first author was in charge of developing axial and selective codes through the constant comparison of the interview texts, the open codes, the preliminary axial codes, and the analytic memos of the team members. All four co-authors checked interview texts continuously for good examples of already described phenomena or exceptions (deviant cases) and extensions that supplemented or modified the preliminary system. Team discussions throughout the coding process encouraged the development of different viewpoints in interpreting the data, involving insights from the economy of family businesses, family psychology, and sociology. The

added value of interdisciplinary discussions became evident when team members identified codes that reflected their specific theoretical backgrounds: the management scholar discovered the double-edged use of the family council in communication processes, while the family therapist accentuated the priority of relationship distance and closeness over managerial reasoning in decision-making processes. In addition to investigator triangulation, we also performed data triangulation. In each family business in our sample, we explored the experiences and interpretations of more than one family member regarding the phenomenon of our focus (RRPs during succession).

To increase the transparency of the methods we used (Chenail, 2009), we provide an example of the coding process. In the first interviews, it was evident that multiple concurrent RRP's characterize the start of the successor's career. Incumbent 3 told the interviewer (a management scholar): 'Here [at the firm] there is no such thing as weekends or holidays or... many other things but I won't continue because you certainly know it well. To shepherd my son into this same direction with a blinkered view, that's certainly a huge responsibility. Now, several times I asked him whether there wasn't something else he'd rather do. And we got to the point that somewhere in the future, in some years, eventually he can come to a long-term internship and I supported the idea.' During initial open coding, the management scholar team member created the code "the incumbent gives freedom to his son (the successor) in his career choice". However, a family psychologist member pointed out that the interview quote reflected the incumbent's ambivalence of 'giving freedom' and 'giving support to plans about joining the family business'. In the subsequent coding of the successor's interview, it turned out that this ambivalence was also reflected in the successor's interview: "It was more him that said, you do this and this, and you should deal with this... and I said, okay, fine." As this ambivalent pattern of RRP's around the successor's career choice was also evident in further interviews, we turned back to the first quotation and realized that the verb "shepherd" as a metaphor is a powerful image of the father directing the son towards a destination while letting him do it by himself. In the team discussion during axial coding, we highlighted the incumbent's special term to create the 'in vivo' code (Charmaz, 2014): 'The incumbent 'shepherds' the successor'. This axial code served to cover all the contexts and contingencies of the ambivalent RRP's in the negotiations around the successor's career choice. During selective coding, the action of 'shepherding'

proved to be a significant step in the negotiations around the common construction of the succession process ‘brick by brick’ (another ‘in vivo’ code).

After several iterations of going back-and-forth between the raw data of incoming interviews, the open codes, the axial codes, and the forming system of conceptual selective codes, we reached the saturation point where analysis of additional interview texts did not yield further modifications in the coding system and the tentative theoretical model. As theoretical sampling comes to an end when saturation is reached (Suddaby, 2006), our sample ultimately consisted of 27 interviews from 12 family firms. The essential characteristics of the firms and their representatives are presented in Table 1. The final elaboration of the grounded theory – a tentative model of RRP during the succession process – was performed by the first author in close collaboration with the authors' team.

Table 1 Profiles of the Family Businesses

Family business	Year of foundation	Generation	Sector	Participants	No. Of family employees	No of family owners	No of employees
1		2	B2B Commerce, car dealership	Successor 1.1, Successor 1.2	2	2	20
2	2008	1	Industry	Predecessor 2, Successor 2	2	1	8
3	1993	1	Industry	Predecessor 3, Successor 3	3	3	80
4	1993	1	Hospitality	Predecessor 4, Successor 4	2		400
5	1992	2	Industry	Predecessor 5, Successor 5	3	4	180
6	1998	1	Light industry	Predecessor 6, Successor 6	3	1	18
7	1991	1	Light industry	Predecessor 7.1, Predecessor 7.2 Successor 7.1, Successor 7.2	4	4	69
8	1994	2	Light industry	Predecessor 8, Successor 8	3	4	21
9	1985	2	Light industry	Successor 9.1, Successor 9.2	2	1	259
10	1985	2	Infocommunication industry	Predecessor 10, Successor 10	2	2	130
11	2002	1	Car dealership	Predecessor 11, Successor 11	3	4	75
12	1984	1	Infocommunication industry	Predecessor 14, Successor 14.1 Successor 14.2	3	2	43

Findings

Discussion

The present study aimed to identify how family RRP's support or hinder the succession process in family businesses. From the perspective of family relationships, we found that intrafamily succession in family firms is a process that actualizes itself through a web of continuous negotiations between the incumbent and family members from the younger generation(s). The web of negotiations is organized around three main relationship tasks (represented by the main categories) and the respective subsets of relationship processes (represented by the axial codes) that we explain in our grounded theory model.

The proposed grounded theory

Based on the constant comparison of the RRP's during succession as presented by the participants, we identified three main relationship tasks that incumbent-successor dyads face during succession: the negotiations of a shared identity, the negotiation of the common construction, and the negotiation on the family rules. Relationship tasks are inherently present in family relationships, and the success of the family and the firm depends on the success of negotiations around them. The RRP's and superordinate relationship tasks are in a continuous transaction with each other, and these dynamic processes influence succession-related decisions (see Figure 1). Early childhood experiences or young adult experiences accompanied by shared positive emotions play a significant role in founding the owner's and the successor's *shared identity*. These emotionally loaded situations of closeness and mutual support shape the frame for future negotiations on optimal distance and mutual responsibility taking. These processes reinforce the family members' extended shared identity that, in turn, is connected to the negotiations on the interrelated actions of *common construction*, such as taking steps toward increasing involvement or outside-of-the-firm experience of the successor. As shared identities may reflect experiences of control efforts and differentiation between the parent and the offspring, the negotiation of interrelated actions may lead to the potential successor taking a distance from the parent's business and starting their independent career. In other families, where shared identities reflect emotional closeness and intense feelings of mutual

responsibility in the parent-child relationship, actions are negotiated so that the offspring starts working in the family business as early as possible. Thus, the idea of “outside work experience” sounds useless for them. The way the owner and their successor negotiate their interrelated actions contributes to the further evolution of shared identity. An example of this transactional process is the case of perceived similarity (i.e., low differentiation) in the actions of the owner and his son (a sign of closeness) that leads the owner to foresee a successful succession process in their family business and to create a common narrative for the succession. Conversely, where perceived differences in personality and attitude lead to a lack of shared identity, both the incumbent and the successor report having rough times of conflict during succession. In these cases, the parent and the offspring may experience a low level of mutual trust, highly controlling expectations without negotiated perspectives on the future, and the incumbent may invite an outsider to succeed them in their managerial position.

Negotiations on shared identity – and how these negotiations guide interrelated actions – further contribute to negotiating *family rules*. Negotiations on family rules – and how rules can be modified – may influence the experiences of closeness and differentiation in family roles (parent and child, manager and family member, female and male) and the possibility of mutually transparent family communication. The family members’ attitude to the change of the family rules governing differentiation and autonomy seems to be in close relationship with the successor’s experiences of autonomy along with their scope of actions as managers in the firm. Modified family rules shape the setting for further actions in the process of succession (e. g. decisions related to family or non-family management and ownership). All these processes contribute to the further development of the family identity.

To conclude, the substantive theory grounded in the analysis of the interviews suggests that the process of succession in family businesses can be seen as circular loops of negotiations on family relationships. To reach satisfactory fulfillment of the main relationship tasks, the core process is ‘negotiating the relationship(s)’ where negotiation involves continuous balancing the family members’ implicit needs on closeness, differentiation, reciprocity, emotions, and shared time perspectives. Thus, the success of the intrafamilial succession process may be closely linked to the interplay between RRP and the main relationship tasks: the family members’ shared identity, the way they negotiate their common construction, and shape or modify the family rules.

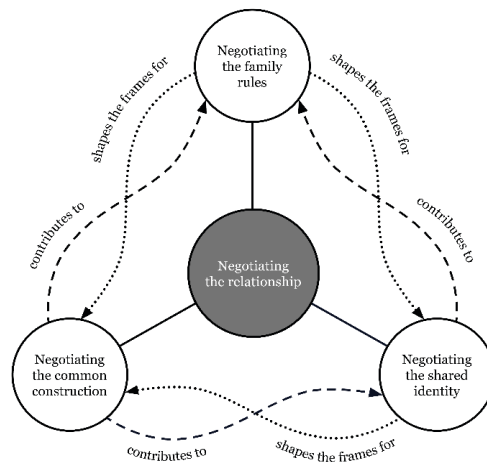


Figure 1 – Summary of the proposed grounded theory

Theoretical implications

Relationship processes in the succession

Our approach is in accordance with previous research on family businesses that applied theoretical concepts from family science (Jaskiewicz & Dyer, 2017) and linked dimensions of family relationships to features of the succession process in the company. In addition, however, our findings expand our knowledge about the intergenerational succession process by identifying the essential relationship tasks

of incumbent-successor dyads and the corresponding relationship regulation processes (RRPs).

First, the relationship task of forming a shared identity is parallel to previous research that identified the importance of the quality of the incumbent–successor relationship in the succession process. Our results show that regulation of closeness is a core challenge of the corresponding relationship negotiations. Dyads of incumbents and next-generation family members who had joint experiences of mutually benevolent, personally beneficial outside-the-firm activities before starting the formal succession were later able to cooperate and negotiate constructively. Emotionally involving parent-child experiences can generate a secure relationship base for establishing a new kind of adult cooperation in the firm (Cater & Justis, 2009). These family experiences will serve as a safe base of mutual trust on which the success of generational change can be built later. Moreover, regulation of differentiation is also necessary for maintaining shared identities. Most of the incumbent-successor pairs evaluated whether they resemble each other or not. Personal experience of shared identity is strongly emphasized if they perceive similarity to each other in certain ways. This perception then contributes to mutual trust and enhances succession. In our sample, incumbents who talked about the scarcity of resemblance also tended to claim that there is nobody to pass the baton to and tended to find no perspective in the whole succession process. Furthermore, regulation of reciprocity was found an ingredient of shared identity since it was found connected to notions of fairness and taking responsibility. However, incumbents' and successors' perspectives differed in this regard. To a various extent, incumbents dealt with their responsibility to pass on the firm in good conditions, while successors were sometimes concerned about the emotional and physical wellness of the incumbents, their father.

Concerning the relationship task of common construction, closeness-related regulation challenges prevail. Cooperation needs closeness while the incumbents may still struggle with distrust and the successors with experiences of being misunderstood and disregarded. However, the arising conflicts threaten closeness and trigger new negotiations in the relationship. On the other hand, “shepherding” (the incumbents' strong suggestions aiming at the offsprings' decisions) can be a natural way of maintaining as much similarity as possible between the incumbent and the successor. Later in the process, complex

relationship negotiations on optimal level of differentiation *and* closeness (or, in other terms, autonomy and relatedness; (Radu-Lefebvre & Randerson, 2020)) become crucial. By striving for more independence, the ‘right’ for making mistakes, and new managerial attitudes, successors challenge the closeness described earlier. However, these are necessary challenges in the negotiations of common construction since these strivings play a vital role in the relationship task of negotiating the family rules. During the incumbent’s and the successor’s interrelated actions, reciprocity is sometimes regulated through seemingly unbalanced contributions (such as a successor maintaining collaboration with and closeness to their dismissive father just because they feel they owes it to him) that show how implicit ‘family ledgers’ work against managerial rationality (Hanson et al., 2019).

The third relationship task, negotiating family rules, provides broader frames of reference for finding balance (either in closeness or in the distance) by setting communication paths. Interestingly, several families in our sample noted that setting exact rules of the succession process itself might harm family closeness. Communication rules also regulate whether it is allowed to express mutual respect while acknowledging all the similarities and differences between family members. Rules of inheritance may regulate shares in the management and the ownership and so these rules also represented more or less shared agreements on fair treatment of the possession, balancing between aspects of kinship (equality) and personal contributions (i.e., merit-based differentiation).

Two RRP’s seem to gain overall significance and contribute to the negotiations around all relationship tasks. The role of emotion regulation in relationships becomes evident in challenging conflicts that may hinder negotiations. Overt and covert conflicts are stressful experiences that may lead to emotional and sometimes spatial and organizational distance (which helps to downregulate stress), while they may also promote moving toward more fair agreements and mutual understanding. Moreover, conflict is not the only emotional challenge family members need to deal with. Below we unfold the topic of loss and grief that is closely bound to the succession process. Finally, the narratives and plans our interviewees expressed were living examples of the regulation of time perspective. Shared and retold memories of the past are important aspects of the present or the possible future while untold and tabooed experiences and intentions also shape the relationship. The family level regulation of time perspectives closely affects the

relationship negotiation process by which succession is formed in a planned and conscious but also spontaneous way.

The succession process – stages and circularity

The logic of the relation of the three main relationship tasks describes succession as continuous negotiations of family relationships and introduces the process of early socialization of the next generational family members. Axial codes representing the subsets of relationship tasks also reflect temporality: the emergence of processes and patterns described by the axial codes may follow more or less in the order of presentation in our findings. The story of the incumbent-successor relationship starts from early childhood and juvenile experiences as the dyad establishes their shared identity and then takes joint action in the company (cf. “common construction”). Previous accounts of socialization concentrated on how the exchange of professional and tacit knowledge regarding the company’s operation takes place (Bika et al., 2019). Our study complements these models by identifying main building blocks of the socialization process from the point of view of the RRP and outlining the links between these steps.

However, our results also suggest that models of succession that segment the process into chronological stages with corresponding important decisions and events (Breton-Miller & Miller, 2018; Decker et al., 2017) should be complemented. Behind the seemingly linear progression of the successor's deepening involvement into the company's operation, there is circularity in the shaping of their relationship: the continuous negotiation of what their shared identity is based on, what steps they are taking together, and how they jointly relate to stability and changes of rules that govern their relationship, the family and the company. These processes are circular due to the continuous negotiation and re-negotiation of these relationship tasks that drive succession from one important decision to the next one and hence from one stage to the other.

Moreover, according to the context, the family members’ personal needs may change in time, and the family’s ability to negotiate may also mature along the succession process. Therefore, we also hypothesize that decisions are not made in a clear-cut, linear manner. From time to time, past decisions (i.e. preparation of an successor or conditions of entry when the successor is already chosen and works as a top manager) are re-assessed by family members based on their actual needs. Future decisions (i.e., details of when the formal takeover will occur or what the

formal and informal role of the previous incumbent will be after the formal transition) also pop up in their conversations. Conversely, they may try to avoid these questions, based on their needs and common ability to negotiate those needs and what they jointly want in their relationship. This implies that since both the evaluation of past decisions and planned outcomes of future decisions are subject to change, family business research should focus on how conscious and rational succession preparation and planning can involve the family's self-reflection. Self-reflection may extend to the family member's ability to discuss the main relationship tasks: common identity, common actions, and attitude towards family rules. Specific attention can be directed to the topics where negotiations between family members are either missing or not satisfactory during the succession. Research certainly knew and emphasized the importance of the impact of family context throughout every formal phase of succession. Our study inspected the family context from the perspective of RRP and specifically explored how members apply their RRP to shape the superordinate processes of the main relationship tasks and how these regulation processes affect the process of succession.

Practical implications

Previously, we used the metaphor of a 'laboratory' to the socioeconomic context of our study. In the Hungarian context, a whole generation of incumbents and potential successors is facing succession first time, without sociocultural examples and society-level narratives that could help the process. This condition emphasizes family-level resilience and relationship processes, and the lessons learned can be applied in various ways by family members of business-owning families and professionals of the field. Future research may build on the possibility of developing a standardized questionnaire based on the RRP and respective relationship tasks explored qualitatively.

Our study shows that the key to a prosperous generational change is the presence of effective relationship regulation processes through continuous and constructive negotiations on the main relationship tasks in the family, rather than the preparation and realization of a pre-defined plan in itself. Members of business-owning families should concentrate on building and practicing their ability to negotiate through the triadic relationship tasks of succession explored in our analysis. This ability relates to the exploration of similarities and differences,

the development of norms of raising and resolving reciprocity, trust, and fairness issues. It also refers to support the differentiation of family and business roles (including valid ways of 'non-succession') and working out the delicate balance between autonomy of the successors (differentiation) and respect for the incumbents (closeness). Planning the formal succession process may offer a useful frame by identifying the topics to be negotiated (e.g., choosing potential successors, their preparedness, and timing of formal steps of passing the baton). This may increase the business family's ability to face severe discussions about the emerging decisions and reach a smooth succession outcome.

Our final note should relate to the striking result of how family members evaluate the possible exit of the incumbents. Successors both before and after formal transition claimed that if 'founding fathers' could not regularly go to the company and do whatever task they negotiated to execute, they would literally die. On the other hand, incumbents also tended to say that they would continuously make an appearance in the company until they die because they used to do so. The metaphor of death and its emergence in both the incumbent's and the successor's interviews is meaningful. It reflects that incumbents of Hungarian family firms are mixing the 'emotional letting go' of their current relationship with the company and the frightening possibility of the 'emotional letting go' of their business in general. Henceforth, the general advice of 'letting go of the company' should be reframed into the significance of thinking about 'recreating' or 're-establishing the personal bonds' to the company.

The need for future research

As in all qualitative studies, our results reflect the characteristics of our sample. We included families owning larger small and medium-sized companies, having already decided on intra-family leadership and ownership succession (although two of them, later on, declined from keeping the leadership in the family). One of the important characteristics of these families and businesses was that none of them closed the post-succession phase by the time of the interviews. It also implies that this stage and the corresponding relationship patterns are partially missing from our sample. Partially, because we involved companies where the baton in leadership had already been passed for years, next-generation family CEOs succeeded in establishing their places and were accepted among the firms' stakeholders. Nevertheless, even after the formal transition of leadership, former

leaders still had a considerable presence in the company's operation – let alone in strategy formation. Thus, the unfinished post-succession phase in the interviewed family businesses is not merely a limitation of our research, but rather a general characteristic of the family businesses in Hungary and presumably in other post-communist countries.

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QUANTITATIVE RESEARCH - RESEARCH REPORT

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1 Executive Summary

About the research

- ◆ The report contains the results of the quantitative research carried out by the Center of Family Business. This questionnaire survey was conducted from October 2020 to January 2021 with the participation of the leaders of 301 Hungarian family businesses, and all the respondents were family members.
- ◆ The inquired sample is representative in the respect of sales, number of employees, scope of activity and geographical locations for Hungarian family businesses that are bigger than micro-companies.

General descriptive results

- ◆ The chosen succession outcome:
 - ❖ According to their plans, the most frequent outcome is keeping both management and ownership within the family, as 83.5% specified these as planned outcomes. 77.9% of them would keep the company in full family ownership, while 5.6% are thinking about allowing minority owners to enter the firms.
 - ❖ 12.03% would like to keep only a certain part of the family ownership, but would not have family members as managers. 8.9% of them will keep full control, 2.5% will keep the majority position only, while a negligible portion, 0.6% would participate in the life of the business as a minority owner, under the operative control of a non-family member managing director.
 - ❖ 2.9% are planning to sell the business.
 - ❖ 0.8% said the plan was to sell the ownership, but keep the management, and 0.8% were planning to close down the business.

- ◆ The successor's characteristics
 - ❖ The vast majority of the owners of family businesses (94%) have already identified their successors in their heads.
 - ❖ However, only 65% of the businesses announced their potential successors openly;
 - ❖ 50.5% of them already have the successor working for the business.
 - ❖ In the case of a group of companies that make up approximately 20% of the sample, it is true that the succession process seems to be partially or completely stuck, either because no successor has been identified yet, or the successor is not accepted or involved yet, or because of the non-identified succession outcome.
 - ❖ 7% of respondents indicated that the business would be run in the future by a non-family member professional.
- ◆ Plans with the transfer of ownership
 - ❖ 60.5% of respondents indicated that if the present management generation retires, the ownership would be transferred fully to the family, while 12% would keep it for themselves after retirement. 7% would transfer ownership to a family member only partially, and 4% would fully transfer it to a non-family member. 12% of the participants of the survey did not answer this question.
 - ❖ The vast majority of the businesses participating in the survey, 90%, wish to keep the majority ownership of the family in the business.
 - ❖ The business share not intended for family members would be sold by the family typically to professional and not professional investors, secondly to non-family managers, and thirdly to employees. The first option was selected by 41.7% of respondents, the second was selected by 30.6%, the third was selected by 13.9%, underlining that in line with the earlier answers, these respondents made up 12% of the sample only, although not all stakeholders (people selecting succession with not full family ownership, or hiding for some reason) submitted answers.
- ◆ Success
 - ❖ The majority of respondents find the process successful. 61.8% find it successful or very successful for the firm, and 61.1% find it successful or very successful for the family,
 - ❖ The fact that success in these two contexts move together, and there is no difference between the values – or only a very small difference – probably mean that respondents thought of the family from the aspect of the business, or that they do not perceive the family and the company albeit partly related, but different systems and systems of criteria for evaluating the success of succession

Key patterns, conclusions

1. In the middle of the first Hungarian family business succession wave

- ◆ We are now in the middle of the first Hungarian family business succession wave: the average of the years of realized or planned leadership transfers is 2022 with 12 years of standard deviation.

2. The false myth of the ‘inherent incompatibility’ of business and family

- ◆ Our analysis showed that family members’ socioemotional relations to the business have positive impacts on its performance and the assessment of the success of succession. This result is valid for the family SME group that comprised the sample.
- ◆ As opposed to negative stereotypes about family businesses, in a ‘family’ business where family member’s identification with the business is high, family members’ personal emotional connection to the existence of the business is present, the intention to keep long-term control over the business is present, and the quality of the relation among the family and the stakeholders of the firm is important, all this may lead to
 - ❖ higher business performance,
 - ❖ higher intensity of development activities in the company,
 - ❖ family members are more satisfied with succession
 then at companies where the behaviour of family members is rather not characterised by the above list.
- ◆ The positive effect of the socio-emotional attitude is nuanced by the fact that – only in terms of its impact on the efficiency of the company – this effect turns negative during an economic downturn.
- ◆ The positive effect of the socio-emotional attitude is nuanced by the fact that – only in terms of its impact on the efficiency of the company – this effect may turn negative during an economic downturn.

3. It is not only the physical presence of family in the company in itself that counts

- ◆ The ratio of family members in the top management team has a positive effect on the efficiency of the company: the higher the ratio, the more efficiently the company produces. This result certainly can not be applied in all circumstances: it presumably relates specifically to the situation of the surveyed companies where – after the spouse or partner of the founder

joined the firm – his or her children also participate in the operation of the company. At the same time, variables of family presence in the business do have no significant effect on the variables of perceived success of succession.

- ◆ Involving family presence and company performance into cluster analysis delivered results only when we also involved the variable of socio-emotional wealth. It refers that physical presence of family in the existence of the business does not count in itself. Socio-emotional wealth of family members, what family wants with and from the business should also be taken into consideration as it helps the effect of the presence manifest in the operation of the firm.
- ◆ This line of reasoning is also supported by the fact that socio-emotional wealth of subgroups of firms planning family and non-family leadership successions (and under non-family leadership, further subgroups of businesses with planned establishment of board of directors, supervisory board or trusteeship) differs from each other.

4. The myth of succession planning – it is not formal planning that counts

- ◆ The formal or 'linear' planning of succession, the degree of planning do not count on their own: it does not have an impact on the business performance of companies, on product and service innovation and the extent of internal development processes. It does not influence the success of succession in family context. Looking at it the other way round, none of the examined variables of the succession process have any impact on it as a dependent variable.
- ◆ The degree of planning of the succession has a negative impact on the efficiency of the company's operations.
- ◆ These seemingly non-intuitive results can be well interpreted based on the findings of qualitative research. Based on these, succession consists of the processes of managing the relationships between the person currently holding the position (predecessor) and the successor. Significant decisions that seem to build on each other are primarily the results of this relationship management, not the consequences of comprehensive and conscious planning processes. The negative efficiency effect presumably suggests that if the predecessor focuses on planning in itself alone rather than designing the plans through his or her relationship with the successor

and shaping the possible steps with the successor jointly, then this behavior will degrade his or her leadership performance in the firm throughout the succession and, consequently, the performance of the company.

5. Relationship of the predecessor and successor in the work – “Let me do my job already! – “But don’t leave me alone!”

- ◆ Relationship dynamics of the predecessor and successor effects company performance and reacts to the family. As explored in the qualitative succession research, joint work of the predecessor and successor can be characterized as the trial of trust: how the predecessor trusts the successor to really grant the continuously increasing autonomy requested by the successor in his or her work. On the other hand, based on the qualitative research, successors also do not want to be left alone completely by the predecessor.
- ◆ As far as the need for autonomy is concerned, based on the regression calculation, curbing of successor’s autonomy impacts developmental processes in the company negatively. Furthermore, the less the predecessor plans to be involved in operational work after the change in leadership, the higher the efficiency of the company will be.
- ◆ As far as the need for connection is concerned, one results of the quantitative survey reflecting the prevalence of this need is that the planned degree of withdrawal of the predecessor effects negatively the success of the succession evaluated from the perspective of the family.

6. Decision on becoming/choosing a successor – appearance and reality

- ◆ On the contrary to the succession planning models, the data indicate that at the examined Hungarian companies, there is no established form of the potential successor’s telling the family about his/her decision about succession as an autonomous player. It is the predecessor who plays a dominant role in initiating the succession and in communicating the decision process and the communication of predecessor is rather a one-sided statement or claim about identifying or deciding upon the successor. In the process of succession, the successor can not be separated as an independent player when relating to the company. He or she can make a clear-cut, personal decision only by becoming an employee.

- ◆ Despite the fact that it may increase the quality of the decision, only few percent of the respondents involved or would involve family members not active in the company, non-family member company leaders or external professionals.
- ◆ There are rather no forms for informing the organization on the decision about the successor. Family owners don't tend to inform the whole organization; non-family member, non-leader employees can only see that the successor starts to work at the firm. Although drawing the consequences also depends on the organizational culture, but it largely has to be done by them on their own.

7. Female and male successors – differences between individual fates and *business management*

- ◆ Male and female successors have different relations with the business and are seen in different lights in succession.
 - ❖ They join the company at different points of time – for male successors, the process starts already during the primary school, but for female successors, it starts during the secondary school. While a higher ratio of boys join the family business right after graduation, ratio of girls is larger in the group of successors who start their own career first, and return home later.
 - ❖ The selection of girls is more like a collective decision by the family, while in the case of male successors, it is agreed between the predecessor and the successor.
 - ❖ It takes more time to recognise them as successors, and the decision about the selected successor is communicated less to the organisation, they progress slower within the organisation, and the success of the succession process is evaluated lower.
- ◆ However, the average age of successors is not significantly different, and the family support behind female successors is the same as behind male successors, i.e. very strong.

8. Non-family leadership – the reasons from the perspective of the quantitative research

- ◆ 51,2% of respondents choosing non-family leadership said that the lack of motivation of the successor forms the background of their decision. 26,8% of them claimed that the successor did not have the necessary leadership skills, according to 24,4% of them it is the professional knowledge that lacks from the identified potential successor. Only 7,3% of them indicated that

the successor had already worked at the company but left. The two options, which say that the leadership succession process came to a halt because of a conflict between the predecessor and the successor or the successor and the family members, was not marked by anyone.

- ◆ The low ratio of dropping out from the company, as a reason refers to the fact that the failure of family leadership succession is basically not caused by negative experiences stemming from the joint work. The possible family successor does not even join the company to work there full-time. With other words, non-appearance of the identified potential adult successor in the operative work of the company may be a warning sign that the chances of joining later are small.
- ◆ The supposed lack of conflicts may also refer to the results explored in the quantitative research that the common predecessor-successor identity among the previous and the next generation family members and the predecessor-successor relation were not deep or strong enough to interpret the inevitably negative emotions from the rejection of succession in the relation of the family with the company. What they realize is that the next generation family member simply does not want to come, or he/she is not suitable.
- ◆ Separately examining the group indicating the lack of motivation in the successor, we can see that the role of the predecessor in the succession process is stronger than the average. The value of all dimensions of socioemotional wealth is lower than the average, and the index measuring emotional relation is especially low. In this group of respondents, the average age of the predecessor is higher than the mean, 66 years.

9. External, non-family professional as leader of the company

- ◆ Based on descriptive statistics and cluster analysis, only small group of companies choosing non-family leadership have already a chosen successor. One part of the other companies choosing this succession outcome, rather smaller companies, doesn't have either plans for succession or potential successor, and evaluates the succession as unsuccessful. Other part consists of larger companies with strong control of the predecessor and characteristically with no identified successor. Predecessor plans to withdraw completely after the transition and the perceived success of the succession process is neutral. It is rather worrisome

from the perspective of the latter group that an external professional as a leadership successor who is neither family member nor an employee working for the company for a longer period before, will be rather rejected by the family.

- ◆ If there is no family member successor, then, in the case of Hungarian family businesses, that does not only mean that there is no family member who would accept this role, or there is no predecessor who would give way to him/her, but it also implies that in this situation, external professionals, too, who are probably brought into the family business system by the predecessor will not be accepted by the family.

10. Predecessor's role after transition

- ◆ It can be considered as a favourable figure in itself that 70% of predecessors are planning to stay after the formal transfer. However, 44.2% would interfere with the work at operative level, too, as before – the presence of the previous manager within the organisation next to the new manager may result in a management vacuum that reduces the positive yields of the expertise, tacit knowledge and relations of the predecessor, and of the positive support of the successor. It can be directly seen from the results: the less the predecessor would remain part of the operational work, the higher the efficiency of the company's operation.
- ◆ The plans related to involvement are also connected to the quality of the relationship of the predecessor with the successor: if the predecessor plans less involvement in the operation of the business after transfer, then he/she will treat the successor less as a family member or a superior, and more as a partner in the work.

11. Succession as a resource for the family business system

- ◆ Family support behind family member successors are unified and very strong
- ◆ Once the decision on the successor is done, social-emotional wealth of the family peaks. This increased value lasts until the end of the formal transition.
- ◆ Those firms having already passed at least one succession process evaluates the closed process prominently successful. They all choose the long-term

maintenance of dominant control of the family now as well (full or majority family ownership with or without family leadership)

12. What should the predecessor be aware of during succession?

- ◆ Based on the regression of the efficiency effect frontier indicator, the self-reported data of the company's performance and the success of the succession, as well as summarizing what has been revealed so far, the conscious predecessor:
 - ❖ actively initiates family succession,
 - ❖ but he or she does not take it as granted and leaves open the possibility of family and non-family succession both within the family and within the company;
 - ❖ does not draw up detailed plans for the succession process, but monitors his or her relationship with the successor when involving the successor into the work and when assessing the autonomy to be granted to the successor;
 - ❖ intends to retire from operational work after the formal change of leadership.

2 Analysis

2.1. Introduction of the quantitative research

The report contains the results of the quantitative research conducted by the Center of Family Business in 2020-2021. The quantitative research was conducted within the comprehensive project of the Center started in 2019, when we examined business and relational factors determining the succession at Hungarian family businesses that are larger than micro-businesses¹⁶. First of all, following a review of the domestic and international professional literature, we set up a theoretical framework for our examination. In the next step, we conducted an exploring research using qualitative, grounded theory methodology. The quantitative survey was carried out as the last step of data collection and the third phase of the project.

¹⁶ The subjects of the research were family-owned firms that can be considered as larger business entities in Hungarian conditions. In the research report we call them 'family business' or 'family small and medium-size enterprise' or 'family firm' or shortly just 'firm' or 'company' both when we talk about the whole Hungarian population, and when we consider only our sample.

The primal goal of the survey was to explore the succession situation among Hungarian family firms, thus the research report concerns the general characteristics of succession process of the family business system – among the possible directions of analysis, this goal provides a tailored framework for the analysis work: exploring the most important features and patterns.

Based on that we treated succession as a long process that starts in the early childhood of the successor, and goes beyond the consolidation after the formal handover. The understanding of this process requires the exploration of both corporate and family, relational processes. For the observation of the succession phenomenon as a process, we used the models worked out by Le Breton-Miller et al. (Le Breton-Miller et al., 2004), and modified later by Decker et al. (Decker et al., 2017). This distinguishes the following stages in the succession process: preparation, arrangement, decision-making, implementation, transfer, post-succession. Extending this with possible earlier succession processes, we added a completed succession stage, too, which in our model follows the post-succession stage. This addition is included already in the original Le-Breton-Miller model, too, but in a way that the authors emphasized the circular nature of the succession process. In our case, the different examination focus and the Hungarian situation made it important to make this circular model linear, and incorporate this momentum in the examination with a special dedicated stage.

The succession phenomenon in family businesses is partly over-researched (Decker et al., 2017). As a result of the activities of the family business research area that unfolded in the past 30 years, we gained profound knowledge about the process and the steps of succession, the factors influencing corporate measures and the considerations and the path of the predecessor. At the same time, a number of fields related to the successor received less attention, especially the successor's early stages of life, the establishment of the relation with the business and the personal socialization (Bika, Rosa and Karakas 2019). Another under-researched area seems to be the decision-making process regarding the selection of the successor and his/her advancement within the company, and the family impact that can be detected here (Umans et al. 2019).

Based on the above points, we built the questionnaire used in the quantitative survey on the basis of the review of the relevant literature and the results of the already completed qualitative research. Beside company features and performance, we paid attention to issues related to the presence of the family in

the business, their relation to the business, the development of the successor's relation with the business, the relation between the predecessor and the successor, and all that in a way that individual linear stages could be identified. In the questionnaire (see Table 1), following the filtering questions to determine the family or non-family status of the inquired company and to identify the position of the respondent, there was a block consisting of variables measuring the family's presence in the business, questions assessing the performance of the company, a section to assess the family's affective ties to the company stemming from ownership (socio-emotional wealth), and a large section examining the succession process (preparation, attitudes about succession outcome, planning and planned outcome, predecessor's and successor's characteristics, the features of the decision, the implementation and the transfer, ownership outcomes, process evaluation). The last section of the questionnaire is based on the current situation: the changes caused by the economic situation generated by the coronavirus epidemic and their impacts on succession.

Table 1 – Structure and contents of the questionnaire

Question block	Key variables
Family presence	family ownership ratio, year of foundation, number of family members involved in the operation of the company, number of generations, which generation gives the CEO (in case of family CEO), number of people in the senior management team, the ratio of family members in that, is the CEO member of the family, BRIE-scale (socioemotional wealth), age of CEO
Business performance	sales, market share, profitability, innovation and internal functional development processes
Succession	probability of transfer within the family, evaluation of possible outcomes, planned management and planned ownership outcome and its date, rate of planning, characteristics of successor (presence of potential successor, presence of selected successor, age and sex of potential/selected successor, does he/she already work for the company, at what organisation level did he/she start to work, for how many years has he/she been working for the company, at what level is he/she working now, origin of successor, way of connection to the company, nature of family support behind the successor), successor's selection and successor's decision, successor's professional work, work relation between predecessor and successor, predecessor's planned relation to the company after the transfer, handling of company ownership, reasons for non-family management, forms of control in the case of non-family management, who to turn to for advice on succession, who to turn to in case of conflicts regarding succession, considerations in selecting the successor, rate of initiation of the succession process by predecessor in the dual of predecessor and successor, evaluation of the success of succession both from the point of view of the family and the company

Succession in the past	if any, when was it, rate of planning, to whom the management was transferred, how the former CEO's relation to the company changed after the transfer, evaluation of the success of this previous succession both from the point of view of the family and the company
Impacts of the coronavirus	Impacts of the first and the second wave on the operation, changes in sales compared to the plan, rate of change, impact of the coronavirus epidemic on the succession process

The quantitative survey was based on telephone and personal inquiries, which were conducted by an external partner for the research from end of October 2020 and end of January 2021. The target group of the research was Hungarian family businesses that are at least small companies based on their sales, i.e. with annual sales over two million euros.

The company performing the inquiry purchased the database of the complete Hungarian corporate population that meets the conditions, filtering out companies providing financial services and private entrepreneurs. It created a 700-piece representative sample from the database containing about 8.000 companies, based on the geographical location of the registered seat, the size of the company (both sales and number of employees) and the scope of activities. From this it chose companies with random sampling, contacted them and applied the questionnaire if the given company proved to be a family company based on the filtering questions. The replenishment of companies that were not reached or dropped out from the original database was solved in a way that the subsample kept its representativity for the whole population, according to the above dimensions. 74 family companies were interviewed from the 700-people sub-sample. Because of the significantly lower than expected ratio of family firms and the high number of replenished companies, instead of creating another representative sub-sample for the original population, the data collection continued with random sampling from the approximately 6.000 companies remaining after the creation of the earlier sub-sample, until the targeted sample of 301 family businesses was reached.

We compared the characteristics of the 74-piece representative sub-sample with the characteristics of the 227 companies chosen by random sampling. Based on the t-test for the difference according to sales and number of employees, and the chi-squared test for the difference according to region and scope of activities, the two sub-collections can be considered homogeneous at a 5% significance level. Based on that, the data communicated hereinafter is representative of the examined Hungarian family company population along the above four criteria.

In the case of firms with maximum 100 employees, the data collection company contacted the companies over the phone, while in the case of larger companies, the data were collected personally. We drew the line at 100 people, because a family business system with this number of employees is presumably more complex, therefore it may be easier to inquire the questionnaire personally, and to be open and listen to the interviewed person's opinion about questions with free answers. The preliminary target number of the sample was 300, at the end the realised sample consisted of 301 companies.

The starting point of the family business definition logic is that the family's presence has an impact on the business processes of the company that can be detected in the firm's performance, too (Audretsch, Hülsbeck and Lehmann 2013). The difficulty of creating definitions is related to the application of this logic. Firstly, as companies greatly differ from each other in size, industry, followed strategy, institutional environment, cultural background, the group of family businesses cannot be considered as uniform at all (Daspit et al., 2021). In addition, the family impact may be realised through a number of direct and indirect channels in the operation of a company, with different intensity, different efficiency, different relations, and these are difficult to measure in a uniform way (Daspit et al. 2021). The last general argument is that the term of family is hard to grasp, as it depends on cultural context and changes in time, too (Aldrich & Cliff, 2003; Pittino et al., 2018). According to the approach widespread in family business research, this heterogeneous group can be grasped along two general dimensions: these business entities have dominant family control and a family intention to maintain that control for a long period of time. The presence of these two dimensions in the life of the company also results in the fact that the family's identification with the company and the family's values appear in the business processes of the company, too. We applied the basic elements of this general definition, by using a triple filtering question. These questions are accepted filtering questions in international family business research, too. First we asked whether the company considered itself a family business, the second question was whether there was one or more family/families with majority ownership in the life of the company, and the third question was how much ownership ratio the owner family had. If the answer to the third question was over 50%, or the answers to the first and second questions were Yes, then we considered the company a family business, and continued the interview.

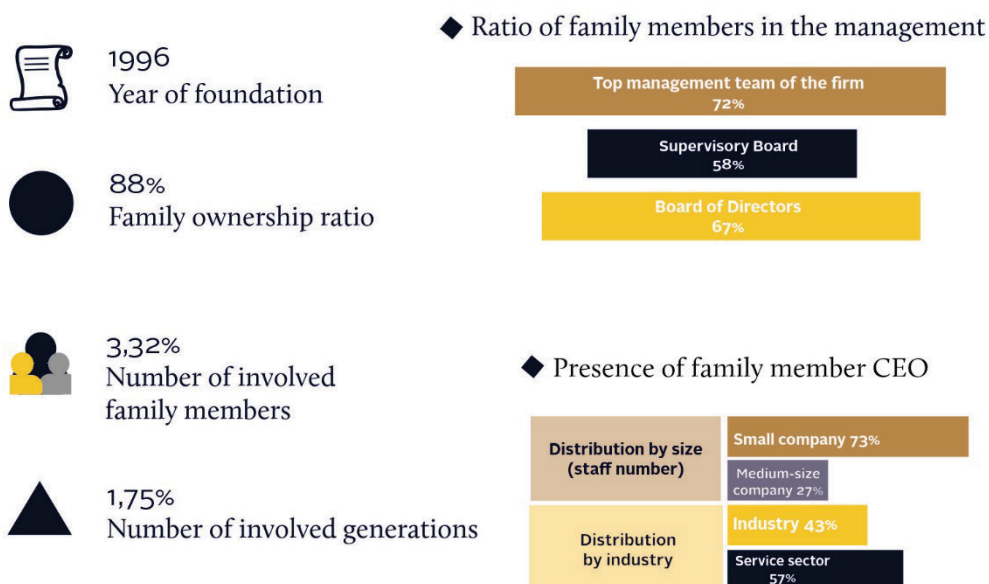
In the following paragraphs, we are going to present the results of data analysis. The second part contains the descriptive statistical basic data about the sample, internal distributions, general succession features, predecessor's and successor's characteristic features, the features of individual stages, data of possible earlier succession processes, and finally, the success evaluated from the aspects of the family and the business. The third part contains individual succession outcomes, the features of succession stages, the company performance, perceived success and regressions among succession variables, results of cluster analysis, and the comparisons of predecessors and successors, small and medium-size companies, and companies with male and female successors. Finally, in a separate subchapter, we present the business and the succession impacts of the situation caused by the first and second wave of the coronavirus epidemic – as the interviewed persons evaluated it at that time.

2.2. General results

2.2.1. Characteristics of the sample

The fundamental descriptive statistical values of the sample are included in Table 2. In terms of sectoral distribution, 42.7% of the companies in the sample operate in the industry, 57.3% operate in the service sector, and no agricultural companies made it into the sample. While the sales and staff number data of the companies are in very strong correlation with each other, we can see some deviation. Looking at the distribution according to company size and in terms of staff number, 27% of the sample are medium-size companies, 73% are small companies, while in terms of sales this ratio is 8% and 92%.

Table 2 – Basic descriptive statistical values of the sample



Most of them consider themselves family businesses, only 4 respondents answered this question with No. In the majority of them, the family holds a 100% ownership in the business, the average ratio of family ownership is 87.63%.

Each respondent is a family member working for the family firm. 80% of them hold a managing director position, a further 17% work as senior manager, and 3% work as an employee of the company. The average age of the companies is 25 years, and on average 3 family members work for the company. The number of generations working together at the company is 2 on average (1.75 as a continuous variable), so at the majority of firms – supposedly typically – at least one more generation works next to the founder's generation. In 97.3% of the firms, the managing director is a family member. 67.8% are first generation companies, 30.2% are second generation companies and already got over succession, 1.7% are third generation companies.

According to their corporate performance evaluation based on self-assessment, the majority of these companies were profitable in 2019. Looking back at the last two years, their market share has rather increased and their financial results have rather improved.

In the case of family businesses, socioemotional wealth is the non-financial, non-tangible 'emotional capital' that the family has and that originates from owning the business (Gómez-Mejía et al., 2007). For the measurement of socioemotional wealth, the survey used a recently developed tool, the improved version of the former FIBER scale, the BRIE scale (Gerken, Hack, Hülsbeck and Ostermann 2021). Socioemotional wealth originates from four sources that mutually strengthen one another: the family's identification with the business, the importance of stakeholder relations with non-family members, the family's emotional attachment to the business, and the family's dynastic aspirations, i.e. how long the family wishes to keep their control over the business. The letters in the name of the BRIE-scale are the initials of the names of these dimensions. The scale's measured values do not provide the monetary or numerical value of socioemotional wealth, but a ratio, with which the family's commitment to the business can be compared both collectively, and along the above four dimensions. In our sample we used the values of the BRIE-scale to compare the values and means calculated for the sub-groups created from the sample and to explore the relationship among socio-emotional wealth and other performance and succession variables.

Among the values calculated for the whole sample, the highest is the identification component, families' identification with their businesses, and the lowest is the component of emotional attachment. Observing the changes in socioemotional wealth in particular succession phases, it is obvious that it takes its highest values at the two key phases of the succession process: when the potential successor is identified, and when the transfer takes place. Since – among others – we do not work with time series data, and compare the data of businesses that are different, but categorized into identical phases, the latter statement is not a general characteristic, but – for several reasons – a grounded hypothesis. In the 2017-18 survey of the Center of Family Business, we observed a very similar pattern in the development of socioemotional wealth.

It is interesting, that while before the identification of the potential successor and the decision about the successor, the component of socioemotional wealth that peaks is the one measuring the importance of stakeholder relations, after the decision, the value of identification with the company soars and takes the first place in each succession phase.

Socioemotional wealth – as partially presented in the literature – is connected to the business processes, too. Developments related to innovation, marketing, purchasing processes, human resources management systems or IT developments are in a 27-33% correlation with socioemotional wealth.

Our original definition of family business, on the basis of which we formulated our filtering questions, is based on the family's effective presence in the business (components of involvement) and their choice of values and behaviour related to the business (essence of involvement). Among the family businesses included in the sample, the grouping was based on the intention to approach the bull eye's model, too, which defined gradually narrowing definition circles on the basis of increasingly strict conditions of family ownership, involvement of family members and the values and the intentions of the family. We applied the definition conditions on the businesses in our sample, the results are shown in Table 3. As expected, based on our own (Wiesz and Drótos 2018) experiences and the points in other Hungarian scientific surveys (Kása et al., 2019), with the application of increasingly rigorous family business definition filters, the number of businesses meeting the criteria is significantly reduced: family businesses in the most rigorous sense (majority family ownership, more than one family member employed, more than one generation of involved family members, at least probable succession within the family) make up only about half of the sample. Likewise, as expected, businesses of bigger sizes meet these conditions, that is the essence of stereotypical family businesses in a higher ratio than the smaller ones.

Between the index of socioemotional wealth and the individual definition levels, there is a positive, but not too strong (33%) correlation.

Table 3 – The fulfillment of the definition circles and family’s socioemotional attitude towards the business

Definition level		For what percentage of the businesses is the given definition level fulfilled			33%	The correlation of the definition level with the strength of the socioemotional wealth (on a complete sample)	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="width: 100%; height: 10px; background-color: #d9ead3;"></div> <div style="width: 100%; height: 10px; background-color: #f1c40f;"></div> <div style="width: 100%; height: 10px; background-color: #95a5a6;"></div> </div>	
A1 level	Majority (more than 50%) family ownership	87,7%	83,3%	75,0%				Total sample
A2 level	A1 level + at least 2 family members take part in the operation of the business	67,4%	67,4%	67,0%				Small businesses
A3 level	A2 level + from at least 2 generations	52,5%	52,2%	54,0%				Medium-size businesses
A4 level	A3 level + the transfer within the family is probable/highly probable	49,2%	48,9%	54,0%				
B1 level	at least 2 family members take part in the operation of the business	81,7%	81,2%	88,0%				
B2 level	B1 level + from at least 2 generations	63,5%	63,0%	67,0%				27%
B3 level	B2 level + the transfer within the family is probable/highly probable	58,5%	58,7%	62,0%				

2.2.2. Succession base data

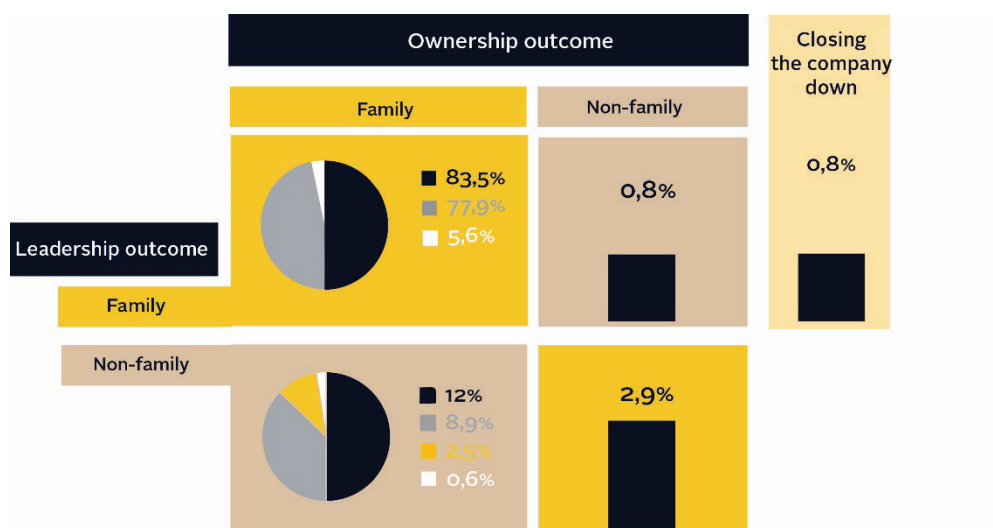
According to the majority, i.e. 84.4%, the next generation will probably or surely take over the control over the operation of the company from the present generation. This favourable-looking and expected ratio is further qualified by the fact that otherwise 95% of them are planning to transfer at least ownership, or both ownership and company management within the family.

When – independently of their actual plans – they had to evaluate individual possible succession outcomes and determine how successful these are, the least preferred outcome – after the dissolution – seemed to be sale of the company.

According to their plans, the most frequent outcome is keeping both management and ownership within the family, as 83.5% specified these as planned outcomes. 77.9% of them would keep the company in full family ownership, while 5.6% are thinking about allowing minority owners to enter the firms. 12.03% would like to keep only a certain part of the family ownership, but would not have family members as managers. 8.9% of them will keep full control, 2.5% will keep the majority position only, while a negligible portion, 0.6% would participate in the

life of the business as a minority owner, under the operative control of a non-family member managing director. 2.9% are planning to sell the business. 0.8% said the plan was to sell the ownership, but keep the management, and 0.8% were planning to close down the business. (Table 4)

Table 4 – Planned succession outcomes „(the three proportions in the cells of the first column show the ratio of respondents planning complete, then majority, then minority family ownership succession)”



For the definition of the plans of respondents and their companies about succession, the first and one of the most important questions was related to leadership succession. Under this question, 34 respondents – representing about 11% of the sample – did not specify any answer. As they gave answers to the rest of the questions, we are able to describe the characteristics of this group: in their characteristics and behaviour, they are between the groups selecting family and non-family management. In their behaviour, they resemble to the group selecting management by family members, as they preferred the maintenance of management by family members under another question, and 18 of them indicated that the potential successor is already present in the family business system – in 16 cases of these, it was their own child. Independently of that, they all answered the question about the sex and the age of the successor, hence they have very specific ideas about the person to be selected as successor. The average age of CEO (52 years) is one decade lower than the average of the sample; the average age of successors is 25 years, where two thirds of them are below 30, half of them are

below 25, so they may have not even finished their studies in higher education. Most of the successors enjoy a strong family support. However, in spite of their behaviour, in business performance and in their relation to the family business, they are closer to the group of respondents who selected non-family management. The value of the socioemotional wealth is below the average (this is related to the later year of foundation on average), their business performance is higher than the sample average (but lower than in groups selecting non-family management). This group does not really find it likely to transfer the business within the family. All in all, they would like to keep the management within the company, too, and they do have identified possible successors, but the successors are relatively young, and the family is not so much attached to the business. They may also have not given an honest answer to such an open and direct question, because – at that phase of the succession process – they may think that the implementation of their intentions is not likely. If these values were presented in Table 3, the family-family cell would show a value that is approx. 10% higher (and other outcomes would be lower proportionally).

The survey directly asked whether the family had any plans about the succession process. On the one hand, we can say that almost half of the companies said that they had no succession plans at all. Only 8.7 % of them have a succession plan that is formally recorded in writing. Since only 18% of businesses are in the post-transfer stage of succession based on their answers, it is apparent that the precise planning of the succession procedure is missing at the majority of the businesses, while they are just before succession.

At the same time, from another aspect, we can say that 38.5% of them have some kind of not written, but verbally agreed plan: adding those having written documents, 47.2% of them i.e. almost half of them again thought about planning. In the 2017-18 survey of the CUB Center of Family Business, the data was even worse for businesses that cared about planning in any way, but it is also true that a good part of the sample there consisted of micro- and small businesses. It is possible, that the background of the difference stems from the less complex family business system (because of the size), the less conscious management because of the young age and the small size of the business, or the smaller family commitment to the business.

It is apparent from the data that the planning of succession is connected to the context and the procedure of succession. The more family members work for the

business, the fact whether there is an identified potential successor, and the older the potential successor is, the more planned the succession is.

Answers also expose those channels through which family dynamics directly relates to the planning. Degree of planning increases if it is true that it is not only the dual of predecessor and the successor who made the final decision about the successor privately on their own, but other family members were also involved as well. At the same time, the process is also more planned if the successor's upward advancement in the organization of the business – applying the wording of the question in the survey – is „decided together by the predecessor and the successor, but the predecessor has the final say”. The quality of the predecessor's relationship with the successor – although slightly – affects planning too: if the predecessor treats the successor not so much as a family member or in a boss-employee hierarchy, but as a partner in their joint work, that will result in a better planned process.

On the one hand, it is necessary to involve the family, family support behind the successor helps planning, and through this increases the probability of a successful process. Presumably, it is because family support provides a safer emotional and calmer cognitive framework for the predecessor and the successor, so that they can concentrate on the whole of the succession process and the concrete steps. However, from the regression models we know that the necessity of family involvement lasts only until decision-making, this safe background and framework may be useful for planning if, after the decision, they play lesser part in the unfolding of the succession process within the business.

On the other hand, it also shows that – although there is, without a doubt, some kind of hierarchy between the predecessor and the successor, because of the predecessor's experience and expertise, his/her position as a leader-manager in the organisation, his/her mentoring role in the succession process – the predecessor and the successor are partners, too, actors of the same level in the big family plan: as owners, the family wants to carry out the transfer between the two currently active generations. It is very important to add that this is not some kind of an application of the stewardship theory: this family plan is not for a very long term, it doesn't go beyond generations. The predecessor and the successor are partners, but not in keeping up this common family heritage for future generations of the family. The variable that measures how the predecessor treats the successor in the business is in a significant but weak negative correlation with the corresponding

dimension of socioemotional wealth, that concerns dynastic aspirations, the maintenance of the family's ownership control on the long term. Based on the data, for the time being, this partnership is about the currently living players and about its effect on the planning of the succession process.

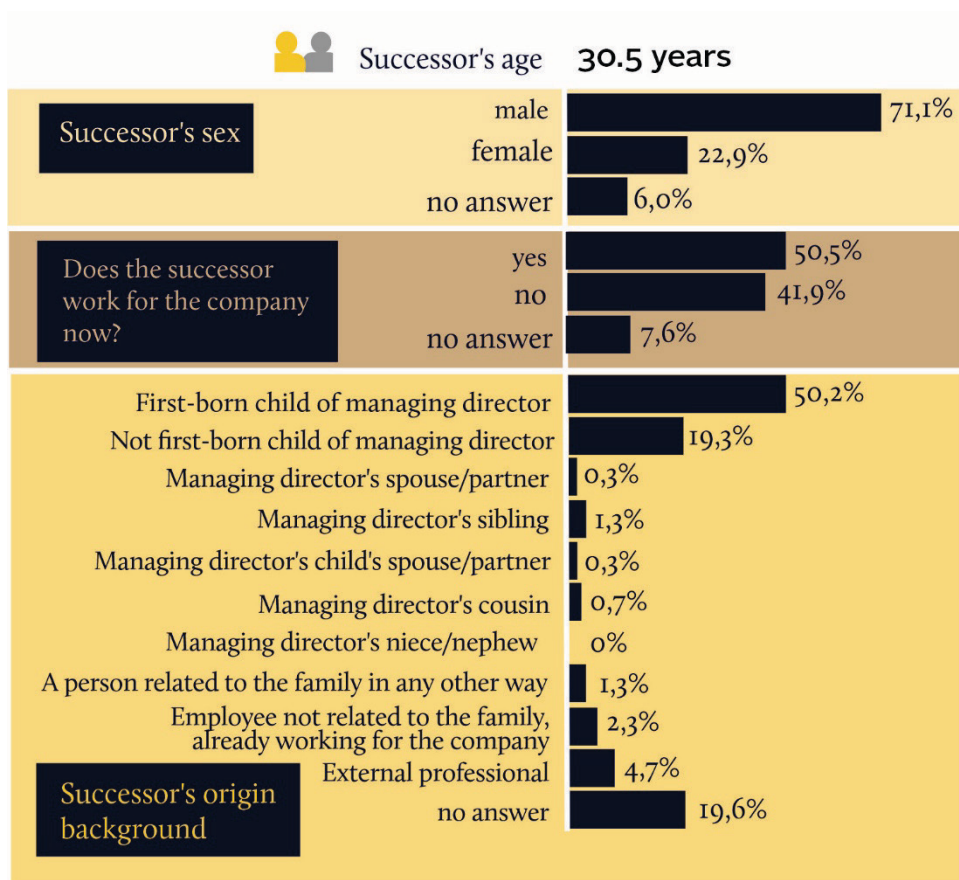
For succession planning we set up a regression model, too, in which the elaboration of planning was the result variable. The results of the model's testing can be found in subsection 2.3.

2.2.3. Attributes of the successors

By successor, the survey meant any person following the predecessor in exercising family control over the operation of the business and its strategy building as the leader of the governing mechanism, or in his/her final decision-making position. Thus we considered both the family members or non-family members taking over operative management and, in the case of owners giving the operative management to non-family members, the family member taking over the leadership of the body exercising control over business, as successors. The survey asked the interviewee about his/her chosen succession outcome, therefore there were no further dedicated questions about the successor's future positions. It seemed that one possible personal and governance outcome was not covered by the survey directly: if there were more than one potential or appointed successors or persons undertaking management, or if the different governance mechanisms (separate management, separate supervisory board/board of directors, separate family council) were to be managed by different successors, this was not covered by the given sub-questions; we provided a possibility to record this, in an indirect way, by allowing free text answers under most of the questions. No such cases occurred. Similarly, it was possible that the potential successors were young children, and/or there were more of them as young children: there was an opportunity to indicate this in the own answer part. Around 2% of respondents indicated that this was the case.

Despite the fact that the succession process may take several decades, and despite the current managing director's average age, which is 52.5 years, only 64.8% of the businesses indicated that the potential successor was present in the life of the family business, 28.6% said it was not present, and 6.6% did not answer this question.

Table 5 – Characteristics of the successor



Where a potential successor is already available, the ratio of family members in the management is higher than the mean of the whole sample, but the business performance corresponds to the mean value. As to the succession outcome, 95% of them are planning to maintain family management, and they find it fairly likely that the management of the company would be transferred within the family. In this group, a good personal relation between the predecessor and the successor is indicated by the fact that independently of the family plans, or in parallel with these plans, predecessors initiate succession to a smaller extent than the mean (in 72%), or to put it in another way, compared to the mean, a higher percentage of successors (28%) initiate their own participation in the process. It is more typical in their case – over the average – that the successor openly declared in all his/her life that he/she would like to take over the business, and it was first disclosed to

the predecessor in a private conversation. Similarly to the mean, the vast majority of them would like to keep the family's majority ownership within the family even after the succession. On the other hand, to an extent higher than the mean, business shares to be sold would be offered to non-family members already working for the business as managers, and minority ownership would be offered to investors to an extent lower than the mean.

In the group where a potential successor is not available, the ratio of family management and the performance are average, but the emotional ties of the family to the business, the socioemotional wealth is below the average. Compared to the group of businesses with potential successors, the ratio of predecessors initiating the start of the succession process (79.2%) is higher than the mean. They would prefer the business to be managed by family members (59.46%), but the selection of this option is less frequent than in the previous group. Family support is below the average behind the successor. Girl successors are not in majority, but their ratio is higher than the mean. While in the previous group, that had potential successors and declared that openly, the biggest development was detected in the establishment of an agile and performance-oriented organisation, this group shows an average value that is lower than the mean in this development dimension.

Looking at the characteristics of the 6.6% interviewees who did not answer the question inquiring about the potential successor, we can see business associations that are closer to companies than to family businesses. The family's emotional attachment to the company is weaker than the mean. The average age of managing directors is lower than the mean, 48 years, they do not think about family succession in company management, and they do not think is likely that somebody would take it over.

The question inquiring the age of the potential successor was answered by 91.4% of the sample, i.e. 275 interviewees, the average age of potential successors is 30 and half, the youngest is 16 years old, and the oldest is 58 years old. When we asked in which year the potential successor became or will become a successor, the average value of answers was 2023 with a standard deviation of 12 years: this reflects the well-known basic situation of the Hungarian corporate scene. On the one hand, it indicates that we are in the middle of the mass succession processes that started in the 2010s, and thus in the middle of the phenomena and problems

related to the completion of the first-generation succession. On the other hand, the average year close to the period of the survey also implies that the process will reach its peak in the following years.

50.2% of the potential successors are first-born, while 19.3% are not first-born children. The group that indicated under previous questions that they had no potential successors yet was divided into two parts under the question about the identity of the successor: about one third of them did not answer, but the other two-thirds gave exact answers. The answers of a small portion of the latter group under other questions indicate that the members of the next generation of the family are still young children. The answers of another portion of this group imply that the recognition of the selected family member as a successor is a stressful process, either because of the tension from the open assumption of the succession outcome, or because of the difficulties related to the personal characteristics of the successor. Under this question, 7% specified a non-family member professional as successor. Large majority of the 7% belongs to the subgroup planning non-family leadership and family ownership succession. It can be seen from Table 4 that this option was chosen by 12% (10,06% on the whole sample) of the subjects. Hence roughly two-third of them identified and decided upon this non-family leader.

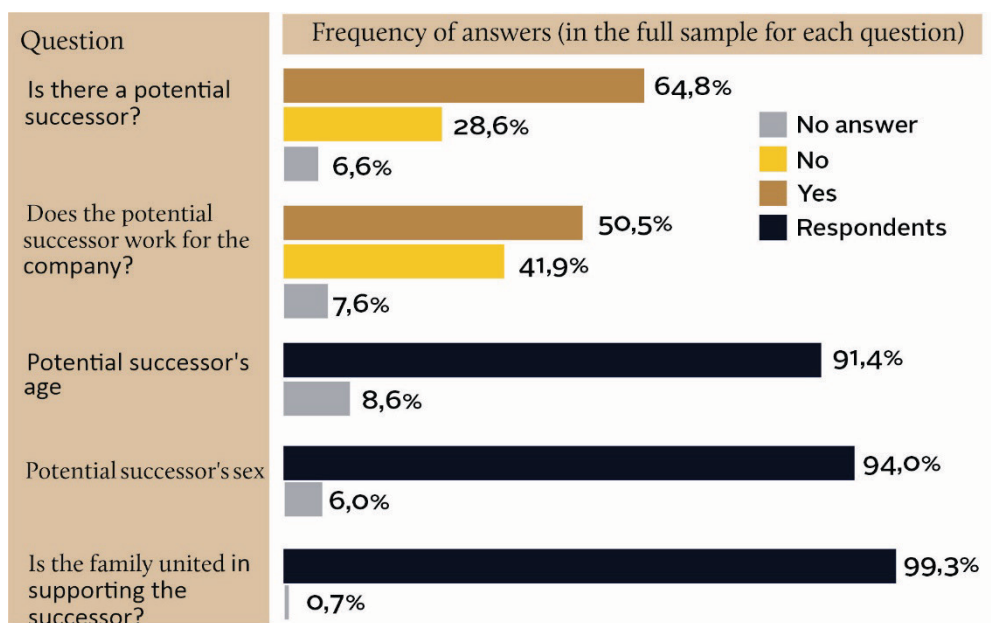
71.1 % of the potential successors are boys, 22.9% are girls, while 6% of the interviewees did not answer this question.

If we look at the family support itself behind the successor, the situation seems rather favourable: according to 85% of the whole sample, the successor is supported by the whole family, and only 7% think the support is available, but not fully united. Only 8% indicated that only the present managing director supported the successor. When we compare the answers given about the presence of the potential successor with the answers given about family support, it is obvious that in the cases with potential successors, the support of the family reaches 98.5%. Where the answer was no potential successor, the family support behind this “non-existing” potential successor is 81%. Comparing this question with the answers given about the origin of the successor, it is obvious that if the successor is a family member, the lack of support is of minimum rate, but if he/she is not a family member, and not an employee working for the company, but an external professional, there is strong objection against him/her from the family. These pieces of data have a perhaps so far less deliberate and less emphasized possible understanding, too: if there is no family member successor, then, in the case of

Hungarian family businesses, that does not only mean that there is no family member who would accept this role, or there is no predecessor who would give way to him/her, but it also implies that in this situation, external professionals, too, who are probably brought into the family business system by the predecessor will not be accepted by the family. Challenges regarding hiring an external professional into leadership position and acceptance of his or her work as a leader who has not work previously at the family firm were known for the literature, but these challenges were inspected mainly from the point of view of the operation of the firm. The above result reveals the same problem from the perspective of family dynamics. This, of course, does not have to be like that. The exploration of the background of this phenomenon means an important further future research direction in the examination of the development path of Hungarian family businesses.

As to the term of 'successor', the questionnaire distinguished only 'potential' and 'formal', i.e. decided and elected successors. Based on the answers, the meaning of this term is more complex among interviewees, the family businesses. 94% of the sample precisely specified the sex of the successor, and 91.4% gave the age, too. 92% think that there is a full or a strong family support behind the successor. This is in strong contrast with the fact that otherwise only 65% gave a positive answer to the presence of a potential successor, or 80% answered the questions about the successor's family/non-family background.

Table 6 – The meanings of the word ‘successor’– ratio of answers to questions about the successor’s characteristics



Regarding the question asking what considerations are important about the person of the successor for the successful assumption of succession, the most refused answer is sex, then the order of birth – these are aspects considered least important by respondents. It is worth mentioning in the case of these conscious answers that the ratio of male successors is 72%, and 50.1% of them are first-born. In the 2017-18 survey of the Center of Family Business, the ratio of male successors was 74%. In its longitudinal examinations, international literature reports very similar results in the case of family businesses in other countries with advanced market economies, too: when asking directly, the principle of primogeniture is strongly objected, as well as the order of birth and sex as selection considerations in the succession process. However, the statistical characteristics of the groups of selected successors indicate that this norm still lives – although it is getting weaker.

Based on the answers, company managers found the personality and the capabilities of the successor as the most important points, secondly his/her professional interest, and thirdly, a harmonic relationship between the predecessor and the rest of the family – although there were only slight differences between them. Another piece of information is that respondents had the

possibility of naming additional considerations, too, but no new elements were mentioned.

2.2.4. Family leadership succession within the company – the start

The data indicate that at the examined Hungarian companies, there is no established form of the potential successor's telling the family about his/her decision about succession. All that cannot be traced back to the lack of succession planning, which in itself is only part of the symptom and strengthens the results of qualitative research. This means that the (possible) successor strongly depends on the existence of the family business system: by birth, he/she is part of a situation, the existence of a company, which was not created by him/her, but by the predecessors, but he/she has to establish a certain relationship to it. It seems that the only clear decision the possible successor may make about the family business is not to work for the family business, and build a career elsewhere. In his/her relation with the company, this person is not an autonomous player in the succession process. This is not only a new pattern that is contradictory to the logic of the phasing models built on necessary decisions related to each other within the whole succession process, i.e. does not only refer to the need to renew the theoretical models. The need to consciously treat the successor as a partner is pointed out by a number of authors from the aspect of practice, too, for the success of the succession (Carlock & Ward, 2010; Kaslow, 2006). This is an essential missing element at the examined Hungarian companies.

Based on the answers, it is true for less than half of the businesses having potential successors and 30% of the whole sample that the successor openly represented the idea of his/her future at the company in all his/her adult life. Only 18.6% of businesses with potential successors and 10.9% of the whole sample indicated that the successor told it to the predecessor in a personal discussion. It happened in only a very low percentage of cases that the successor shared this decision with other family members first, or if he/she did not say it openly, showed it with implied conduct.

Confirming the results of the qualitative research again, respondents evaluated the decision on the selection of the successors as a social momentum, which took place between the predecessor and the successor (61.1%) or between the predecessor and close family members (38.2%), and where people jointly agreed to start formal succession. This private and very intimate negotiation – known from qualitative research and anecdotal evidences – contains a double decision: on

behalf of the successor, it indicates that his/her intention is final, and on the other hand, the predecessors accept the successor.

Predecessors play a dominant role in the start of the succession process. According to the answers, the predecessor initiated the becoming of a successor in three quarters of the cases on average. When asked who had or may have had an influence on the selection of the successor (respondents were able to choose more than one option), 61.5% mentioned the predecessor, the previous manager, while 43.2% mentioned other family members working for the company. Literature suggests that in order to separate the company and the family to some extent, and thus to achieve a probably better quality decision-making, it is worth involving other people, too, not only active family members in the preparations for the succession and the decision about succession. According to the data of the survey, this is not really the case in Hungary. Only 5% of the respondents involved family members that are not active in the company, 2.7% involve non-family member company managers, although – because of the minimum sizes of inquired companies – the medium-level and higher managers are probably not family members. Only 0.7% involved external professionals in this phase.

33.1% of those having successors have not communicated their plans or the decision in any form within the company organisation or to the outside world. The most frequent form is informing top managers (25.3%), announcing the decision about the successor at a company event, where the majority of employees are present (21.8%), or at a meeting for the whole management beyond the top management team (16.4%). Considering the fact that respondents were able to specify multiple answers here, based on the 21.8% gained by the answer regarding the provision of information to the whole population of the company, we can say that there is no established form for the provision of information to the organisation. Family owners typically do not inform the whole organisation about this decision; all that non-family member and non-management employees see is that the successor starts to work for the business. The drawing of any conclusions depends on the features of the organisational culture, too, but it is basically up to them.

For 70% of the successors already working for the company, the family business was the first job, while 30% started to work for other companies, and returned to the family business later.

2.2.5. Family leadership succession within the company – the process

The forms of successors' first connections to the business show an even distribution: in a roughly equal ratio, they already helped from time to time during their primary school or secondary school years, or worked for the company first in their summer holidays during secondary school or higher education studies, in a summer job or as a trainee. Each of these options was chosen by 15-18% of the businesses with a successor who is already working for the firm.

Full time employment after graduation, as a first connection was chosen by some 20% of them as answer – although this is the most common outcome, based on the literature and the qualitative phase of the current research project, in terms of a successful succession process, the establishment of the relationship between the predecessor and the successor before employment is crucial, and this could be established in such occasional jobs before graduation. The successor's least common connection with the business is part time employment during higher education studies, and building their own career between graduation and joining, which were chosen by 4% and 10% of them respectively.

Where accepted successors exist, 82% of them work for the business in full time, for 9 years on average. 64,9% of those who work there started on employee level, 17,3% of them in middle management, 17,4% of them in upper management.

The advancement of the successor within the company is in most cases decided by the predecessor and the successor, either on consensus basis (55.8%), or the predecessor has the final say (29.9%). Similarly to the earlier cases, the impact of family members not working for the business is much lower here, too: only 9% of the respondents indicated that non-active family members could also influence the progress of the successor in the hierarchy and the extension of his/her scopes of responsibility. Since these decisions relate to the carrier of the successor as an employee inside the organization of the company, this ratio reflects (seemingly) healthy processes. The number of firms that involve non-family members in the making of such decisions is also very low (altogether 3.7%).

The distribution of the answers is very similar at questions where we asked the following: if this comes up during the succession process, to whom would family members turn to for advice, and in case of a conflict, whom would they contact. Be it either asking for advice, or settling a conflict, it is primarily and mainly a family member who is an active manager in the firm (69.4% and 70.4%) or a non-manager family member (20 and 16%) who is contacted. They are followed by

family members not active in the firm, then non-family managers, according to highly similar ratios observed in the advancement of the successor within the company. One important difference occurred: while the career path of the successor involves external professionals to a negligible extent, in 1% only, in asking for succession advice and settling conflicts, 11% and 9.3% of the companies indicated that they had involved such external professionals not employed by the firm.

The low rate of involvement of family members not active in the business in case of succession conflicts and need for advice also refers to the current development challenge of the businesses: although they become a family business from an entrepreneurship and from an organization led by an entrepreneur, the forms of the planning of the long term relationship of the business with the family are non-existent or have just barely emerged. But the effective connection between the family and the business system, the professionalisation as a business family is one of the key pledges of operation and survival beyond generations. The low ratio of non-family company managers contacted in the issue of succession refers to the deficiencies in the operation of the firm independently of the (founding) predecessor, and thus indirectly also to the deficiencies in the professionalisation of the organisation of the business.

Table 7 – Time remaining until the transfer (based on Circle 2 – 1.5.)

Variable	Few years	In 4-6 years	After 6 years	No answer
Sub-sample quantity	64	44	173	20
age of managing director	61,16 years	55, 7 years	49,1 years	57,5 years
age of successor	38,8 years	32,1 years	26,7 years	35,6 years
How many percentage has a successor?	87,5%	69,8%	60,3%	83,3%
For how long has he/she been working for the company?	11 years	10 years	7,7 years	14,1 years
Successor age modus	40 years	30 years	20 years	16,43,45 years
For how long has he/she been working for the company – modus	10 years	5 and 10 years	10 years	20 years

Both qualitative and quantitative international research results emphasize the importance of the predecessor's presence in the work related to the business after the formal transfer, too: the business and the new manager both need the predecessor's tacit knowledge, professional intuition, social ties and nets of acquaintances. Based on our qualitative research it is also apparent, that while successors get/gain increasing autonomy in their decisions, they do need the former manager's presence as mental support. There is more to this than a mentor role, which was formally formulated first by Handler and then it was confirmed multiple times: Hungarian successors connect it with the survival of the business that the predecessor should stay there next to them in some way.

It can be considered as a favourable figure in itself that 70% of predecessors are planning to stay after the formal transfer. This, in itself favourable figure is naturally qualified by the data on the predecessor's planned post-transfer position. While 30.2% of them would stay only on strategic, and 4% of them on operative development level, this would ensure all the yields described above for the business and the new manager. However, 44.2% would interfere with the work at operative level, too, as before – the presence of the previous manager within the organisation next to the new manager may result in a management vacuum that reduces the positive yields of the expertise, tacit knowledge and relations of the predecessor, and of the positive support of the successor.

The plans related to involvement are also connected to the quality of the relationship of the predecessor with the successor: if the predecessor plans less involvement in the operation of the business after transfer, then he/she will treat the successor less as a family member or a superior, and more as a partner in the work.

60.5% of respondents indicated that if the present management generation retires, the ownership would be transferred fully to the family, while 12% would keep it for themselves after retirement. 7% would transfer ownership to a family member only partially, and 4% would fully transfer it to a non-family member. 12% of the participants of the survey did not answer this question.

When we asked about the specific timing of the transfer, the ratio of non-respondents grew to 27%. This question was mainly answered by people who would keep the ownership fully in the family. The options selected by most people are the partial transfer of ownership at the change of the managing director, or after the change, as 50% of the people answering this question belong here. The

next peaking point is the partial or full transfer before the change in managing directors (30% of people answering this question). The pattern of the transfer depends on the size of the company, and the section after the descriptive analysis discusses the differences spotted here.

2.2.6. Non-family succession outcomes

The vast majority – 90% – of the businesses participating in the survey wish to keep the majority ownership of the family in the business. From the generally typical and strong commitment to maintain the owner's control, we can draw the conclusion that the general strategic preferences that internationally characterize family businesses, such as long-term vision and risk avoidance in investment decisions are present at larger Hungarian companies, too (under Hungarian conditions, this also include, and primarily means strong small and medium-size companies). This is true even if the pitfalls in succession – as demonstrated by the following analysis regarding the stages of succession – may ravage the emotional commitment of the family.

The business share not intended for family members is sold by the family typically to professional and not professional investors, secondly to non-family managers, and thirdly to employees. The first option was selected by 41.7% of respondents, the second was selected by 30.6% and the third by 13.9%, underlining the fact that in line with the earlier answers, these respondents made up 12% of the sample only, although not all of the respondents (people who did not select full family ownership succession) submitted answers.

In addition to the owner's decision, we examined the background behind the plans of people not selecting family leadership succession outcome. First of all, we asked what were the reasons in their opinion in making the decision that the head of the firm would be a non-family member person. Based on their earlier answers, this definitely affects 41 companies, 13.6% of the sample. 51.2% think that the background of the decision is that the possible successor did not show any motivation to take over the management. 26.8% think the person has not got the necessary managerial skills, and 24.4% think that the selected family member has no professional skills. Altogether 3 companies, 7.3% say the successor worked for the company, but left it. The two options, which say that the leadership succession process came to a halt because of a conflict between the predecessor and the successor or the successor and the family members, was not marked by anyone.

The total ratio over 100% comes from the fact that each respondent was allowed to submit multiple answers to this question. In the case of people who marked the lack of motivation, three respondents indicated the lack of professional skills, and one respondent indicated the lack of managerial skills, too (so they marked two answers). Among the people who marked the lack of professional skills as a reason, 4 respondents marked the lack of managerial skills, too. None of the interviewees marked more than two possible answers. In the cases when the successor worked for the company, but already left, no other answers were marked – so they did not even give an indirect explanation to this step.

Separately examining the group indicating the lack of motivation in the successor, we can see that the role of the predecessor in the succession process is stronger than the average. The predecessors' initiating ratio against the successor is high compared to the mean, and the highest within any sub-pattern examined in the analysis, 81.2%. In addition to initiating, the predecessor plays a bigger role in selection and decision-making, too, while other family members have a role smaller than the average. The value of all dimensions of socioemotional wealth is lower than the average, and the index measuring emotional relation is especially low. They are thinking about a 100% non-family leadership succession, the process itself is almost completely unplanned. In this group of respondents, the average age of the predecessor is higher than the mean, 66 years. They assess the succession process rather as a failure, but the scores given from the aspect of the family are higher than the score given from the aspect of the company – the process is usually evaluated as a failure, but, from the perspective of the family to a lesser extent than that of the company.

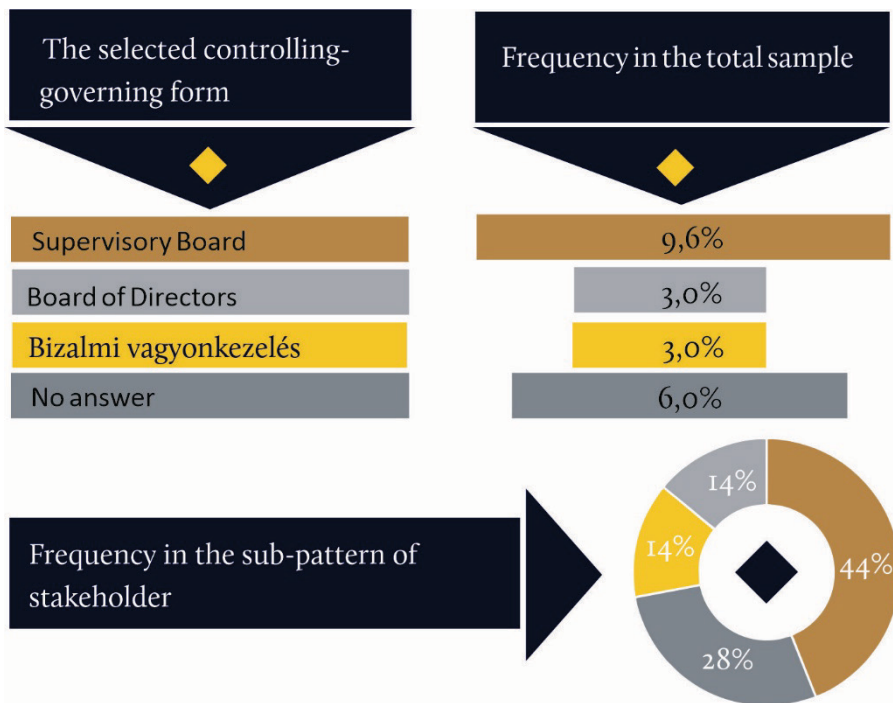
We can draw two more conclusions from the data. Firstly, the low ratio of dropping out from the company, as a reason refers to the fact that the failure of family leadership succession is basically not caused by negative experiences stemming from the joint work. The possible family successor does not even join the company to work there full-time. With other words, non-appearance of the identified potential adult successor in the operative work of the company may be a warning sign that the chances of joining later are small. In this respect, there are some differences between male and female successors, which will be described later.

On the other hand, it is a lesson for us that the absence of the possible successor from the business was connected by all respondents to a deficiency of the

successor (motivation, knowledge, skills), but conflicts that naturally emerge among family members regarding the deficiencies of the successor were not mentioned at all – nobody gave such an answer. Naturally, the emergence of the conflict stemming from the negative attitude of the possible successor or the predecessor is not inevitable, but the total lack of conflicts is certainly not what we as researchers expected either. The supposed lack of conflicts on the one hand may imply that this kind of tension among family members is completely separated from the relation of the company and the family. Also, in parallel with that, it may also refer to the fact that the common predecessor-successor identity among the previous and the next generation family members and the predecessor-successor relation were not deep or strong enough, and the inevitably negative emotions from the rejection of succession were not interpreted in the relation of the family with the company. What they realize is that the next generation family member simply does not want to come, or he/she is not suitable.

We extended the case of non-family management with those who would put minority or majority ownership into the hands of non-family players, and asked how they were planning to realise the family's ownership control in the operation of the firm after the change. In total, this affected 21.6% of the sample. 44% plans to operate a supervisory board, and 14% plans to operate a board of directors to perform the functions of controlling the management, giving advice to them and acquiring resources. 14% selected some form of trusteeship. The remaining 28% did not give any answer to this question. The purpose of our questions was not to explore all the items of the management structure in detail, therefore we did not filter for the possible overlaps and combinations of these forms. It is true as a norm and it is usually realised that each planned and selected governing-controlling structure has a final decision-making mechanism, where the supervision of the operation of a business not managed by family members is carried out. In the case of any possible multiple, overlapping or partly parallel mechanisms, family members know exactly what the planned highest decision-making forum is. Under these questions, the interviewees did not select the possibility of entering own answers other than the options provided.

Table 8 – Non-family leadership succession – frequency of the possible, planned controlling-governing forms



In the case of the groups selecting these three different outcomes, family impacts and succession processes are somewhat different from each other. The number of participating family members, the number of generations involved and the ratio of family member executives are close and similar to the sample average. As to the planned succession outcome, in the case of the groups selecting the supervisory board form and the board of director form, respondents selecting family leadership and non-family leadership are mixed, in similar ratios. In the case of trusteeship, only non-family leadership is planned. In all three groups, the value of the socioemotional wealth is much lower than the average, but in a different configuration. In the case of people selecting the supervisory board form, the emotional relation and the maintenance of long-term family control are the least appreciated considerations. In the case of people selecting the board of directors form, stakeholder relations are important, but the emotional relation is especially low. In the case of people selecting the trusteeship form, the values of all four dimensions are very low. Considering the fact that the family's socioemotional relations – in a situation other than crisis situation – has an impact

on the company's strategic preferences (Swab et al., 2020), it is extremely important to explore these configurations of family relations to the company and their impact on the development of the company strategy in a detailed way.

In the case of respondents selecting the supervisory board form and the board of directors form, there is no succession planning at all, and in the case of people selecting the trusteeship form, the rate of planning is higher than the mean. In the case of respondents selecting the supervisory board form, the succession process was assessed neither successful, nor unsuccessful. For interview subjects selecting the board of directors form, the process is rather not successful. Respondents selecting the trusteeship form – in spite of the low socioemotional ratios – evaluated succession as rather successful, and the evaluation of success from family and business context is the same. In all three cases, the vast majority would like to keep the family majority in ownership.

In the case of the people who answered this, the family is fully united in supporting this solution with owner control. Each and every respondent marked this in the interview.

Only a very small portion of respondents, two companies said that they would like to close down the business with dissolution. Independently of the type of succession planned by the family, this is also the most rejected outcome among succession options.

2.2.7. Evaluation of the success of succession

We asked the interviewees how successful they found the process of succession conducted so far, from two aspects: from the aspect of the family and the business.

Response avoidance was very low: altogether 2 people did not submit an answer to this question. The distribution of answers given for the family and the company are almost completely identical: family and company success correlate in 91.9%.

The majority of respondents think that the process is successful from both aspects. However – although to a very slight extent only – the values are higher in company context: 61.8% finds it successful or very successful from the aspect of the company, while 61.1% of the same respondents think the same from the aspect of the family. Although the difference seems negligible, the relative lower success rate perceived in the family remained continuously after the division of the sample to sub-patterns according to company size, predecessor-successor respondent or current succession phase – with one exception, in the case of female successors,

the personally felt company success was below the family success, with a very slight statistically not significant difference.

The fact that success in these two contexts move together, and there is no difference between the values – or only a very small difference – probably mean that respondents thought of the family from the aspect of the business, or that the people did not see that family and business are two different contexts in the issue of succession.

2.2.8. Former succession at the companies

In 80% of the sample, there was no succession before, in 12%, there was no succession in the past decade (1-5 years ago for 6.6%, 6-10 years ago for 5%). 7.3% of the companies indicated that the (last) succession process took place more than 10 years before.

Succession planning in the present succession processes was present to a smaller extent even in the cases indicated in subsection 3.2.2 of the study. Three respondents indicated that they had written detailed succession plans. 16 interviewees reported the preliminary formulation of detailed or general ideas not put down in writing. 37 companies, 66.1% of respondents did not have any plans.

Very similarly to the distribution that can be seen in the present situation, the earlier generation primarily transferred management to their own children (74%). 46% of the predecessors stayed with the company at operative level, too. It is true that the option that proved to be the second most frequent choice with 31.5% was the case in which the predecessor did not participate in either the operative, or the strategic decision-making after the change.

The answers related to earlier successions differed from the features of the present succession processes in one aspect: in the evaluation of the success of the process. As opposed to the present success values around 61%, earlier successions were found 89.5% successful in business context, and 82.5% successful in family context. As far as the frequency of the answers are concerned, on the one hand, once the family and the company got over the phase of handover and takeover, the number of succession processes that are retrospectively considered negative is negligible, and the number of processes that received neutral assessment is much lower, too. On the other hand, here, in the cases where there were former succession, to a small extent, but, company success was rated higher too.

2.3. Further analysis

2.3.1. Characteristic features of various succession outcomes

As it is obvious from the past, the most preferred succession outcome is the leadership and ownership succession within the family. This solution is preferred even by respondents who actually do not do so, or are not planning this.

Family leadership succession and full or majority family ownership succession is the most planned version on average, every family and business has at least a potential successor. For them the predecessor plays a role corresponding to the mean of the whole sample (that is decisive) during the whole process, both in the family and in the business. In the work at the company, the predecessor treats the successor rather as a family member or a subordinate employee, and not as a partner. According to data based on self-evaluation, their innovation performance is higher than any other option – apart from selling the business.

Succession at companies that opt for non-family leadership but full family ownership outcome is less planned, but they already have the next non-family member managing director. The only difference between this category and the group of businesses with non-family management but majority family ownership (only 6 pieces in our sample, representing 2%) is the fact that the succession process is much better planned. The corporate performance of groups not planning family management is over sample average, they generally achieved the smallest changes during the coronavirus epidemic and achieved the best sales figures on average in 2020. As to relational features, in the case of businesses not planning family leadership, the role of the managing director family member, the predecessor is even more important compared to other outcomes. The answers indicate that it is primarily this person who decides the issue of succession, other family members play a minor role in this process, and external non-family member professionals do not have any say in this. This is where the predecessor's role expressed in percentage is the highest in initiating succession (78%), and this is in line with the family's lower emotional attachment to the business. The assessment of the success in succession is behind the family management group: they see the process neither successful, nor unsuccessful.

The intention of businesses selecting non-family management can already be detected in the management structure: they have the lowest ratio of family member managers, only 50%. By comparison, in case of businesses selecting the

most common, that is family leadership and full or majority family ownership outcome, this ratio is 86,2%, and 76,1%. It is important to see that their above the average business performance is not directly related to the presence of external non-family member managers: no functional relationship can be shown between the ratio of family member management and either business performance variables, or innovation activity, or internal development variables.

In the case of businesses planning non-family management, the business performance variables have higher values than at other businesses in the sample, but the values of innovation and internal development activities based on self-assessment are either the lowest, or just low.

The group of families planning to sell the business (7 families) has the least planned process, almost none of them has even a potential successor present yet. The business performance of the business is slightly below the average. They expressly evaluate the succession process as failed, in terms of both the family and the business.

While the majority of businesses are first generation firms, there are second, and a very small number of third generation firms among them, too. Looking at the possible outcomes, businesses where the family member is not a first generation managing director (or in other words: succession already happened, at least once) selected either family leadership and full/majority ownership succession or non-family leadership, but full/majority ownership.

The group which chose family leadership outcomes shows the biggest emotional commitment towards the ownership of the business. The socioemotional wealth of those planning to close or sell the company is nearly a half less. Those who would transfer management to someone outside the family, but would keep the family ownership, are between the two extremes in terms of the family's emotional attitude towards the business.

2.3.2. Comparison of businesses in individual succession stages

According to theoretical frames, succession treated as a process can be divided into logically successive decisions, steps and related stages that are separated in time. From a number of possible phasing methods, we applied the model worked out by Le Breton-Miller et al (Le Breton-Miller et al., 2004) and improved by Decker and her colleagues (Decker és mtsai., 2017) : this way we can distinguish the following stages: preparation without the presence of a potential successor, arrangement, that can be characterised with the naming and the presence of a

potential successor, decision-making related to the turning of the potential successor into a formal successor, and related to the commencement of the formal succession process within the company, implementation related to the implementation of the formal process, transfer related to the formal transfer of management and – where relevant – governance, and finally the post-succession stage, when the new manager stabilises his/her situation during the one or two years following the formal transfer. If there was a succession earlier than the last one-two years, then we classified them into the completed succession stage. Based on their answers related to the presence of the potential successor, and to the time remaining until the transfer, for the majority of the businesses we were able to identify the current stage for the family and the business in terms of the succession process. With this classification we targeted businesses that are considering family succession. However, during the stage of Preparation it was not possible to further filter out businesses planning non-family succession, and this weakens the power of comparability with other stages. Overlaps between individual stages were found only between the first and the last stages of the process, as the descriptions of both the preparation and the completed succession stages were valid for 11 businesses. Since the key aspect for the current research was the exploration of the first succession process and the variables determining the process, and they already went through succession earlier, we classified them into the completed succession stage.

It is very important to emphasize again, that while the use of stages make the impression as if we were working with the corresponding elements of data sequence in time, in reality we compare the data of different businesses in different stages of succession. It should also be highlighted that the filtering conditions classifying the respondents into separate stages were not related to the separation of the leadership and ownership, or only the ownership successor. Therefore the same phasing handles both groups. Naturally, in the sample (and in the individual stages) there are a lot more businesses that are planning family leadership succession – we directly know of 83% that belong here. As we wrote earlier, for the majority of the group of 34 respondents who did not answer the leadership outcome questions – based on their answers given to other questions – it is fair to say that greater number of them are also planning family leadership succession, thus this ratio takes an even higher value.

66% of businesses involved in phasing belong to the most populous first three stages: 27.3% are in the phase of decision-making, 19.85% are in the phase of transfer, 16.47% are in the phase of preparation. 49% are in the first three phases (from preparation to decision). This, in itself, as a representative ratio for the family business population of the country clearly shows that a number of businesses are just starting to face the challenges associated with the initiation of a formal business succession process.

Under the question rating the individual succession outcomes, businesses, which were in the stages of Decision-making and Implementation, while evaluating family management and ownership succession as the most successful solution, thought (47% of them) that non-family member management with the maintenance of family ownership could be a successful outcome. This data in itself indicates that while they plan less formally, and would rather pass on management within the family, during the planning of succession they consider other outcomes, too, primarily the assignment of external management. Continuing this train of thought, the 47% perception of the outcome as successful in these critical stages could also indicate that this is not a forced idea, almost half of them realistically take this option into consideration. In the case of businesses in the post-succession and completed succession stages, the most uniform support is given to full (both leadership and ownership) succession within the family. However, non-family member leadership and family ownership succession enjoys the highest support (65% and 67.5%) here. Supposedly the business and family systems in these stages have already reached a complexity degree in their development, where the transfer of operative leadership to a non-family member is a naturally occurring, realistic alternative.

In the case of the considerations related to the successor's persona, there is no difference between the rating of businesses in different succession stages. All of them think that the successor's sex is the least important point, followed by birth order, so both aspects are strongly rejected. What really matters, however, is primarily the successor's personality and aptitude, then his/her professional interest, and finally the harmonic relationship between the predecessor and the successor and other family members.

Asking about the workplace relationship of the predecessor and successor in the individual stages, the majority said that the predecessor treated the successor as a colleague and not as a family member. The connection as a family member to

the company is of the smallest degree in the phases of Decision-making and Implementation, so this is when the successor is treated as a family member to the least extent.

The family's socioemotional attitude towards the business is the lowest at businesses in the Preparation phase. The reason for this is clearly related to the absence of the intention to maintain family control on the long term: the last three statements of the scale measured this dimension, which takes a significantly lower value here, than at other businesses. Another reason for the low family commitment is that businesses in the sample that are considering non-family succession also belong to this stage. These results should be considered in the light of the fact that almost all of the companies in our sample declared themselves as family business. The socioemotional relations of the family are extremely high in the phases of Implementation and Transfer, then, by the phase of completed succession, its value drops to a lower level than it had in the Decision-making phase. As if the high family support soaring after the succession decision and being still high in the formal transfer of power would be "used up" by the succession process by the post succession phase.

In terms of business performance, we can see some smaller differences between businesses operating in the individual stages. Sales revenues reach their highest values during the stages of Transfer and Post-succession, then during the stage of Preparation. The expansion of the market share is highest in the stage of Decision-making, then in Post-Succession and Preparation. Profitability is highest in the stage of Preparation, then in the phase of Transfer, and finally in the phase of Implementation. In terms of their ratios, these differences are not significant.

A bit clearer (yet statistically not significant partially due to the fact that we have relatively smaller number of respondents in the phases) differences are detected in internal development processes of companies: businesses in the phases of Implementation and Transfer carry out more developments than other businesses. In the phase of Decision-making, the ratio of "Positively improved" answers – which is the highest anyway – soars, and increases to a double value for product and technology innovation. This high ratio will drop again two stages later in the stage of Transfer. It may be linked to the fact that the predecessor does not initiate strategically important steps directly before the Transfer, because the effects of that would be felt by the successor as the new leader, hence there is a risk

– in the absence of proper strategic and succession planning – that innovation activity declines in that stage.

Among the internal development processes, it is apparent in IT developments and specifically in the development of human resource management systems that they take high values in the stage of completed succession. This indicates that through succession we also measured the development of the organisation of the business with this question: the age of businesses with completed succession, i.e. that already went through successions is higher, these could be older, more complex organisations, the operation of which requires both IT development and the strengthening of HR systems that are usually neglected in other stages.

A certain duality can be seen in the formation of the plans related to the position of the old managing director. It is a favourable development in each stage that the majority of earlier managers would stay at the company even after the change in management. However, it could give rise to concern that the majority (45% of the respondents in each stage on average) would continue working in operative positions. It is interesting, that in the 2017-18 survey, in which micro-enterprises were in majority, a pattern was clearly visible: the closer a business was to succession, the more the managing director wanted to stay in an operative position. This pattern cannot be detected here, at bigger businesses. The predecessor makes a decision about his/her future, and that is not affected by the fact that the time of the formal transfer is coming closer.

The judgment of the success at businesses in the first half of the succession process – until the Decision-making stage – is mainly the same from the perspective of the family and the business, there is no big difference. However, at businesses in the phases of Implementation, Transfer, then Completed Succession, a characteristic feature typical for the whole sample appears: business success is valued a bit higher than family success, although again, this difference is statistically not significant.

2.3.3. Regression calculation

In the course of the regression calculation we examined that treating the family's business presence, their socioemotional attitude towards the business and the characteristics of the succession process as independent variables, what effect each of them had on business performance variables, the diversion of sales from the 2020 plan, the planning of succession and the evaluation of the success of succession, as result variables. For the latter, success, we only considered the

answers of interviewees who came from families choosing family leadership and ownership, as well as family ownership (but not leadership) as succession outcomes, because these outcomes are in the centre of our investigation, and because the majority of the sample selected these outcomes.

The calculations show that in different models – although we found strong connections – even the highly significant effects are of a smaller degree, and even in case of realistic potential values, they do not change the dependent variables significantly.

Table 9 – Which variables affect the performance of the business, the planning and the success of succession?

Result variable		
	variables increasing the value of the dependent variable	variables decreasing the value of the dependent variable
Business performance (turnover, market share, efficiency)	<ul style="list-style-type: none"> - the identification component of socioemotional wealth - age of business - if, in the case of consultation related to succession, they turn to manager family members working for the business - if, in case of a succession conflict, they contact an external professional - if the interviewee gave an "I don't know" answer to the question about the effect of the coronavirus on succession 	<ul style="list-style-type: none"> - ratio of family members in the management - if, in case of a succession conflict, they turn to a non-family member and non-employee friend - if, in case of a succession conflict, they turn to a non-manager family member in the business
Internal development processes	<ul style="list-style-type: none"> - the identification and emotional commitment components of socioemotional wealth - if, in case of a succession conflict or consultation, they turn to a non-family member external professional, who is not an employee of the business - if non-family member managers of the business can also have a say in the selection of the successor 	<ul style="list-style-type: none"> - if family members that are active but not in management positions in the business can have a say in the upward advancement of the successor within the business - if the predecessor and successor decide together about the upward advancement within the business, but the predecessor has the final word
Changes in sales revenues compared to the preliminary plans for 2020	<ul style="list-style-type: none"> - if, in case of a succession conflict, they turn to a family member not active in the business - if, in case of consultation about succession, they turn to a friend not related to the business and the family 	<ul style="list-style-type: none"> - if, in case of a succession conflict, they turn to an external professional
Perception of the success of succession at the business	<ul style="list-style-type: none"> - involvement of another family member in the upper management - socioemotional wealth - if, in issues concerning the succession process, they turn to a family member who is working for the business, but not in management position - if the interviewee gave an "I don't know" answer to the question about the effects of the coronavirus on succession - if succession is planned as much as possible 	<ul style="list-style-type: none"> - if the predecessor is planning to withdraw from the business after the change in management.
Perception of the success of succession in the family	<ul style="list-style-type: none"> - increase in the value of socioemotional wealth - if not only the predecessor, but any other family member working for the business can have a say in the selection of the successor - if the interviewee gave an "I don't know" answer to the question about the succession effect of the coronavirus 	<ul style="list-style-type: none"> - if the predecessor is planning to withdraw after the transfer - if, for succession consultation, they also turn to family members not active in the business - the less the family supports the successor in a uniform way.
Planning of succession	We found no variable that would have a significant effect on the planning of succession	

The calculations show (Table 9) that the increase in sales, market share and profitability are – among others – influenced in a significantly positive way by the following variables: age of company, the fact that the respondent selected the ‘I do not know’ answer about the impacts of the coronavirus on succession (instead of choosing the simple ‘No impact’ option), if they turn to family members working for the company in management positions for advice on succession, if external professionals are contacted in succession conflicts, and the value of the identification component of socioemotional wealth also has a positive impact. There is a significant negative impact when, in the case of a succession conflict, they turn to a non-family member and non-employed friend, or to a family member who is not a manager in the company, and the ratio of family members in management also reduces the performance of the company.

Internal development processes and the growth of innovation are slightly (but in a fairly significant way) positively influenced by the identification and emotional components of the socioemotional wealth. It also has a positive impact, although still lower, when – in case of a conflict or consultation – family members turn to a non-family member and not employee external professional, and if non-family member managers can also have a say in the selection of the successor. On the other hand, there is a negative impact when active but non-manager family members can have a say in the upward advancement of the successor within the business, and if the predecessor and the successor decide together, but the predecessor has the final word.

The dependent variables that significantly influenced the change in sales – as a result variable – in 2020 compared to the plans because of the coronavirus are all related to two issues: to whom the affected persons turn to for advice about the succession process, and to whom they turn in the case of a succession conflict. Their impact is partly opposite to the points found in the previous two regressions of company performance. If there is a conflict, and they turn to a family member who is not active in the business, it helps the achievement of higher sales, but if they turn to an external professional, it makes it worse. When asking for advice about succession, and turning to a friend not related to the company and the family, that also strengthens the achievement of sales above the plans in 2020.

The perception of success in succession in the business is increased by the involvement of another family member in the upper management, the growth of socioemotional wealth, if, in issues concerning the succession process, they are

able to turn to a family member, who works for the business, but not in management position, and – appearing again – if the interviewee gave an “I don’t know” answer to the question about the effects of the coronavirus on succession, or if succession is planned as much as possible. The perception of the success of the company is reduced if the predecessor plans to withdraw from the business after the change in managers.

The success of succession from the perspective of the family is increased firstly, by the growth of socioemotional wealth, secondly, if not only the predecessor, but other family members working for the company can also have a say in the selection of the successor, and thirdly – again – if the respondent contacted from the business reported that he or she does not know the effects of the coronavirus on succession. The perception of family success is reduced if – similarly to business – the predecessor plans to withdraw after the transfer, if for succession consultation, they also turn to family members not active in the business, and if the family does not support the successor in a uniform way.

Finally, in the regression model set up for the planning of succession as a result variable, the effect of none of the independent variables proved to be significant, neither a possible earlier succession process, nor the degree of planning of those processes. It is worth emphasizing this in the other way around, too: the planning of succession as an independent variable showed no significant effects on the performance of the business in any regression, or on the perception of the success of succession experienced by the family. We found one exception: the presence of planning increases the perception of the success of succession from the perspective of the business.

The results are largely consistent with the assumptions and proved results of international literature.

Firstly, one of the possible answers to the two questions about consultation and conflict resolution related to the succession process was included in almost all above regression models as a significant variable. This indicates that as indicator variables they play key roles in the characterization of the succession process, and in grasping its success. The questions examined basically two qualities of the examined family business systems: what are the borders of the subsystems like, and what is the capacity of the members for negotiations about problems and questions causing tension, either with each other, or with external players.

As to the first one, subsystem borders are healthy (von Schlippe & Frank, 2013) if they are clearly separated from other subsystems of the family business system, but they let the necessary external information into the process of succession. The regression calculation results highlighted below reflect the validity of this description of the adequately functioning borders. As to the second, the relational negotiations of family members and the whole family, and the capacity for this and its development possibilities are described in detail in the qualitative research mentioned earlier. The below emphasized results show the importance of negotiation processes explored by the qualitative research in an indirect way.

According to the results, the involvement and the contacting of an external non-family member who is not an employee – not strongly significantly and not in a high ratio – but has a positive effect on both dimensions of business performance and on the evaluation of business success. It is important to emphasize that this was a general question. It was not possible to ask and measure whether or not the possible legal, transactional, taxation, asset management, business consulting, family business consulting, organizational development, psychological or any other type of approaches and professional backgrounds matter. It is also important to emphasize that in this case these were not the respondents who evaluated the effects of external professionals – in these types of researches it is a commonly occurring criticism that research methodology does not filter out distortion coming from cognitive dissonance: the person, who chose such a process, paid for it and closed it, retrospectively may automatically see it more valuable and better thereby justifying the whole process posteriorly. Here, however, there was no personal evaluation, regression shows an actual positive effect, and this positive effect is true in general for the involvement of an external professional – at larger Hungarian family businesses.

The involvement of an external family member who does not work for the business can produce different effects. The fact that they have a positive effect on achieving higher sales than planned for 2020 indicates beyond the context of Hungarian small and medium-size companies that family members active in the business during the coronavirus were in a big need of a close and strongly supportive family background. The openness of the company system towards the family system increased the resilience of family businesses – at least in the case of the external shock caused by the coronavirus in 2020. The fact that the involvement and say in decisions of not active family members have a negative

effect on the perception of family success may indicate that currently this is the price for resilience. They have a say in the succession process, fulfilling a consulting function, and with this, the rate of family conflicts and tension increases. Based on international literature, we can say that this should not be like this, in fact, a wider involvement could generate exactly the opposite effect. The problem is not with the possibility of interfering, but with the way this is realised. The negative effect among Hungarian family businesses shows the unregulated nature of the relationship between the business and the family. From our 2017-2018 research we know that continuous briefing about business affairs exists and works well in the families. However, another function of key importance is almost completely missing: the planning of the long-term relationship of the business with the family. While a significant part of the 2017-18 sample were micro-companies, this sample contains only small and medium-size businesses, where consciousness and formalization are probably bigger. Still, this regression result refers to the fact that while succession goes into a certain direction at the company with time, in the lack of long-term planning about the family-company relation, the progress in succession damages family member relations, i.e. the family.

The importance of setting boundaries between business and family, that connects some areas and might be a sharp dividing line between others, is highlighted by the rest of the results, too. The negative impact of the involvement of active but not top manager family members on business performance presumably originates from the fact, that they can have a say in organisational processes purely based on the family member status, while their organisational position would not entitle them to do so. These are presumably not the young successors possibly working in a new entrant position – the majority of successors working for the business are in a management positions. Furthermore, behind the positive effect of the involvement of non-family member business managers in the succession process we can probably find the fact that it reduces the close links between the family and the business, and the positions are filled by people who actually perform the jobs and who are responsible for this: business managers, whether they are members of the family or not.

Secondly, it is important to emphasize, that in the regression models, the variable asking about the effect of the coronavirus on the succession process appears several times, especially the answer „I do not know” from the possible answers formulated in the survey. The results of the block dealing with the

coronavirus is discussed by a separate chapter. Now it is enough to say that it was possible for the respondents to select multiple answers under this question, and – despite the numerous options given and the opportunity to formulate an own answer – basically only two options were chosen by the interview subjects: options „No effect” and „I do not know”. The former was selected by 73.2%, the latter by 12.3%. The rest of the options received only a few votes or none. In this situation, the outstanding positive impact of the ‘I do not know’ answer indicates that respondents – as opposed to the definite ‘No impact’ – selected this answer containing some uncertainty with an attitude that facilitates the achievement of higher business performance. The exploration of the exact process between features detected here and higher business performance requires further research (Kraus és mtsai., 2020).

Thirdly, it is worth pointing out that the planning of succession is poor, but it has a significantly positive impact on the success of succession from the aspect of the company – the positive relation in itself corresponds to the one accepted in literature. What is missing here is the effect also described in textbooks, but not confirmed here: according to the theory and the qualitative research, planning also has a positive effect on success in family context. Another assumption that is even less confirmed, but exists in family business research theory is that planning brings higher business performance. The latter two statements were not confirmed by our research. In order to find the exact answers, we would need to know the process, along which the production and the implementation of written or verbal, detailed or general plans leads to the given family or business outcome.

The qualitative research preceding the quantitative survey found that planning does usually not take place in the rational and linear way that describes the whole succession process as a series of logical decisions that can be determined in advance, that build on one another and that are inevitable and logical. Instead, succession primarily means continuous relational negotiations among family members, primarily between the predecessor and the successor: negotiations about the joint identity represented in the family and in succession, then negotiations about the ways of working together, and finally, negotiations about the first two aspects, joint identity and work. This kind of continuous relational negotiation is connected to linear planning: the inevitable and logical decision points, for instance what succession outcome to select, how the successor should enter, when and how to announce that he/she is the successor, how to become a

manager, are the contents of relational negotiations, in and through which the final decision is made, and with each step, they get closer to the formal transfer. The more capacity the family members and the predecessor and the successor have for relational negotiations, the better quality decisions can be made in good time about the milestones of the succession process. The high-degree of dependence on each other requires a strong trust from both parties, so that the predecessor is able to make concessions in the increased autonomy demanded by the successor, first in the selected company processes, then in company management in a way that the predecessor should not resign fully, he/she should stay at least on strategic level beside the new manager as a consultant and management mentor, or as the manager of a special operative process. All in all, succession planning connected to the business success of succession may work if it is supported by proper relational negotiations. Anyway, the whole succession project is not decided in one step in advance, but the key cornerstones are set, a negotiation process is conducted to reach the cornerstones, and then another discussion starts about the relevant details. The fact that the need for planning – as a variable – does not appear in success from family perspective refers to that fact that the relevant point is the negotiation process, not planning. In this framework, we are able to interpret the negative impact related to the predecessor's intention to quit on the perception of success of succession process from the perspective of the family: the successor would badly need the predecessor, his/her support from the background even in his or her increasing management and company management autonomy. This way it is clear that in the regression of success in family context, the quality of planning has no effects whatsoever: it is actually the features of relational negotiation that counts there. This, however, was not measured directly in the case of the dependent variable.

As our fourth comment, continuing the ideas described in the previous point, it is worth examining the impacts of innovation activity and internal developments, as well as the variable of the successor's advancements within the organisational hierarchy. According to the regression model, the possible answer variable that says that predecessor and successor decide jointly, but the predecessor has the final say, has a negative impact on the rate of company developments. This is directly related to the mechanism shown in the previous paragraph and identified in the qualitative research, this is why the possible answers were formulated this way in the questionnaire. This mechanism is a

continuous negotiation that can be described as the ‘trial of trust’ between the predecessor and the successor, about increasing the autonomy of the successor. In the case of companies that selected this answer, too, under the question, the ‘..., but the predecessor has the final say’ implies that there is less room for negotiations. We did not know for sure, only assumed from the qualitative research that the detriment of negotiation possibilities has a certain impact on management processes. This has been confirmed by the regression model.

As the fifth comment, we have to point out that the size of the socioemotional relation of family members to the business – with the exception of the model examining the impact of the coronavirus – showed strongly significant positive impact with the dependent variable, in all regression analyses – be it the various dimensions of business performance, or the evaluation of the success of succession. It could be the subject of further analysis whether the presence and size of socioemotional wealth provides a competitive advantage in family businesses, and if yes, what size. It is absolutely certain that – as opposed to stereotypes – the ‘family’ business, where family members strongly identify themselves with the business and have strong personal emotional links to it, they wish to maintain the control over the business on the long term, and the quality of the relation with the stakeholders of the business is important – and if all other conditions are the same – shows a higher business performance, and family members are more satisfied with succession, then in other family businesses where family members are less stereotypical in their behaviour, i.e. where family members care less about the company.

Based on the data of the 2017-18 survey, this relation cannot be shown so intensily (Wiesz, 2020). The indicator measuring the strength of the socioemotional wealth and the performance had a slightly significant and weak connection only when the respondents definitely wanted family succession in the management, and the probability of its realization was high. In line with the points mentioned under previous similar differences, the reason why the above introduced relation between socio-emotional wealth and company performance was so hardly detectable in that previous sample may be that most of that sample consisted of micro-companies.

2.3.4. Cluster analyses

In order to better understand the layers within the sample, the characteristics of the sample and the features of the companies, we explored the possible internal

groups of the sample by performing a cluster analysis. We conducted the analysis according to three main groups of variables: firstly, variables related to the family's presence in the company, the performance of the company, and the relation between the company and the family. Secondly, we looked at succession variables, and thirdly, reactions related to the coronavirus epidemic.

Table 10 – Variables included in the cluster analysis

Focus of cluster analysis	Involved variables
Business – family relation	1. Family presence and company variables
	2. Family presence, company variables and socioemotional wealth
Succession	3. Family presence, company variables and succession process variables – on the full sample
	4. Family presence, company variables and succession process variables – only in the sub-pattern of people selecting family leadership outcome
	5. Family presence, company variables and succession process variables – only in the sub-pattern of people selecting non-family leadership outcome
Impacts of the coronavirus	6. Selected succession variables and questions about the impact of the coronavirus

We applied the K-prototype method for cluster analysis, this is a frequently applied and accepted method suitable for the joint analysis of continuous and not continuous data. For the definition of the number of clusters, we chose the elbow plot method, which gives well tested and valid results during the application of the K-prototype method (Kodinariya&Makwana, 2013).

Cluster analysis according to family presence and business performance

Based on the analysis according to the family's presence in the business and the performance of the business, the data cannot be clustered well. We received two clusters, one with 292 elements, and another with 9 elements, with low ratio of explained information.

When we added the socioemotional wealth variable to the family's presence in the business and the performance of the business, we got four clusters, two with a high number of elements, and two with a low number of elements.

The second is a group of 175 elements, with 1993 as the average year of foundation, with the highest value of socioemotional wealth, the highest number of employees, the highest number of family members involved as employees, the highest ratio of family members in the management and the lowest business performance.

The third cluster is a group of 105 elements, with 2001 as the average year of foundation, with the lowest average value of socioemotional wealth, the highest profitability, while the ratio of involved family members and family members in the management is between the values of the other two clusters.

The average year of foundation of the 12-piece first cluster is 2000, socioemotional wealth and the number of involved generations have the second lowest values, but the ratio of family members in the management is the highest, with a business performance above the average. In case of the 9-piece fourth cluster, the average year of foundation is 1997, and it is characterized by medium socioemotional wealth and the lowest ratio of family members in the management, as well as the lowest number of generations.

Two lessons should be highlighted. Firstly, based on the cluster analysis and regression calculations, there is hardly any connection and no effect between the presence of family members and the business variables, but the family's attitude towards the business immediately provides meaningful results, and this means that in this strong small and medium-size enterprise segment, what primarily matters is how much the owner family considers the business a family business, and it does not matter how many family members from how many generations take part in the operation of the business, and how they are connected to management. Certain family presence variables (i.e. for how long has the family been present in the life of the business; average number of family members involved in operation) contribute to the group-forming only when the variable of socio-emotional wealth is also involved into the cluster analysis. Secondly, this certainly differs from the results of the 2017-2018 survey of the Center. There – probably because of the 91% prevalence of micro-companies – the connection between the attitude of the family and business performance can hardly be identified. The vast majority of businesses in both samples consider themselves

family businesses. However, this attitude, the appearance of family intentions in the strategic preferences of the business does not mean a surplus in performance in the primarily micro-company environment, but in the case of small and medium-size businesses it does.

Cluster analysis according to the succession process

With the inclusion of succession variables, we performed three cluster analyses: first for the whole sample, then only for the most populous one, for those selecting both the family leadership and family ownership outcome, then for the second most populous group, who are planning a non-family leadership, but family ownership outcome.

I. Complete sample

The cluster analysis that involved the succession variables, too, identified four clusters.

The cluster with the lowest average year of foundation, 1993, contains 61 businesses. This group has the highest average number of employees, the highest socioemotional wealth attachment by the family; but the number of family member employees and the average number of involved family generations are the highest here – presumably these facts are partly related to the early date of foundation. As to succession, this group has the lowest degree of formal planning, so formally it is the least planned. The ratio of female successors is the highest here, and the extent of family support behind the potential candidate is the lowest, under the main average. They gave the most negative assessment of the success of the whole succession process.

This is in strong contrast with the most populous, 154-element cluster with 2001 as the average year of foundation. It has the lowest average number of employees, socioemotional family attachment is the weakest, and the average number of involved generations and family members are also the lowest. Based on the year of foundation and the ratio of socioemotional wealth, the business is actually situated on the borderline between an entrepreneurial firm and family business. Regarding the initiation of the succession process, the ratio of initiations by predecessors is the lowest here. Among the potential successors, the ratio of girls is under the mean of the whole sample. While the succession process seems to be only in its first stages, they gave the best assessment of it, what is more, unlike

the mean of the whole sample and of the most sub-samples, succession is rated more successful in the family context, than in the business context.

Several formal characteristics of the third biggest, 54-element cluster fall between the two previous bigger clusters. The average year of foundation is 1997, which is exactly in the middle of the average years of foundations of the previous two groups. The socioemotional wealth of the family to the company is relatively high, but not the highest, the average number of employees is 37, and the second generation also started to appear in the business. At the same time, the number of involved family members is the lowest here, and the managing directors of the businesses are not family members. Succession is not planned, the ratio of male successors is higher than the main average, the succession process is rated rather successful.

The fourth cluster has 7 elements, bigger companies with lower socioemotional wealth and numbers of involved family members and generations is similar to the whole sample's mean. In succession, the ratio of male successors is the highest here, successors enjoy a strong family support, but the process is rated less successful.

The fourth cluster has 7 elements, bigger companies, with lower socioemotional connections, and average number of involved family members and generations. In succession, the ratio of male successors is the highest here, successors enjoy a strong family support, but the process is rated less successful.

Summarizing the above points, there is a group with medium population consisting of 'old' businesses, on average established in the first half of the 1990s. Family commitment towards the business is strong, there are lots of people from lots of generations working for the company, but – in spite of the ages and sizes of businesses – the process is completely unplanned, and besides, or rather as a result, it is rated as unsuccessful. There is a large cluster with a one decade higher average year of foundation, where the businesses are somewhere between entrepreneurial company and family business. However, they find the process that has just begun successful. The third group consists of businesses where the family's commitment towards the business is strong, but their involvement in operative management is lower, and management tasks are performed by non-family members. The fourth cluster is small, and from the aspect of succession behaviour, it presents a presumably special situation: freshly established businesses are trying to start

succession in a way that the primarily male successors enjoy a strong family support, but the process is rated as unsuccessful for the time being.

Table II – Cluster analysis of succession variables on the complete sample

Cluster 1	Cluster 2	Cluster 3	Cluster 4
<p>A group with medium population consisting of 'old' businesses, generally established in the first half of the 1990s. Family commitment towards the business is strong, there are lots of people from lots of generations working for the company, but – in spite of the ages and sizes of businesses – the process is completely unplanned, and besides, or rather as a result, it is rated as unsuccessful.</p>	<p>A large cluster with a one decade higher average year of establishment, where businesses are somewhere between company and family business. However, they find the process that has just begun successful.</p>	<p>The third group consists of businesses where the family's commitment towards the business is strong, but their involvement in operative management is lower, and management tasks are performed by non-family members.</p>	<p>The fourth cluster is small, and from the aspect of succession behaviour, it presents a presumably special situation: freshly established businesses are trying to start succession in a way that the primarily male successors enjoy a strong family support, but the process is rated as unsuccessful for the time being.</p>

2. The sub-sample selecting family management and ownership

The cluster analysis identified three clusters. One large, 108-element group, one group consisting of 44 businesses, and a smaller, 14-element cluster.

They are all roughly the same in the sense that on average 73-74% of the predecessors initiated succession, and it is true in general, that although the predecessor would take part in some strategically important operative projects at operative level in the business after the transfer, but they would rather remain involved in strategic decision-making. For all of them, sex is the least important consideration in the selection of the successor, and the most important aspects are aptitude and personality. This seems to be a general characteristic of the succession processes of businesses selecting family management and ownership outcome.

The smallest group is the youngest, and conducts the – formally – most professional succession process, with an average staff number of 36. The average age of the successor is the lowest here, 45 years. The process is the most planned of all. A potential successor is already present in most cases, the majority of successors are men and already work for the business. There is complete family support behind every successor. In the selection of the successor and in his/her progress in the organisation, beside the influence of the predecessor and family members active in the business, the opinions of non-family member managers are also taken into consideration – although not in the majority of cases, but in a high ratio (40% of the respondents). In the case of succession questions or conflicts, from the other two clusters, only this group turn to non-family managers or an external professional (35% of the respondents again). Succession is rated rather successful, but not expressly successful. This may be related to the fact that succession is not totally completed yet, or in their rather formalised operation, they do not consider certain things – what other, less formalised, less professionalised businesses would – as success.

The largest group generally consists of the biggest companies: their average number of employees is 40.5. They conduct a succession process that is more planned than the main average of the sample. Successors are present in an even higher ratio than in the previous group, and the majority of them already work for the business. Their average age is 10 years higher than in the previous group, 55 years. Family support behind the successor is strong, uniform in general, but compared to the previous group, there are some – although very few – family members who oppose it. While in addition to the predecessor, family members active in the business also interfere in the selection of the successor and in his/her progress, it is only the predecessor who makes decisions in issues and conflicts related to succession – internal or external family members, or non-family members do not play a role. Thus, as opposed to the previous cluster with a low number of elements, the successor is already 10 years older, and the – presumably – founder predecessor does not involve anyone except family members active in the business in the process of succession. However, succession is rated rather successful.

In the third group, which is of medium size in the number of elements, succession is the least planned. According to the number of employees, the smallest businesses belong here, with an average staff number of 33. ‘On average’

they do not have successors. The average age of successors present (and not present) is 47 years, the ratio of girls is the highest here. It is true in general that family support is largely uniform, but the ratio of family members opposing the successor is the highest here. While family members active in the business are also involved in the selection of the successor – in addition to the successor himself/herself –, in the case of issues related to the progress of the successor, in consultations related to succession and in the case of conflicts, it is only the predecessor who makes decisions, the opinions of other family members active in the business are not requested at all, and this is the main difference in the process. Succession is rated rather unsuccessful.

To sum it up, there is a small group of businesses with young successors, planned processes, involving family members and non-family members and achieving average success. Another large cluster is characterised by the involvement of family members, older successors, with the largest businesses in size, and with succession assessed as very successful. Succession is less planned than the previous cluster, but the degree of planning is still over the mean of the whole sample. Finally, there is a group that is unplanned, deemed unsuccessful, involving other family members apart from the predecessor to the least extent, with the most female successors on average and with businesses of the smallest sizes.

Table 12 – Cluster analysis of succession variables on the sub-sample that chose family leadership succession

<p>Cluster 1</p> <p>◆</p> <p>A small group with young successors, planned processes, involving family members and non-family members, achieving average success.</p>	<p>Cluster 2</p> <p>◆</p> <p>Another large cluster is characterised by less planning, but still over the average of the complete sample, the involvement of family members, older successors, with the largest businesses in size, and with succession assessed as very successful.</p>	<p>Cluster 3</p> <p>◆</p> <p>A group that is not planned, deemed unsuccessful, involving other family members apart from the predecessor to the least extent, with the most female successors on average, and with the businesses of the smallest sizes.</p>
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3. Sub-sample selecting non-family management

The cluster analysis identified three internal groups: one with 6, one with 4 and one with 14 businesses. The two most populous of them are bigger than those planning family management, with average staff numbers of 45-47.5.

The cluster consisting of 6 businesses includes the largest businesses, with average staff numbers of 47.5. Succession is the best planned here, and family support behind the successor, who is 52 years old on average, is the highest, and is nearly uniform. The selection of the successor and his/her upward advancement within the organisation is decided primarily by the predecessor; the ratio of succession processes initiated by predecessors is estimated to be 73% on average. Retrospectively, succession is rated rather successful.

The companies of the group consisting of 14 businesses have the smallest size on average among businesses selecting this outcome: the average number of employees is 33.8. The succession process is planned verbally to some extent, but it is less planned than at the businesses of the previous two clusters. The average age of successors is 53.7 years, the majority of them are male, but based on the average answers, these successors are not selected and not identified as potential or formal successors. Based on the answers, it is primarily the predecessor who determines the selection of the successor; the ratio of succession processes initiated by the predecessor – compared to both the main average and the various analysed sub-samples – is extremely high, 88%. It is interesting, that 30% of them indicated the involvement of external professionals, too, when they needed advice about the succession process. In the deliberation of the selection of the successor, the order of birth and the successor's sex, as aspects, are the least rejected here. The succession process is rated unsuccessful.

The smallest cluster consisting of only 4 businesses is similar to the first group in the size of the companies, with average staff numbers of 45. Succession is the least planned here. There are no formally identified successors, and the average age of these „formally non-existent” successors is 48 years. While the ratio of succession processes initiated by the predecessor is 88% on average, this high value actually reflects uncertainty. Respondents belonging here did rather not answer the questions related to the selection of the successor and his/her progress: so the perceived control is primarily with the predecessor, but he/she has not made any decisions related to the process yet. This is the only examined cluster, where the managing director would take part only in the formulation of the strategy after

the transfer, he/she does not intend to take part in any projects at operative level, and does not wish to hold a management position. The rating of the succession process is neither successful, nor unsuccessful. This is a value worse than the main average.

All in all, there is a group consisting of larger businesses, with planned processes, identified successors and with a succession process rated highly successful; a more populous cluster consisting of firms of small company size, with a less planned process, with not yet appointed successors, of which more than half are not male, and the process is rated unsuccessful. The third group consisting of larger businesses has the least planned process, there is no identified successor at all, and while the control by the predecessor is very strong, it is not visible how he/she takes part in the process, and he/she plans the smallest role for himself/herself after the transfer, and finally, they rate succession neither successful, nor unsuccessful.

Table 13 – Cluster analysis of succession variables on the sub-sample that chose non-family leadership succession

Cluster 1	Cluster 2	Cluster 3
<p>A group consisting of larger businesses, with planned processes, identified successors, with a succession process rated highly successful.</p>	<p>A more populous group consisting of firms of small company size, with less planned process, not yet appointed successors, of which more than half are not male, and the process is rated unsuccessful.</p>	<p>A group consisting of larger businesses has the least planned process, there is no identified successor at all, and while the control by the predecessor is strong, it is not visible how he/she takes part in the process, and he/she plans the smallest role for himself/herself after the transfer, and finally, they rate the succession neither successful, nor unsuccessful.</p>

The possible succession effects of the situation caused by covid are discussed in a separate sub-chapter. The relevant cluster analysis can be found there, too.

2.3.5. Comparison of sub-samples within the complete sample

We broke up the sample along several dimensions, here we present descriptive data coming from three divisions of high importance: we compare the answers in the sub-samples of predecessors and successors, small and medium-size businesses, and businesses with male and female successors.

2.3.5.1. Group of predecessor and successor respondents

- ◆ Based on their answers, we were able to separate the groups of predecessor respondents and successor respondents. We considered the founder automatically as a predecessor, and the managing director respondent coming from the post-founder generation was also considered as predecessor, if his/her age was different from the age specified in his/her answer about the age of the successor. We considered the managing director and not managing director respondents – coming from the generation after the founder – as successors automatically, if their answers to the question about their age and the age of the successor were identical. In the case of non-managing director respondents, whose age is the same as the age of the successor, it is possible, that we continued the interview with the person who is not the successor. Even if this were the case, since they certainly came from the same owner family, because of the match in their ages we assumed that they know and represent the viewpoints of their generation. We were able to divide the sample along these conditions, there were no overlaps. We did not find any cases where the respondent was not a managing director, and the answers given to the questions about his/her age and the successor's age were not identical – in that case, we would not have been completely sure which generation the respondent came from. In this way we have distinguished 228 predecessors and 73 successors. Hereunder we compare their answers. It is very important to note that we do not compare two answers coming from the same businesses – both the successors, and the predecessors came from different families and businesses. Their answers highlighted below supposedly reflect the different viewpoints and preferences coming primarily from the different situations of the two groups.

While it seems to come from the situation, it is not necessarily inevitable: the transfer of the business within the family is considered more probable by the successors, than by the predecessors. Concerning the succession outcomes, the distributions of the answers are almost identical, with one exception: 14.1% of the successors would consider the selling of the business a complete success, while only 3.7% of the predecessors think so – as a matter of fact, this possibility is rejected by the majority of both groups; in both groups, about 60% would consider it a complete failure.

The assessment of the answer „The previous manager” to the question „Who may influence in the selection of the successor?” is almost identical in both groups. The answer „The family members working for the business” is considered true mainly by the successors, not so much by the predecessors.

More of the predecessors think that the successor heard about the decision related to his/her selection from them, while fewer successors selected this answers, however, a much higher ratio of them indicated that all of this was said during a joint family conversation. Two differences show up in the assessment of the communication of the decision within the business. On the one hand, the predecessors selected it in a smaller ratio that they informed the respective non-family members about the decision related to the successor’s persona during a top management team meeting. On the other hand, more of the successors think that the presentation of the decision within the organisation has already happened. It is true that these two differences could have been influenced by many other contextual factors specific to the given business and industry.

Differences can also be observed in the issue of who in their opinion may influence the advancement of the successor within the business hierarchy. These differences are not big, but inside the individual groups they are higher than 1-2 percent. The two groups agree that they decide about this together, but fewer predecessors think that they have the final word in this. In their proportion, almost twice as many successors think that other family members working for the company can interfere in this. Finally – although the non-family member managers are able to influence this to a very small extent only, a higher percentage of the predecessors think that these managers also have a role in the decision – there was only one respondent among the successors, who thought that non-family member managers can interfere in this too.

It is interesting, that despite the different viewpoints, the frequency of the answers is approximately identical in the issue whether the predecessor treats the successor rather as a family member, or rather as a colleague with whom he/she has a partner relation, or as a colleague in an employee-boss relation.

It is generally true that under the questions about consulting and conflicts related to succession, only a few selected the possibility of turning to a non-family member employee, or asking an external professional, in our sample. At the same time, within these choices of low number, proportionally about twice as many successors selected these answers, than predecessors, while for the other answers, the distribution of their answers was very similar.

Under the considerations of selecting the successor, the two generally rejected options – according to which the order of birth, or the successor's sex would matter – were rejected by a higher ratio of successor respondents. The answers of the two groups show a similar distribution under the assessment of professional and management experience, managing abilities, or the importance of a degree from higher education. However, the successors consider the professional interest towards the business more important in the selection of the successor, than the predecessors.

Under the question that revealed the extent of the initiation of the succession by the predecessor or by the successor, the successor respondents tended to attribute different role to the predecessor, than the predecessors to themselves. In proportions, the biggest difference was at 100% (e.g. only the predecessor initiated the process): 45.8% of the predecessors, but only 34.7% of the successors thought that succession started completely on the initiation of the predecessor. The other similar major difference was at 60%, which was chosen by 5.9% of the predecessors, and 12.5% of the successors.

All in all, both groups think of the succession process as rather successful, but 6-7% more successors indicated that the process was completely successful in both business and family contexts.

2.3.5.2. Group of small and medium-size businesses

We have classified the small and medium-size businesses into two groups, based on their number of employees and sales revenues. The comparison of their answers does not provide unexpected results: smaller businesses were established later, by younger founders (comparing their current age), therefore the business organization and family systems are still in earlier stages of their

development, than in the case of medium-size businesses, and they act accordingly in the succession process.

The average year of foundation of medium-size firms is 1991, and 1998 for small companies. The average percentage of family ownership is a bit lower in medium-size businesses (84.8% vs 88.6%). The average number of generations in medium-size businesses is higher, succession is more advanced at them. Thus the number of involved family members is also higher, but – this follows from the organizational development – the ratio of family members in management is lower, 65.4%, than at small businesses, where it is 75.6%.

In terms of sales in 2019, medium-size companies performed better, but in terms of acquiring markets, small companies showed higher performance in the last two years. Profitability in the last two years was identical for the two groups.

The ratio related to the socioemotional wealth is lower for small companies, than for medium-size companies. It is probably not the effect of bigger company size that is primarily behind the difference, but the fact that medium-size companies have been operating for a longer time on average – some time is needed before an entrepreneur becomes the leader of a family business, a business becomes a family business, or a family – one of the members of which, as a matter of fact, is an entrepreneur – becomes a business-owning family.

The continuation of the business within the family is likely in both groups, but this value is higher in medium-size companies. The evaluation of possible succession outcomes is the same, but medium-size companies gave higher scores to individual options in each case, they found those more acceptable. The vast majority are planning family leadership succession, but the ratio of people planning non-family leadership succession is higher at medium-size companies. More of the medium-size companies have succession planning, too, although – similarly to the mean of the whole sample – this does not mean a written plan, but the verbal formulation of precise ideas.

A higher ratio of medium-size companies already have potential successors. If the successor works for the company, he/she is a medium-level manager at the small companies, and usually a top manager at the medium-size companies. The average year of becoming a successor is not significantly different: it is 2023 for the medium-size companies, and 2021 for small companies. Family members who are not employed and not active in the business have more say in the decision about the selection of the successor at small companies. Very few

companies in the sample involve non-family member managers or external professionals in this, it can be seen primarily at medium-size companies.

The evaluation of the selection considerations regarding the successor is identical with the mean of the whole sample in both groups.

According to the plans, the transfer of company assets begins already before the change in the managing directors for medium-size businesses, but for small businesses only at the time of the change or later. Most of them would preserve the family majority – even if such a plan exists, medium-size businesses would offer the part of company assets meant for non-family members to investors (60%), and to non-family member managers (30%). As to small businesses, they would sell their shares to non-family member managers in 37%, and to investors in 32%, and the number of families who have not yet made a decision about this is higher.

Among families selecting non-family member management, it is also apparent that medium-size businesses know their preferences more exactly regarding the form of supervising management. While both groups marked the form of supervisory board in the first place, trusteeship is in the second place with almost 30% for medium-size businesses, but for small businesses it is only the third with 14%.

The succession process is considered successful by both groups. Business and family success are nearly identical for small businesses, but in the case of medium-size businesses, the rating of the business process – just like in the main sample – is higher with a few percentages, than the rating of family success. However, the values of small businesses are smaller than the values given by medium-size businesses.

In the case of innovation and internal development processes of companies, small businesses marked higher scores on average at each sub-question, that is, based on their self-assessment, the interviewees were more active in the given areas.

2.3.5.3. Group of male and female successors

- ◆ Comparing the answers of interviewees coming from family businesses with male and female successors, what we can see is that female successors have a slightly different kinds of links with the company, and they are seen in a different way in succession. They join the business later, they are approved as successors slower and to a lesser extent, and the rating of the success of the succession process is lower.

- ◆ While in the case of both female and male successors, the votes 'probably takes over' and 'certainly takes over' form the significant majority of the answers, the probability of transfer within the family is rated clearly lower in the case of female successors, 'probably takes over' has got 61% of the answers, as opposed to male successors, where this answer represents 41%. „Certainly takes over” got 27% for female successors, 46% for male successors.
- ◆ Within their own group, in the case of a female successor, keeping leadership in the family is selected by 3,5% less, and the ratio of people not entering any answer is 3.2% higher, too. 4% less of them work for the family business, although their average age is not significantly different: 52 years for male successors, 50.57 years for female successors.
- ◆ The ratio corresponding to socioemotional wealth, that is the family's socioemotional attitude is higher in the case of businesses with female successors. A good part of the difference is provided by the fact that the family's identification with the business is higher in the case of female successors than in the case of male successors. However, the component of emotional connection is higher at the latter.
- ◆ The connection of male and female successors to the business is similar, but there are different points. Male successors may help in the business during primary school, could get a job there during university, and after graduation, they take up a full-time position in the family business in a higher ratio. Female successors usually start working for the business later, during secondary school in a summer job. After graduation, as opposed to male successors, they tend to work elsewhere and return to the family business only later.
- ◆ It may be due to the later start, but in the current situation, 30% of female successors have worked in a beginner position, while in case of male successors, this value is only 18%. Among successors in medium-level management positions, the ratio of male and female successors is identical. 60.7% of male successors and 48.6% of female successors work in senior management positions.
- ◆ Family support behind female successors is actually identical with the support received by male successors. Family unity is complete behind 87% of them, 6-7% do not get any support from the family, and for 6-7%, only

the current managing director supports the successor. In the selection of both groups, typically the previous manager and family members active in the business can have a say – in a similar ratio for both groups. However, in the case of a female successor, family members not working for the business received almost twice as many nominations, than those who could take part in the decision. It is true, that the ratio of the latter is small – 4.4% for male, and 8.7% for female successors.

- ◆ Female successors have not really represented openly in their adult life that they would undertake the challenge of succession and would join the business. 52.1% of male successors and 42.1% of female successors marked this answer. It tells a lot about the communication norms within the families that 22.1% of male successors indicated that they told their personal decision to the predecessor first, while in the case of female successors, only 7.9% did this. Even if the decision is made, in the case of female successors, they communicate it inside the business on a smaller scale, and the ratio of ‘we have not yet communicated it’ answers is higher.
- ◆ 54% of male successors and 41.8% of female successors have no professional experience, when they start working for the business – this matches their connection pattern identified earlier. It is interesting, however, that if the successor collected professional experience somewhere else, then in the case of boys, that other workplace is a business with a profile rather similar to the family business. However, 51.5% of girls and 36.7% of boys have gained experience from external workplaces of not similar profiles. Female successors not only join the family business slightly later, but – if they already graduated – before joining to the firm a lot of them try themselves at businesses operating on other markets.
- ◆ Regarding their innovation and development processes, both groups follow a similar distribution, but businesses with male successors are more active in almost every aspect, except for the development of human resources management systems.
- ◆ There are some differences in the transfer of ownership and management, too. In the case of a female successor, the transfer is usually delayed, the complete transfer of ownership is selected in a smaller ratio, they plan to keep complete ownership in a higher ratio, and the ratio of uncertain respondents is higher. The transfer of management is delayed more.

- ◆ It is interesting, that despite all this, the distribution of the plans of the predecessors for the time after the transfer, and the position in which they would connect to the business if they would, is not just similar in case of the two groups, but completely identical.
- ◆ The assessment of the selection criteria of the successor is different in the two groups. In the case of female successors, the rejection of the sex-based decision is significantly, 17% stronger than in the case of male successors. There is one more consideration with a bigger, 10% difference: 10% more respondents coming from companies with female successors replied that the personality and the aptitude of the successor are very important considerations.
- ◆ Great part of the above mentioned differences proves to be not significant statistically, but what is statistically significant (smaller perceived probability of realizing successful family succession and delayed timing of transfer of ownership for girls) still reflects a picture consistent with the non-significant differences about the diverging relation of girl and boy successors to the company.
- ◆ Based on the qualitative research, we can point out an important consideration that may make the delayed start a more difficult condition for female successors and predecessors. The successful joint work is based on the joint identity of the duo of the predecessor and the successor, and the development of this starts within the framework of the relation of the family and predecessor to the business, but before joining the company. The fact that a female successor joins the family business later, and this is a lengthy process, results in the fact that – ideally – this joint identity for the succession may be developed only later.

2.3.5.4. Sectoral comparison

Although the comparison of sectoral characteristics and the identification of the differences were not included in the primary objectives of the research, and the low number of elements would not allow the production of focused sectoral analyses, in order to prepare for future researches, we created four sectoral groups from the companies in the sample, and grouped them based on their main scope of activities. Apart from companies of the building industry and processing industry, firms operating in the service sector were divided into an office-telecommunication group (including companies involved in 'administrative and

service support activities’, ‘information, communication’ activities and ‘professional, scientific and technical activities’), and, or finally, all the remaining service entities were added to the fourth group.

Based on the business outcome performance, the socioemotional wealth, the selected succession outcome, succession planning, innovation and internal development activities, the present managing director’s plans after the change, the initiating activity of the predecessor, the evaluation of the success of the succession process, and the reactions to the situation generated by the coronavirus, we compared the individual group averages and their correlations with the companies belonging to the individual groups.

We found that there were no significant differences among the averages of the individual variables. It was the ‘information, communication’ group in which the companies were planning non-family leadership in the highest ratio, although even there, the majority is planning family leadership. This is also the group where the succession process is planned with the most care. The predecessor’s initiation in the start of succession was the lowest in the two service groups (73%), and the highest in the building industry group (80%). The socioemotional wealth had the highest value in the two service groups. From the possible correlations, one single piece was significant: the variable of the ‘information, communication’ group and the family leadership plans variable shows a 12.5% correlation.

2.3.6. Development of the efficiency of family businesses

Based on the 2011–2019 annual accounting statements of companies participating in the survey, we calculated the efficiency frontier (Battese & Coelli, 1995) indicator. We regressed the created variables with certain company and succession key variables (company size (number of people), ownership ratio, ratio of family members in the management, socioemotional wealth, probability of family succession, planning of succession, predecessor’s position after the change, time of involving the successor, to what extent the predecessor initiated the succession, impacts of individual years, as we tried to grasp the time trend). Each variable had a significant impact on the result variable. All in all, the results show why it is not possible to compile a uniform recipe for success, which could be used in succession for the family businesses: the impacts of variables are partly complementary, and partly opposite.

The general results are listed in Table 14.

Table 14 – Which variables affect the efficiency of companies?

Result variable	Impact on the value of the result variable	
Efficiency indicator (efficiency effects frontier)	variables increasing the value -the more it is the predecessor and not the successor who initiates the start of the succession process, -he larger the company is (number of people), -the larger the ownership ratio held by the family is -the more family members are involved in the management of the company -the less planned succession is -years 2011 and 2016- 2019 -he more the predecessor is planning to withdraw from the operative operation of the company after the change	variables decreasing the value -probability of succession within the family -years 2012-2015 -as a weak negative impact – stronger socioemotional wealth

The negative impact of the probability of succession within the company draws our attention to a double consequence. Firstly, it shows that succession within the family in itself, as the selection and the follow-up of a plan does not guarantee that the operation of the company will automatically get more efficient, and increase the chance of survival. On the other hand, the more likely the success of succession within the family is in the opinion of family members, the higher efficiency deficit it will induce at the company. Naturally, this result is not against succession, because that is a natural process, but points out that commitment to succession in itself is not enough – although a lot of people would prefer succession within the family, it does not mean efficient operation of the company. It is a future research task to explore how and along what processes can this commitment be automatically negative in the examined Hungarian cases. Their other results give further details and show how efficiency could be increased.

The predecessor plays a dominant role in the succession process. The fact that the extent of the predecessor's initiation has a positive effect, also points out the

importance of the conscious start and management of succession by the predecessor.

The variable of planning of succession in subsection 2.3.3 did not show any impact on corporate performance variables that are based on self-assessment (and that are slightly different from the data measured here, in both time frames, and contents), and on the perceived success of succession from the aspect of the family. The positive impact of the lack of planning succession on efficiency probably does not refer to the fact that this makes no sense to plan this process, or that it would be rather harmful. This result can be also evaluated on the basis of the qualitative research. Based on qualitative research, the succession process is driven by a continuous relationship management that was established in childhood, and that is based on the joint identity of the predecessor and the successor. One of the key elements of relationship management is the continuous search for autonomy by the successor in joint work, and the continuous increase in predecessor's trust in the successor. Negotiations, on the hand, are aimed at the end and the outcome of the process, the selected succession outcome, and are about approaching decisions to be made soon – when the selected succession outcome has been decided, when and how the successor should get closer to the company, when and how to hire the successor, when and how to give him increasing responsibilities, when and how to transfer company management and ownership. A detailed succession plan is based on the concept that this negotiation process can be decided in advance, and contains decisions for which the relation between the predecessor and the successor is not ready yet, and which should be worked out by them jointly. This way we know that the predecessor's activity and consciousness in the initiation of succession has a positive impact in itself, but this result probably shows that if this activity and consciousness refers to the predecessor himself/herself and the production of plans, and planning is not realised through the relationship with the successor – formulating possible steps jointly with the successor – than this behaviour will deteriorate the performance of the management in the course of succession within the company, and the performance of the company, too.

The positive effect of the ratio of family members in the management is not a mechanism that works continuously, under all conditions. Under Hungarian conditions, this impact can probably traced back to the fact that after the founder or his/her spouse, the next family member that can be involved, the representative of the next generation, the potential successor is also present at the company and

in the management. The direction of the impact is positive, i.e. it is worth involving this person.

It can be assumed that the positive effect of the withdrawal of the predecessor is not always a valid solution, either. The vast majority of the answers refer to the fact that the predecessor does not quit operative work after the change in management, or he quits, but will manage operative projects, or participates in the development of strategies only. So this impact determines the efficiency ranking of these three outcomes, where the most favourable situation – in line with management science researches – is the one when the predecessor participates in the long-term planning of the operation of the company.

As far as the negative efficiency impact of socioemotional wealth are concerned, that seems to be opposite to the regression results of subsection 2.3.3. The point is not only the fact that we used data with somewhat different contents as company performance, and we use facts from accounting reports, while in subsection 2.3.3 we used data that is based self-reporting. While the company performance data in subsection 2.3.3 inquire about the last two years (2020-2018), the actual data refer to a longer period, from 2011 to 2019. Considering the impact of the given year (as the status of the economic environment), too, it is obvious that companies were behind their growth possibilities in 2012-2015. As of 2016, the annual impact has been more positive. This way the regressed efficiency frontier indicator contains the period of 2010-2019, but succession variables were measured only once – unlike the efficiency frontier indicator -, at the time of inquiring the questionnaire. The original theory of the socioemotional wealth did not examine the dynamics of changes in the assets, or the changes in the effects of wealth. However, from later research we know that socioemotional wealth is able to play a role among strategic preferences and decisions, if the company is doing well, and the external economic environment is favourable, and it can also overwrite economic rationality. All in all, the fact that the socioemotional wealth has a negative impact in this model is probably strongly influenced by the fact that the result variable includes harder years, too, i.e. 2012-2015. This does not contradict to the positive impact on later years (calculated with partly different data). It would rather encourage us to further explore both positive, and negative impact mechanisms.

The positive impact of the ownership ratio and the size of the company on efficiency seems to be an intuitive result. Still, because of the heterogeneity of

family businesses, it is important to emphasize that in the Hungarian case, too, it is true and valid for a sample that consists of mainly small and medium-size enterprises (but not micro-size)

2.4. Succession and the second wave of the coronavirus epidemic

When the survey was planned in 2019 and in early 2020, the examination of the impacts of the coronavirus situation was not an issue yet. The measures introduced in the wake of the first wave in the spring of 2020 and the unexpected nature of the situation made us postpone data collection from the originally planned April-May 2020 to the autumn of 2020, and when we compiled the questionnaire, we added questions about the virus situation, too. These questions inquired about the reactions of companies to the epidemic situation in 2020, the diversion from the sales plans for 2020 and the changes in succession plans.

Data collection was not targeted at and the questionnaire itself was not primarily designed to gain sufficient data for a comprehensive analysis on the effects of pandemic situation. Besides, since data collection was conducted in the middle of coronavirus waves, when the processes caused by the pandemic situation did not come to an end. Hence these results deliver a quick, interim informations, but they are not adequate base for proper overall evaluation of the effects.

For a significant portion, 75.5% of family businesses, the situation triggered by the coronavirus had no significant impact on business management. 7% of them reported that the situation brought a recovery for them, while others had to suspend production – 12.6% partially, and 2.6% fully.

For 36.2%, sales did not change, 21.9% saw an increase, and 40.9% experienced a decrease from the figure planned for 2020. This seemingly contradicts to the high ratio of 75,5% of respondents choosing the answer „It (pandemic situation) had no significant impact (on the net turnover) at the previous questions and this contradiction may stem from more possible reasons. One of them may be that the survey was conducted before the pandemic was over and the third wave has taken place and a new equilibrium point has not formed yet against which respondents could reflect on what happened with their firms. In addition, the questionnaire has only a limited applicability for assessing all of the layers of the impact of the epidemic – since that was not our aim.

When we asked about the succession consequences of the epidemic situation, the answers clearly indicate that 73.2% did not feel any impact, and 12.3% were unable to tell if there were any impacts at all. Under this question, we provided a lot of possible answers, and it was possible to select multiple answers, and, in addition, it was possible to enter own free answers. In the latter, no new options occurred in addition to the already specified ones. Beside the very high values of 'No impact' and 'I do not know' answers, a few other answers received a few votes, in the ratio of 1-2%. 'The crisis situation brought the family together...' was selected by 2%, 'The successor's tasks have been extended' was selected by 1-3%, and 'The process slowed down, and was postponed' was selected by 1%.

From a certain aspect, it tells us a lot if we know which option was not selected by anyone. 'The company was sold' and 'The company was dissolved' answers did not get any votes – this can be concluded from the results collected so far, too. However, 'The predecessor transferred the management of the company earlier than planned, because of medical reasons' answer was not marked by any interviewee, in spite of the fact that this would have been justified by the caution exercised by elderly family members, by the lower exposure of younger family members, and by the must of running the operation of the company. Besides, independently of company size – we, researcher saw a number of examples for that in the direct environment of the Centre of Family Business. What we gathered from personal discussions is that the sudden, often dramatic resignation of previous company managers of 60, 70 or 80 years of age in March 2020 was followed by a kind of rearrangement at the end of the spring and at the start of the summer in 2020, when the old managers were able to physically return, and did return to companies. This happened in spite of the fact that it was impossible to continue the work in the summer of 2020 under the same organizational conditions and in the same predecessor-successor situation that these companies had in February 2020 in the context of succession. Still, the dynamics of resignation and rearrangement took place in such a short time, that at the time of giving the answers in November and December 2020 and in January 2021, people actually did not sense or did not report anything when looking back.¹⁷

¹⁷ Besides, independently of company size – we, researcher saw a number of examples for that in the direct environment of the Centre of Family Business. What we gathered from personal discussions is that the sudden, often dramatic resignation of previous company managers of 60, 70 or 80 years of age in March 2020 was followed by a kind of rearrangement at the end of the spring and at the start of the summer in 2020, when the old managers were able to physically

We can also observe that under the questions about the impacts of the coronavirus on succession in 2020, most respondents selected the 'No impact' or the 'I do not know' options. Still, the low number of companies selecting other options were mostly from the group that kept both company leadership and ownership in the family. It seems likely that this originates from their number and weight in the sample, and not from their other characteristics.

It is interesting that in the individual succession stages, the 'No impact' option was selected in different ratios: in the Preparation, it starts from 65.5%, and keeps growing until the Post-succession stage, where it reaches 94.4%. This can probably be explained with the fact that the more advanced the succession process is, the less the impacts of the coronavirus are able to modify the plans.

The statement saying that 'The coronavirus boosted the operation of the business' was not selected by anyone from the companies in the Preparation and Post-succession stages, and only 4.5% of businesses in the Arrangement stage selected it. At the same time, 8-14% of the companies in the Decision-making, Implementation and Transfer stages, i.e. in the formal company succession period evaluated the impacts of the epidemic this way.

The pattern of the changes in sales because of the epidemic is similar at companies in the individual stages of succession. However, in the Post-succession (and the Completed succession) stages, the ratio of businesses reporting a decrease is 3-7% higher.

The K-prototype cluster analysis identified two clusters. In the first cluster of 143 pieces, there are companies with lower staff numbers and with average years of foundation, 1999, with lower involvement of family members, number of generations and family members in the management. In their case, sales did not really change compared to the plans after the outbreak of the coronavirus in 2020, the situation triggered by the virus did not have a major impact on their business activities, and the ratio of respondents entering the 'I do not

return, and did return to companies. This happened in spite of the fact that it was impossible to continue the work in the summer of 2020 under the same organizational conditions and in the same predecessor-successor situation that these companies had in February 2020 in the context of succession. Still, the dynamics of resignation and rearrangement took place in such a short time, that at the time of giving the answers in November and December 2020 and in January 2021, people actually did not sense or did not report anything when looking back.

know' answer to the question about the impacts of the epidemic on succession is high. The average age of managing directors is 43.5 years.

In the second cluster containing 135 companies, the companies are larger in staff number, and older, too, with 1993 as the average year of foundation. The values of family involvement are higher, and the ratio of family members in the management is also higher. The average age of managing directors is 60.4 years. The impact of the coronavirus on the business activities is similar to the previous group: it did not really have an impact, and sales did not change compared to the plans. Under the impact on the succession process, businesses belonging to this cluster gave less 'I do not know' answers, and a high ratio of them said that there was no major impact.

All in all, it seems that we can identify two clusters. In both of them, the majority of respondents said that the coronavirus situation had no impact on succession. At the same time – as it was possible to select multiple answers – in the younger group of later foundation, much more respondents (20% of the group) said that they 'did not know' the possible impacts on succession. In the case of businesses founded earlier, this answer was selected by 2% only. This may refer to a certain kind of consciousness: they know that there is some impact, but they are not able to identify it yet. Looking at it from the direction of another cluster, it is possible that a family support involving older and more family members helps absorb the sudden shock: there was no significant impact in succession, and they do feel the presence of a not yet identified but existing succession impact. On the other hand, **we do not know, and it requires further examination whether it is due to the fact that the companies are younger, they are in earlier stages of succession, or to the fact that less family members and generations are involved in the operation of the business because of the younger families, to be there and help in maintaining operation and coping with the shocks.**

Table 15 – Second wave of the coronavirus epidemic and the succession process – Results of cluster analysis

Variable	Cluster 1	Cluster 2
cluster item number	143 pcs	135 pcs
number of employees	34,71 people	38,84 people
year of foundation	1999	1993
number of family members	number of family members below the average in the full sample – 2.6	number of family members above the average in the full sample – 3.9
number of generations	the 2nd generation is about to enter – 1.55	the 2nd generation is already in – 1.9
ratio of family members in the management	81% ratio of family members	87% ratio of family members
average age of managing director	43 years	60 years
average age of successor	43 years	60 years
Impact of coronavirus on operation	was not significant	was not significant
Sales in 2020 compared to plans?	decreased/no change	no change
Impact of coronavirus on succession?	20% does not know if there was any (instead of no answer and other options)	3% does not know if there was any impact

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