Chapter 2
The Generational Succession in Family Firms:
The Role of Organizational Knowledge

Concetta Lucia Cristofaro
University Magna Græcia of Catanzaro, Italy

Anna Maria Melina
University Magna Græcia of Catanzaro, Italy

Rocco Reina
University Magna Græcia of Catanzaro, Italy

ABSTRACT

Knowledge transfer is essential to managing a family firm's succession. Given the importance of knowledge in family firms, this chapter identifies, through an empirical approach, which are the main organizational strategies used for sharing, disseminating, and using the knowledge available as fundamental elements for survival and the development of companies in the phase of generational succession. The authors investigate the phenomenon and verify the evidence in some private health organizations interested in the generational change located in South Italy, given the lack of previous case studies. This chapter deepens the phenomenon and its recognizability by examining with a qualitative analysis of the problems existing in those who are currently living or have experienced this particular moment of business life.

INTRODUCTION

Family firms are the dominant form of business organizations with an estimated range from 60 to 98 percent of firms all over the world (e.g., Miller & Le-Breton Miller, 2005; Daspit et al., 2017). Calder's studies (1953) on management problems in family firms represent the first scientifically documented study in this field. Although the strategic approach for family firms was present in classic management books, the studies until the 80s remained for decades underestimated. However, in recent years, inter-

DOI: 10.4018/978-1-7998-2269-1.ch002

est in this topic has been growing from different points of view. The most widespread business model in family firms has two main characteristics: the small size and the role of the family in management (Corbetta, 1995; Montemerlo & Preti, 2006). These are characteristics that represent, at the same time, elements of strength and competitive advantage for the company, but also situations to which attention must be paid, especially at the time of generational succession.

The generational succession represents a critical phase in the life cycle of family-run businesses, where, in most cases, the entrepreneur-founder is the pivot around which the company's success was built. It is widely recognized that generational succession is one of the main problems to be faced by family firms (Ward, 2004) with important implications for their long-term survival. Empirical studies show that this phase is the most delicate, with a large percentage of companies facing serious difficulties in this process of change so that they compromise the same "state of health" of the firm. Several aspects contribute to this process, the disparity of vision and the objectives (Chua et al., 2003, 2018), professionalization (Gnan & Songini, 2003), size and financial structure (Romano et al., 2001), corporate governance (Gnan et al., 2013, 2015) or resources and capabilities (Chua et al., 2003) more intangible aspects linked to the wealth of knowledge and skills of the entrepreneur, on which perhaps during the time the family firm has built its competitive advantage (Wong & Aspinwall, 2004). One of the major obstacles to be faced in the generational succession is inherent with the difficulty of preserving, developing, and transferring knowledge from the entrepreneur to the successor.

Entrepreneurs play a decisive role in the creation of corporate culture (Schein, 1983), given their prolonged stay in the company, so that the centrality of the entrepreneur is considered one of the major causes of conclusion in generational change (Feltham, Feltham, & Barnett, 2005). The close link between the company and the entrepreneur makes the maximum commitment. It guarantees the total availability of the latter, ready for great sacrifice in order to achieve success since the company is not only a source of economic wellbeing and social prestige but also an instrument of self-realization. Thus, in many cases, the name of the entrepreneur is equal to the company's name. However, the exclusive dependence of the firm by the propulsive force of the founder risks to affect the survival of the company; so that over time it can happen that the entrepreneur - having exhausted his initial intuition - can enter in a phase of immobilism by replicating the solutions used for the past (Nazzaro & Ugolini, 2003). It may also happen that the subject restricts his field of activity to a purely operational viewpoint, without a broad vision and is limited to dealing with emergencies when they have already appeared. Even if these scenarios should not occur, in any case this situation could create a dangerous "power vacuum" behind the one of the few subjects that constitute the entrepreneurial nucleus, so that any absence of the entrepreneur, inexorable with the passage of time, tends to provoke a management paralysis, with considerable damage to the company's balance in the long run (Nazzaro & Ugolini, 2003).

Studies have observed how the presence of the family (concerning its values, traditions, and priorities) in the company affects the choice of strategies (Chrisman, Chua, & Kellermanns, 2009; Gnan & Montemerlo, 2001). It is argued that the resources that the family firms own are due to the interaction of the family, its individual members and the company (Habbershon & Williams, 1999), which can lead to advantages based on the family, which is the means by which family firms achieve the goal of creating transgenerational wealth (Habbershon, Williams, & McMillan, 2003). So, the objective of this work is to identify, through an empirical approach, which are the main organizational strategies used for sharing, disseminating and using the knowledge available as fundamental elements for survival and the development of companies (Durst & Edvardsson, 2012; Chirico & Salvato, 2016) in the phase of generational succession. Knowledge transfer is essential to managing a family firm's succession. Durst and Wilhelm

Related Content

Why Business Intelligence?: Significance of Business Intelligence Tools and Integrating BI Governance with Corporate Governance

Ritesh Chughand Srimannarayana Grandhi (2013). *International Journal of E-Entrepreneurship and Innovation (pp. 1-14).*

www.irma-international.org/article/why-business-intelligence/89282

Factors Influencing Students' Intentions Towards Entrepreneurship: Comparative Study

Rand H. Al-Dmour, Tarq Mohammedand Hani H. Al-dmour (2019). *International Journal of Sustainable Entrepreneurship and Corporate Social Responsibility (pp. 1-26).*

www.irma-international.org/article/factors-influencing-students-intentions-towards-entrepreneurship/228988

Open Innovation for Non- High-Tech SMEs: The Case of the Users Association of Advanced Technologies Program

Amiram Porath (2012). *Cases on SMEs and Open Innovation: Applications and Investigations (pp. 21-39).*

www.irma-international.org/chapter/open-innovation-non-high-tech/60172

IT Service Management Architectures

Torben Tamboand Jacob Filtenborg (2019). *Advanced Methodologies and Technologies in Digital Marketing and Entrepreneurship (pp. 409-421).*

www.irma-international.org/chapter/it-service-management-architectures/217313

Entrepreneurship Education: A Students' Perspective

Mukta Mani (2015). *International Journal of E-Entrepreneurship and Innovation (pp. 1-14).*

www.irma-international.org/article/entrepreneurship-education/135932