

# Family businesses should prepare for the unexpected if next generation to succeed

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Family businesses looking to the next generation to take over need to prepare themselves for unexpected events—such as Brexit—according to researchers at the University of East Anglia (UEA).

Rather than trying to protect firms from the outside world and excluding non-[family members](#) from taking up senior roles, modern [family businesses](#) should open themselves up to collaboration and external expertise.

They should prioritize equipping all their members for the "unexpected, the erratic and the external", rather than for the pursuit of longevity and amicable internal relationships. The authors argue that this is particularly important when rapid social and economic changes are taking place outside the [business](#).

Passing a business down to the [next generation](#) is commonly referred to as succession planning. Using a family-run construction company in Scotland as a case study, Dr. Zografia Bika and Dr. Fahri Karakas from UEA, and Prof Peter Rosa of University of Edinburgh Business School, looked at the succession process over three generations.

As part of the worldwide STEP (Successful Transgenerational Entrepreneurship Practices) project, they investigated how entrepreneurial family values, knowledge and resources emerged or were transferred from the founders to subsequent generations. The findings, published in the journal *Family Business Review*, show how the

traditional succession process has changed.

Where once they were taught 'on the job' from a [young age](#) by the older generation, referred to as 'internal socialization', younger members now network with external stakeholders and peers, known as 'interactive socialization', to bring with them new skills and knowledge. This can often involve working elsewhere in a different or related industry before joining the family firm.

A third process, 'experiential socialization', sees younger family members using their external experiences and their own participation in the business to better inform how to reproduce its values.

Lead author Dr. Bika, associate professor in entrepreneurship at UEA's Norwich Business School, said Brexit was an example of an unusual external event that could affect family businesses.

"When the change taking place outside the business is fast, your new experiences and the way you experience the context become very important.

"Events such as Brexit could make family businesses concerned about succession, the older generation might think the younger generation can deal with it better and bring forward succession. For a business to adjust to something like Brexit could take years, but some businesses will only have had months."

Dr. Bika added: "While an entrepreneurial mindset can be 'nurtured', that is gradually developed over time, or 'transmitted' through traditional socialization processes, it can also be nurtured organically through peer interaction and experiential learning.

"Instead of departmental boundaries, ground rules and training tools, we

suggest that modern family businesses need more open spaces and collaborative events bringing together diverse stakeholders and recognizing a range of personal experiences, shifting roles and emergent strategies in a flexible and changing context."

The authors say the findings have implications for family business planning training, which should no longer be seen as an internal process revolving around systematically transferring values and knowledge from the older to the younger generation, but rather include peers, mentors, minority shareholders, professional advisers and non-family managers, who may not be driven by shared objectives or constitute a successor team.

They add that where change is rapid the older generation can benefit from 're-socialization'.

"This study provides a rationale for introducing more formal re-socialization training and mentorship for family business leaders," said Dr. Bika. "The younger generation can teach the older family members what they need to know and do in the new business context. Indeed, in times of rapid change, attitudes, knowledge and skills of the older [generation](#), conscientiously passed on to their children, may be active contributors to business failure.

"In our case study, re-socialization has become a conscious strategy in the business. A fast moving board of family and non-family directors, a less self-sufficient growth strategy, a proactive approach to the creation of entrepreneurial opportunities, such as a new induction and other tailored programmes for apprentices, and adoption of new 'modern' managerial practices, such as new open plan offices, are among a raft of recent changes that have reversed years of more traditional family management practices.

"This is best illustrated by attempts to involve shareholders more in the running of the company, requiring many to reconsider and abandon older cherished assumptions."

'Multi-layered socialization processes in transgenerational [family](#) firms', Zografia Bika, Peter Rosa and Fahri Karakas, is published in *Family Business Review*.

**More information:** 'Multi-layered socialization processes in transgenerational family firms' [DOI: 10.1177/089448651982743](https://doi.org/10.1177/089448651982743)

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