

JUDIT CSÁKNÉ FILEP

FAMILY BUSINESSES – FOCUSING ON SUCCESSION

SMALL BUSINESS DEVELOPMENT CENTRE

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FAMILY BUSINESSES – FOCUSING ON SUCCESSION

PH.D. DISSERTATION

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TABLE OF CONTENTS

INTRODUCTION.....	1
1. FAMILY BUSINESSES	5
1.1. The definition of family businesses, its significance reflected on international literature	5
1.2. The typology of family businesses	14
1.3. Historical overview of family business research	23
1.4. The main topics of family business research	28
2. THEORETICAL APPROACHES DESCRIBING FAMILY BUSINESSES, RESEARCH DIRECTIONS	36
2.1. Agency theory and stewardship theory	36
2.2. System theory approach.....	39
2.3. Resource based view approach	46
2.4. Life cycle theory, institutionalist and psychological approaches.....	52
2.5. Summary, evaluation	56
3. THE PARTICIPANTS OF THE SUCCESSION GAME:	61
3.1. About succession in general.....	61
3.2. Experienced entrepreneur in an unfamiliar role: the predecessor	65
3.3. Young titan on his first mission: the successor	74
4. SUCCESSION PROCESS	88
4.1. Handover outcomes	88
4.2. Succession planning, succession process	94
4.3. Succession process models	108
4.4. Summary, evaluation	116
5. THE SUCCESSION PROCESS IN HUNGARIAN FAMILY BUSINESSES IN EMPIRICAL APPROACH	119
Expectations against the successor in particular types of family businesses	120
5.1. The Introduction of data collection methodology	121
5.2. Analysis sample definition: defining family businesses	128
5.3. Testing of hypotheses	139
H1 Hypothesis – Succession planning.....	139

H2 Hypothesis – Expectations against the successor in particular types of family businesses .	144
H3 Hypothesis – Succession features of different types of family businesses	148
H4 Hypothesis – Succession content – What does the predecessor give to the successor?.....	153
Summary	156
6. SUMMARY, FURTHER RESEARCH DIRECTIONS.....	159
APPENDICES	164
Appendix 1: The most important family business-related organizations.....	164
Appendix 2: Summary of the devevelopmental model of Gersick et al. [1997]	166
Appendix 3: Factors influencing the succession process	175
Annex 4: Business – family value category pairs	178
Appendix 5: Statements of consent.....	179
Appendix 6: Requesting Letter for Participation in Research.....	181
Appendix 7: Personal Questionnaire.....	182
Annex 8: Number of cluster elements of hierarchical cluster analysis	196
Annex 9: Number of cluster elements of non-hierarchical cluster analysis	197
Annex 10: ANOVA table of K-Means Cluster method (5 clusters)	198
Annex 11: Chi-square tests of crosstab examining female and male entrepreneurs succession planning tendencies.....	198
Appendix 12: Chi-square test of crosstab examining succession planning tendencies of entrepreneurs with and without dedicated successor	199
Appendix 13: Symmetric measures of of crosstab examining succession planning tendencies of entrepreneurs with and without dedicated successor	199
Annex 14: Chi-square test of crosstab examining succession planning tendencies of family entrepreneurs with and without debt.....	200
Appendix 15: KMO and Bartlett’s test of principal component analysis	200
Appendix 16: Principal component analysis – Total variance explained	200
Appendix 17: Principal component analysis - Communalities	201
Appendix 18: Principal Component analysis – Component matrix	202
Appendix 19: SPSS output – Effect of variables to discriminant function (ANOVA table)	203
Annex 20: SPSS output – Significance of discriminant functions, Wilk’s Lambda	203
Appendix 21: Discriminant analysis – Classification results.....	204
Appendix 22: Chi-square test of crosstab examining content of succession.....	204

PUBLICATIONS	205
REFERENCES.....	207

LIST OF FIGURES

TITLE OF FIGURE	PAGE
FIGURE 1: EXTENDED „BULL EYE’S-MODEL”	9
FIGURE 2: RELATIONSHIPS BETWEEN FAMILY INVOLVEMENT AND ITS ANTECEDENTS AND MODERATORS	17
FIGURE 3: SIZE CLASS CONSIDERATION OF FAMILY BUSINESS SECTOR	18
FIGURE 4: DEGREE OF FAMILY CONTROL AND OWNERSHIP	22
FIGURE 5: A TYPOLOGY OF FAMILY FIRMS	22
FIGURE 6: TYPOLOGY OF FAMILY BUSINESSES – AGENCY THEORY	36
FIGURE 7: OVERLAPPING SYSTEMS (TWO CIRCLES MODEL)	39
FIGURE 8: FAMILY – BUSINESS - OWNERSHIP (THREE CIRCLE MODEL)	40
FIGURE 9: THE BULLEYE	42
FIGURE 10: SUSTAINABLE FAMILY BUSINESS MODEL	43
FIGURE 11: UNIFIED SYSTEM MODEL OF FIRM PERFORMANCE	50
FIGURE 12: THE THREE-DIMENSIONAL DEVELOPMENTAL MODEL	53
FIGURE 13: EXPANDED FAMILY BUSINESS MODEL	54
FIGURE 14: TYPOLOGY OF OWNER-MANAGERS BASED ON MARKET ORIENTATION AND DEVELOPMENT OF CONTROL SYSTEM	66
FIGURE 15: DECISION CRITERIA FOR FAMILY MEMBER INVOLVEMENT	81
FIGURE 16: THE CONTINGENCY MODEL OF FAMILY BUSINESS SUCCESSION	82
FIGURE 17: MODEL OF KNOWLEDGE TRANSFER AND SUCCESSOR’S DEVELOPMENT IN THE FAMILY FIRM	84
FIGURE 18: FACTORS INFLUENCING SUCCESSION PLANNING IN FAMILY FIRMS	96
FIGURE 19: FACTORS DETERMINING FAMILY THE BUSINESS TRANSFER OUTCOME	101
FIGURE 20: RELATIONSHIP BETWEEN SUCCESSION AND BUSINESS FAILURE	107
FIGURE 21: THE SUCCESSION PROCESS: MUTUAL ROLE ADJUSTMENT BETWEEN PREDECESSOR AND NEXT GENERATION FAMILY MEMBER(S)	108
FIGURE 22: FRAMEWORK OF MANAGING SUCCESSION	109
FIGURE 23: THE THREE STAGES MODEL OF SUCCESSION	110
FIGURE 24: SEVEN STAGES MODEL OF SUCCESSION PROCESS	111
FIGURE 25: AN EXPLANATORY MODEL FOR TRANSFER TO FURTHER GENERATION	112
FIGURE 26: EXTRAVERTED SUCCESSION IN FAMILY BUSINESSES	113
FIGURE 27: EFFECT OF GENERATIONS TO BUSINESS STRATEGY	114
FIGURE 28: INVOLVEMENT IN SUCCESSION	123
FIGURE 29: DISTRIBUTION OF ENTERPRISES BY COMPANY FORM	124
FIGURE 30: DISTRIBUTION OF ENTERPRISES BY INDUSTRY	124
FIGURE 31: DISTRIBUTION OF COMPANIES BY BASE	124
FIGURE 32: DISTRIBUTION OF POSSIBLE HANDOVER OUTCOMES	125
FIGURE 33: DISTRIBUTION OF BUSINESSES IDENTIFIED BY CLUSTER ANALYSIS	133
FIGURE 34: PLANNING OF SUCCESSION PROCESS	138
FIGURE 35: AVERAGE VALUES OF VARIABLES RELATED TO THE SUCCESSOR FEATURES, PREPAREDNESS	146
FIGURE 36: SPECIALITIES OF SUCCESSION IN DIFFERENT TYPES OF FAMILY BUSINESSES	150
FIGURE 37: CONTENT OF SUCCESSION	153

LIST OF TABLES

TITLE OF TABLE	PAGE
TABLE 1: DEVELOPMENT OF FAMILY BUSINESSES	52
TABLE 2: INFLUENCE FACTORS OF FAMILY BUSINESS TRANSFER	74
TABLE 3: REASONS FOR JOIN AND NOT TO JOIN THE FAMILY BUSINESS	75
TABLE 4: FACTORS PREVENTING INTRA-FAMILY SUCCESSION	90
TABLE 5: ADVANTAGES AND DISADVANTAGES OF SUCCESSION OUTCOMES	92
TABLE 6: TYPOLOGY OF SUCCESSION PROCESS	101
TABLE 7: FACTORS INFLUENCING THE SUCCESS OF SUCCESSION PROCESS	103
TABLE 8: RELAY MODEL OF SUCCESSION PROCESS	109
TABLE 9: SUMMARY TABLE OF HYPOTHESES	119
TABLE 10: NUMBER OF EMPLOYEES AND NET REVENUE OF SAMPLED ENTERPRISES	125
TABLE 11: DISTRIBUTION OF QUESTIONS OF CLUSTER ANALYSIS	128
TABLE 12: COMPARISON OF NON HIERARCHICAL AND HIERARCHICAL CLUSTER CENTRES	131
TABLE 13: PRESENTATION OF CLUSTERS	132
TABLE 14: CROSS-TABLE – CONNECTION BETWEEN GENDERS AND SUCCESSION PLANNING TENDENCY	140
TABLE 15: CROSS-TABLE – CONNECTION BETWEEN HAVING A SUCCESSOR AND SUCCESSION PLANNING TENDENCY	141
TABLE 16: CROSS-TABLE – CONNECTION BETWEEN INDEBTEDNESS AND SUCCESSION PLANNING TENDENCY	142
TABLE 17: AVERAGE VALUES OF PRINCIPAL COMPONENT SCORES REGARDING PARTICULAR TYPES OF FAMILY BUSINESSES	145
TABLE 18: CONDITIONS OF DISCRIMINANT ANALYSIS	148
TABLE 19: PRESENTATION OF VARIABLES OF DISCRIMINANT ANALYSIS	149
TABLE 20: AVERAGES OF VARIABLES USED IN DISCRIMINANT ANALYSIS	150
TABLE 21: CROSS TABLE – CONTENT OF SUCCESSION IN DIFFERENT TYPE OF FAMILY BUSINESSES	154
TABLE 22: RESULTS OF HYPOTHESES TESTING	156
TABLE 23: NATIONAL AND INTERNATIONAL FAMILY BUSINESS-RELATED ORGANIZATIONS	164
TABLE 24: DEVELOPMENTAL MODEL – OWNERSHIP DIMENSION	167
TABLE 25: DEVELOPMENTAL MODEL – FAMILY DIMENSION	172
TABLE 26: DEVELOPMENTAL MODEL – BUSINESS DIMENSION	173
TABLE 27: FACTORS AFFECTING SUCCESSION BASED ON LITERATURE	176
TABLE 28: BUSINESS-FAMILY VALUE CATEGORY PAIRS	177

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INTRODUCTION

Thanks to researchers and experts dealing with small and medium sized enterprises (further referred to as SME) today it is needless to asseverate that these enterprises have significance and key role in the economic process. The enterprises of the SME sector are flexible, they adjust quickly to the rapidly changing market conditions, they have remarkable role in creating jobs. They contribute to the diversification of economic activity, they play an important role in trade and increasingly in export (Mészáros – Szirmai [2001]). (Mészáros [2002] and Mészáros & Pitti [2003] write in details about the further advantages of medium enterprises.)

Kállay and his co-authors [2005], [2007], [2008], etc... regularly made reports on the present situation of SMEs touching the changes of the environment of macro-economy, the most important processes of the field, the supporting organizations of SMEs and the introduction of supporting programs. We can learn some things about the national SMEs status in an international comparison based on several important point of views with the participation of Szerb and his colleagues[2004], [2006] in the work of the international research network Global Entrepreneurship Monitor (GEM). Based on experiences of researching there are significant efforts made for the improvement of the status of SMEs and the experts dealing with the topic draw more possible ways of business development. Without entirety among the most important trends are the Kállay market development model (Kállay [2002], Kállay – Imreh [2004]), the SME development pyramid created by Lengyel (Lengyel [2003]), Zoltán Román's work is outstanding (Román [2002a], [2002b], [2003] [2006]) as well as the activity of the Small Business Development Center (SBDC) of Corvinus University of Budapest in relation with practical business education (Szirmai [2001], Szirmai – Csapó [2006]).

Beyond the business academical education in SBDC¹, there are such unique initiatives as Péter Szirmai's Spin-off Club which helped to start more successful students businesses (Csapó [2006b], Szirmai – Csapó [2006]) and the ERENET Profile international electronical journal (www.erenet.org) boasting with 27

¹ Krisztián Csapó's course on the subject with the Pennstate University is considered a speciality (Csapó [2008]).

electronical issues and 2 printed issues with compilations about business related matters produced by Antal Szabó.

The researchers of SMEs agree on the fact that the sector being quite heterogeneous means difficulty in the drafting of suggestions on development and support. It is essential to have deep knowledge about the target system for being able to work out really useful and effective suggestions. The businesses in the SME sector are mostly family enterprises which can be characterized with different strengths, weaknesses and problems from the ones of non-family businesses.

In my dissertation I undertake an overview of the theoretical literature and of the problems of succession relating to family businesses with special characteristics within the field. The experts of our nation achieved remarkable results in mapping most of the areas relating to businesses, meanwhile the scientific endeavours still can be completed on getting to know more about family businesses. In my work I wish to draw the attention on this large numbered and remarkable enterprise group.

We face such problems in family businesses beyond the related theoretical foundation that a deeper analysis is needed. The topics below are worthy for observation: the characterizing special advantages, disadvantages, the comparison to non-family businesses, the occurring conflicts, the role of women, the questions about non-family members as employees, the arising peculiarities about growth, performance and financing, and the succession.

For reasons of length I could not undertake the observation of all mentioned issues. Beyond the definitive and theoretical foundation of family businesses (which I considered very important to deal with in details because as for my experience it is missing mostly from the research of family businesses and lacking that the discussion about practical problems remains a frameless try) I have chosen only one topic for further elaboration from the relating issues, the problem of succession. The reason is that the succession is the final test of a family enterprise – whether the family will be able to keep the enterprise alive, functioning as a family business or not.

In our country the problem is sharper as – due to our particular historical development – in most of the Hungarian enterprises these years it is decided whether the enterprise is able to become such family business where more generations are collaborating with one another, and the enterprise is inherited from generation to

generation. In the near future Hungarian entrepreneurs will face the challenge of succession in large quantities lacking experience (Filep – Szirmai [2006], [2008]).

Succession as a topic drew my attention more and more as the process can be characterized with constant attractions and repulsions. On one hand the predecessor is striving to pass on the enterprise in the family which he built working hard, on the other hand to give up the enterprise means a remarkable emotional effort. Succession is a complex problem which includes challenges related to emotional and business factors, thus it is an ideal territory for a curious researcher.

Despite the fact that in everyday language family enterprises are identified as micro and small enterprises, family enterprises are present in every size category. My researches and the theoretical processing are directed to micro and small family enterprises which are quite different in several matters from medium or large companies with professional management, established operating system where the arising problems (especially succession) occur in a different way. (On succession in medium companies Bálint [2004], [2006] made deep research.²) Because of – at certain points – very different approaches regarding on different sizes of enterprises I exclude the following topics related to large family enterprises: leadership, organization, management. At the same time I consider important to emphasize that succession is an interesting and important in those businesses as well, since the larger the enterprise and the wealth within, the more remarkable is the stake and the complexity of generation pass.

The aim of dissertation is to sum up the national and international literature of family businesses with deep focus on succession problems and then to make a survey about the succession procedure in family businesses, its characteristics, and to find the answer to the most exciting questions of succession in the corporate, micro and small enterprises. I also find it important to define how the sum of the knowledge in the dissertation can be useful, in what manner it is helpful for the development of family enterprises.

The thesis consists of six parts: the first two chapters are the sum of the general, theoretical knowledge related to family businesses, the third and fourth chapter are the detailed decomposition of the special questions of succession, the fifth chapter is

² The focus of his work was directed to the future of the enterprises interested in succession, he observed the possible outputs of succession and what factors affect a particular decision.

the presentation of the results of my own empirical survey, the last chapter includes the summary and the future possibilities of research directions.

1. FAMILY BUSINESSES

1.1. The definition of family businesses, its significance reflected on international literature

The intensive presence of family businesses in economy has attracted and still attracts the attention of researchers. Despite the fact that several theoretical as well as practical researches are going on in the field at international level, Handler's statement [1989] – according to which the definition of the concept "family businesses" is the biggest challenge in front of the researchers in the field – still pulls through with a widely accepted definition of family businesses does not exist. Particular bibliographies often mention more, different definitions for it within a single writing (Astrachan et al. [2002]). One reason for that is that we read controversial, inconsistent results in different statistics, research reports.

In the first part of the subsection I undertake giving a brief presentation, overview about the available definitions of family businesses in literature.

The family business research carried out in the European Union detected 90 different definitions for "family business" based typically on ownership and presence of the family in operation (Mandl [2008]). The same research revealed that it is specific in many countries to use the family business definition as a synonym for the SME sector in everyday language, although the statement – according to which family businesses exist in every law form and every size (Mandl [2008]) – is a universal truth. The European Union set up an expert group to overview the family business related, most important topics and to form a unified definition. The suggested definition by the expert group is based on the elements of family, enterprise and ownership and on the following criteria (European Commission [2009]):

An enterprise, independently on its size, can be considered as family business if:

- most of the rights of decision are reserved for natural person(s) who founded the enterprise, or such natural person(s) who have obtained ownership in the enterprise or spouses, parents, children or children's children of the persons already mentioned,
- the rights of decision are direct or indirect,
- at least one member of the family or kinship formally participates in the operation,

- stock exchange-listed companies can be considered as family businesses in the case when the person who founded the company or purchased it or his family, descendants have ownership over at least 25% of shares representing rights of decision.

Colli [2003] explains difficulties in definition with the wide extension of family business in time, space and sectors. Others see the main obstacle of definition in lack of precise and accurate definition of family itself (Astrachan et al [2002]). According to Melin and Nordqvist [2007] the concept of family business is a diverse collection category, family businesses are quite varied and with the categorization of them we get a vividly colourful palette.

Defining family businesses it is often required to have more conditions be set at once including family ownership, its role in operation and making decision, family members as employees, the intention of passing on the enterprise, from generation to generation (Kotey [2005]).

We can find an approach in the history of family business research which is based on size of enterprise. It assumes that family business period means a start period in the process of development of an enterprise, here it is still small and with passing on this period, growing, it will lose this family nature (Colli [2003]).

Bianchi and Bivona [2000] – in the process of forming a growth simulator for small family enterprises – defined the studied family businesses as enterprises where the owner entrepreneur typically coordinates the tasks of management participating also in the operative work daily. He does not employ professional management, he includes family members in the operation and rarely builds formal organization, applies planning and controlling system. He has no wish to delegate his rights of decision, often makes decisions in an intuitive manner, does not spend time with rationalization of strategy, continuously he tries to create balance between business and family expectations, requirements.

Laczkó [1997] uses the following definition of family business: "Family businesses operate on family savings, using experience and skills of family members and their determinative participation in daily work. Strategic decisions are made by the family. Since decision effects the fate of generations, their vision is positive, more hopeful, their plans are concerning longer period of time than in the case of non-family businesses." (Laczkó [1997] p. 9.).

From Handler's [1989] collection of definitions of family business, the following are worth mentioning: Stern's definition according to which such enterprises can be considered as family businesses where one or two families own and operate, its uniqueness is within the exclusiveness of the owner family. Donelley's definition is very strict, he defines only those enterprises as family business where at least two generations have main and mutual influence on the operation.

Such family business definitions based on more criteria on one hand are useful, they reveal the essence of family business, and on the other hand they mean difficulty in empirical research, sith it is not easy to examine all the factors mentioned, not in every case. For this reason it occurs that they narrow the system of criteria to one or few more sectors while researching. For example in the survey of PricewaterhouseCoopers [2008] concerning family businesses where those enterprises can be considered as family businesses in which at least 51% of the ownership is in the property of one or more related families, the senior management consists mostly of family members, and the owners participate in the daily operation process.

Morris and his colleagues [1996] highlight that the essential element of the family business definition is the inseparable togetherness of the ownership and operation of the same person. It has the greatest effect on succession of the enterprise from generation to generation, it is the main difference between family and non-family businesses.

Poza's [2007] consideration of family business is the unique synthesis of the following factors:

- control of ownership, leadership (15% or more) by one or more members of the family or fellowship of families,
- strategic effect by family members in the management, by active participation in management or by forming the inner culture or by participation as adviser or board member, or by engagement as an active shareholder,
- concerning family relations,
- the dream or possibility of continuity through generations.

Certain researchers examine family businesses from the point of view of strategic management, for this the sustainable, intergenerational leadership and management get significant role in their applied definition. This is the basis of a common vision

which sets the course, the strategy and the mechanisms which lead to fulfilment of goals (Sharma et al. [1997]).

Because of heterogeneity of family businesses, it is frequent that researchers give more different definition, they typically start out from a wide definition and they get to the concept based on strict criteria (Sharma [2004]). Poutziouris [2001a] makes a distinction between open and close definitions, in the case of close definition it is determined whether an enterprise is a family or non-family business based on a well-measurable system of criteria. Open definitions highlight rather the intention of becoming a family business, the importance of self-determination.

Chrisman and his colleagues [2003], though they acknowledge the grounds of definitions based on determined criteria, especially applying it in practical researches, still they are not satisfied with these sorts of definitions theoretically. They believe the essence of family business is given by the intention of maintaining family control, by synergistic and unique resources and skills which are inseparable from the presence of the family in the enterprise and from its interactions, and by visions which are set by the family and wished to be followed by the next generations.

Chua and his colleagues [2004] have such beliefs on definition matters that it is relevant to examine that family businesses were founded as such or they have become such in process of development. During the research they saw that most of family businesses were founded as such, with the intention of succession towards the next generations, meanwhile a small but important segment of the population does not start out as a family business but in time with the increase of family participation it becomes such. But there are other cases where the process is diverse so as time goes by the family business – with the decrease of family participation – dilutes and stops being such.

Leach's [2007] apprehension is refreshing, simple and practical among the several deployed definitions and approaches. He thinks that while defining family businesses we must avoid categorization based on too strict criteria, sith the examination of shares or management consistence often leads us to an inadequate picture and faulty conclusion. According to his suggestion, family business is simply such business which is affected by family and family relations and defines itself as such.

While defining family businesses the biggest challenge we can meet is the diversity of such businesses because for a heterogeneous group it is difficult to find a comprehensive, exact, manageable definition which expresses its relevant features theoretically, and also gives concrete support in practical application. Anderson and his colleagues [2005] resolve this difficulty in some respects. They combined Astrachan and Shanker's "bull's eye model" with Birley, Ng and Godrey's typology and formed their own definition with more elements which also typifies family businesses. Their results are presented by the following figure.

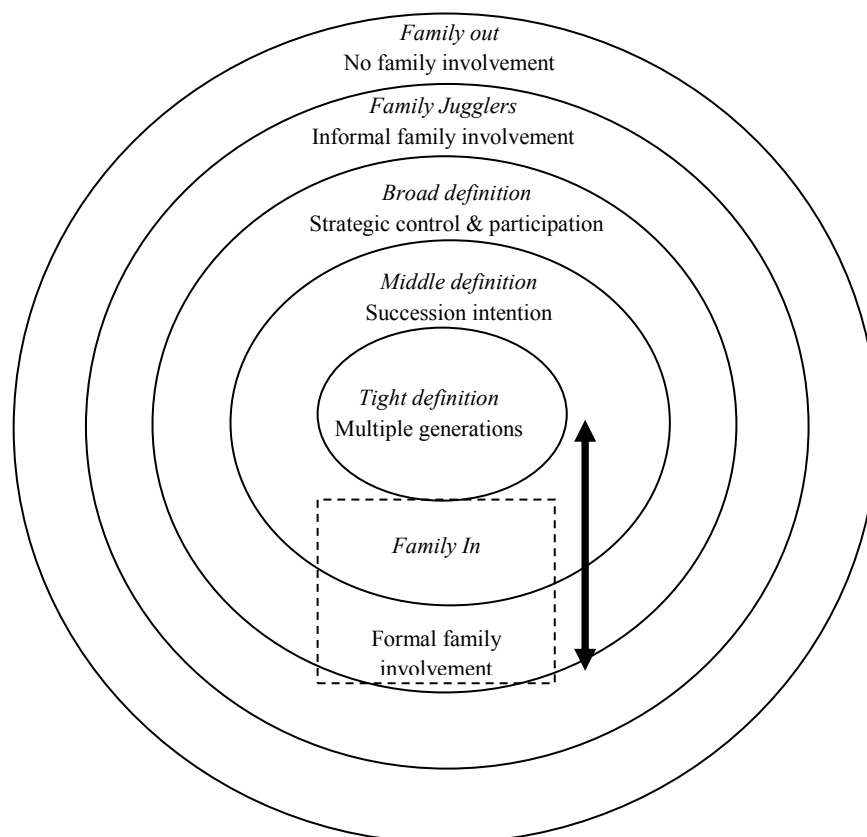


FIGURE 1: EXTENDED „BULL EYE'S-MODEL" (Anderson et al [2005] p. 138.)

In the outermost circle there are the "Family Out"-typed businesses which are non-family businesses, they refuse every family participation. In the next category there are the "Family Jugglers", here the family participation is only informal. The "Family In" enterprises have three categories. Based upon the involvement of family members, in the outermost circle there are the enterprises in which family participation includes only strategic questions, then there are the enterprises where there are plans for future succession to the next generation, finally there are the

enterprises which meet the strictest definition where more generations are working together (Anderson et al. [2005]).

The various definitions reveal that family businesses are not homogeneous, their classification can be performed in many ways. The most typical sources of diversity according to Melin and Nordqvist [2007] are the different owner structure, the presence of different generations among the owners and in management, the different sizes of enterprise, industry, perspective, the extent and nature of family participation, and the structure of the owner family. Although family businesses show similar features in many ways, generalizable features can be detected. One has to be careful when doing comparisons among family businesses from different types. In my opinion the lack of accepting a general family business definition on one hand makes the work of researchers more difficult because it remains an everlasting problem classifying family businesses. At the same time a definite concept based on rigid and strict rules would be even less fortunate. For example if multi-generational ownership was a requirement then many enterprises would be excluded which operate basically as family businesses but it does not show in the ownership structure. It is not necessarily because of the will of the participants but due to tax optimization.

I think, for the reasons already mentioned, perhaps it is not necessary to strive to give a generally accepted family business definition. It helps much more in development of this area if researchers always define exactly which enterprises they consider as family businesses in balance with their own research in a given context. During the quantitative research these factors could be well-measurable: the number of participating family members, distribution of ownership, participation in operation. While applying qualitative methods less solid, less measurable criteria (like self-assessment) could be concerned. I believe that the real significance of family business definition shows itself while empirical research, for this I do not strive giving my own definition in my thesis. In the fifth chapter of my dissertation there are the specified family business definition which I use in my research, defined by statistical methods, and the detailed presentation of identifying family businesses.

After describing the problems of family business definition, I think it is essential for my dissertation to talk about the significance of family businesses, their role in

economy and their preferred industries. The listed facts and figures help the better cognition of features and attitude of family businesses.

We can find family businesses all over the world with different industries and various operating systems. Observing the list of Family Business Magazine (listing the world's oldest and biggest family businesses) one could be surprised which famous and successful companies operate as family businesses³, although this list is just a little teaser from the world of family businesses (Kristie [2010]), (Pearl – Kristie [2010]).

The family-owned and family operated businesses play an important role in employment and GDP production in most of the capitalist countries. They give 75-95% of enterprises and they produce 65% of the world GDP. Despite the fact that they are mostly small enterprises, they give 1/3rd of the 500 biggest companies Fortune magazine lists, 50% of the GDP of the US and their paid wage, and 80% of employment (Miller et al. [2003]), (Winter et al. [2004]), (Miller et al. [2006]), (Casson [2009]).

About 90% of the enterprises in the US are in family property and have family operation (some sources say it is 2/3rd (Fitzgerald - Muske [2002])). About 60% of the stock exchange-listed companies are considered to be family businesses (Poza [2007]).

According to the research in the EU, here the rate of family businesses is 70-80%, they give 20-70% of the EU's GDP, and their participation in employment is 40-50% (Mandl [2008]). The group of family businesses is dominated by the enterprises of SME sector. The rate of enterprises employing less than 10 people is quite high, but we can find quite a few family businesses among the world's biggest enterprises (Mandl [2008]). This fact is similar to the trends all over the world.

According to surveys in the UK, family businesses make 2/3rd of all enterprises, and these surveys also reveal their heterogeneity (Westhead [2003a]). According to another survey based on the answers of 427 enterprises, not listed in stock exchange, those enterprises which "perceive" themselves as family businesses make 79%,

³ Houshi Onsen, Château de Goulaine, Merck KGaA, Villeroy & Boch, Faber-Castell, Meerlust, Bombardier Inc., Hutchison Whampoa, Groupe Auchan S.A., Groupe Danone, Michelin, Sodexo, ALDI Group, Robert Bosch GmbH, Oetker Group, Reliance Industries, Toyota Motor Corp., Heineken N.V., LG Group, Samsung Group, Banco Santander, H&M Hennes & Mauritz AB, Inter IKEA Systems B.V., Roche Holding Ltd., Cargill Inc., Ford Motor Co., Wal-Mart Stores (Kristie [2010]), (Pearl – Kristie [2010]).

considering ownership and voting rights this rate is 81%, while with a stricter system of criteria (considering ownership, voting rights, succession between generations, family participation in management), the rate of family businesses is 15% (Westhead et al. [2001]).

According to another research in the UK – the rate of family businesses is 73%, of which 39% is first generation, 17% where first and second generation are working together, 16% is second generation, and the ratio of 6-8% is including family enterprises where second and third generation are working together, third generation enterprises, enterprises where third and fourth generation are working together, fourth and more generation enterprises in every category (Poutziouris et al. [2002]).

Baines and Wheelock's [1998] research in Milton Keynes and Newcastle showed that the rate of micro enterprises involving family members in employment and ownership is 40%.

In Australia, similarly to the experiences in the UK, the rate of family businesses is 70%, their role is considered remarkable in economic growth and employment (Gilding [2005]).

Tatoglu and his colleagues [2008] observing the enterprises listed in the stock exchange of Istanbul, Turkey, revealed that 75% of enterprises are directly or indirectly owned and run by families.

According to Leach [2007] family businesses influence the trade of Asia and Latin America, and he unfolds that in his opinion, in developed markets, especially in the US, Germany and Italy family businesses play a more significant role than generally accepted. Casson and his colleagues [2009] reveal the remarkable role of family businesses in China, Japan and South Korea.

Considering the rate of family businesses in Hungary, statistical collection of data does not exist, but this rate could be assumed 70-80% similarly to the data in the EU (Mandl [2008]). Based on CSO data and the own researches of SEED Foundation for Small Enterprises Development, there is an assumption according to which the half of corporate enterprises and the at least 20% of sole proprietors are family businesses (Horváth [2008]). The inconsistency between the data considering the rate of Hungarian family businesses is not surprising, as I have mentioned before, applying a particular definition and queried data (or data of public databases) can be a very affecting factor for the results. Probably both presented pieces of information are

correct in their own context, and one thing we can be almost sure of is that at least the half of corporate enterprises is family businesses. In the case of sole proprietors arises the question of whether being worthwhile to define the rate of family enterprises since we can find among them quite a few forced enterprises which are not engaged in concrete business, and they are actually not operating. This way the base population is so large that the rate of such sole proprietors which are considered as family businesses seems small. Although if we observed the rate sole proprietors engaged in actual business considering family businesses, perhaps we would get a rate even bigger than that of corporate enterprises.

The strong presence of family businesses is proved all over the world, at the same time due to their heterogeneity and the lack of related statistical data, we can only assume their role in economy which cannot be negligible considering their ratio.

In comparison of the data of different studies, researches we can say that the ratio of family businesses are larger than their rate in employment, for this probably they are smaller than the general enterprise size specified in particular countries. Despite this, there is a plenty of dynamic enterprises amongst them, for example 40% of the gazelle companies in Belgium are family businesses (Mandl [2008]).

A special attention is paid on family businesses in the EU, it is supported by the Small Business Act in which they deal with the difficulties related to family enterprises (European Communities [2008]). And also more national and international organization discovered the significance of family businesses. In the Appendix 1, there is a chart which includes these organizations without entirety.

An evidence for the diversity of family businesses is the fact that they appear in many industries. Mostly we can find them in traditionally labour-intensive industries (Poutziouris [2001a]), (Mandl [2008]). According to Dyer [2010] those industries in which there is a stable wage and the operation does not require special technical development are ideal for being family businesses because the family – in most cases – is not usually able to provide enough manpower – workers who are talented, they operate the process, skilled technically for development, and have knowledge about the market.⁴

⁴ Naturally, it does not mean that amongst family businesses we cannot find any dynamic, intensively developing and growing enterprises.

The researchers mostly agree on the fact that family businesses are over-represented in agriculture, tourism, building industry and large and small trade. Meanwhile their presence is not peculiar in the financial (banking, insurance) sector (Westhead et al. [2001]), (Barclays [2002]), (Peters – Buhalis [2004]). The performance of family businesses is quite good in such industries where the presence of the owner is very important, for instance as supplier for large enterprises. It often occurs that families, spouses run franchise systems, or the family business is a descendant of a large company, based on special knowledge, skills (Leach [2007]).

Considering the Hungarian situation – based on Gere’s [1997] research including 300 family businesses – the family businesses appear most intensively in trade, services and agriculture. Sharle [2000] had similar results, he showed that the Hungarian family businesses operate typically in labour-intensive industries, near 2/3rd of them are operating in agriculture, trade or catering. He explains their high rate in agriculture with the fact that by agricultural production it is easier to pass on the business traditions to the next generation.⁵

Beyond the presentation of the significance, role, specific activities of family businesses, the mapping of their typological methods helps us to learn about family businesses, and understand them. In the next subsection I undertake the task of presenting systematically the clustering efforts concerning family businesses in literature.

1.2. The typology of family businesses

Based on the overview of literature, the typology of family businesses befalls applying the following classification criteria (one-prospective or multi-prospective):

- reason of foundation,
- family participation,
- size,
- strategy,
- future goals,
- life cycle,

⁵ Fertő and Fogarasi [2007] – during researching factors which define organizational forms in the postsocialist agriculture – based on the transaction cost theory, they gave the two types of agricultural enterprises: family farms and industrial farms.

- level of strategy and trust,
- family and enterprise affairs,
- complexity of family ownership and participation.

Reason of foundation

It is simplest if we divide these reasons into two parts. Certain enterprises are founded because they feel a strong, positive motivation while others are founded because of similarly strong motivations, but these motivations are negative, affected by external, environmental effects (Walker – Brown [2004]). These motivations are nourished by positive as well as negative economical changes. The reduction of family wealth, income could be a motivation, the family can start an enterprise as a compensation. But within an upward financial situation lays a possibility of an old dream coming true, it also can be a reason for foundation (Winter et al. [2004]). Vadjal [2008] also made a comparison between the reasons of founding family and non-family businesses, he showed that in the order of most common reasons (independence, need for exploitation of knowledge and skills on a higher level, economic necessity, higher income, better career opportunities within an own enterprise) there is no remarkable difference between the two types of enterprise. At the same time it is specific for family businesses that they are founded for reasons of independence and better career opportunities, while economic necessity as a reason is rather specific for the foundation of non-family businesses.

In Hungary the most common reason for foundation was the hope for a better livelihood (36.4%), and it was very common when an enterprise was founded as an answer to some kind of dilemma (a family member lost his job (21.3%), need, compulsion (10.5%)). The rate of those who were motivated by self-sufficiency (8.5%) or by realization of their own vision, ideas (6.2%) is rather low (Gere [1997]). Laky [1987] divided in three groups those who performed independent economic activity: additional work sellers, self-employers (members of small production) and entrepreneurs. As a goal of self-employers occurs the ability of providing the proper standard of livelihood for the family.

Family participation

When founding an enterprise, the question of number of family members is important. Scharle [2000] found out that more than half of Hungarian family businesses were founded by more family members. Czakó and her colleagues' [1995] research also had similar result. They found out that more than half of enterprise owners choose their spouses and relatives for co-workers.

According to some theories, the involvement of family in the enterprise is influenced by social situation. The only serious assets of the poorer are the family, for this it is more common for them to participate in foundation than for those who are in a better social situation. For them, there is no need for involvement of family members (Kuczi [2000]).

The participation of family members in the operation is a demand also on international level. According to the survey of PricewaterhouseCoopers [2008] 70% of the responding companies have at least one family member in the operation. The measure of family participation is significantly influenced by the level of distrust: the more unreliable is the environment, the level of trust is generally low, the more likely is the larger involvement of family members (Kuczi [2000]).

Laki [1994] makes a distinction between those who are searching for advantages and those who are engaged in actual, active business. Those who are searching for advantages involve family members in business because they are moving at the borderline of legality and they choose the ones who can see and know about their business issues. Those who are engaged in actual, active business involve family members due to reasons for stability which is provided by strong trust. Mostly the involvement includes the closest family members, specifically spouses, children, grand-children, and also they are mostly at present from the start. It is specific for male entrepreneurs that they start the enterprise alone and family members involve only later, while as for female entrepreneurs, they rarely start an enterprise alone, the rate is lower (Gere [1997]), (Scharle [2000]).⁶

In the US, based on assumptions, 75% of family businesses are owned by one person or by married couples, 20% are owned by siblings, 5% are owned by cousins (Gersick et al [1997]). Fitzgerald and Muske [2002] researching the enterprises of

⁶ Soltész [2006] writes about female entrepreneurs in details.

business couples, they came to the conclusion that these enterprises show a significant difference in many regards from the enterprises with different ownership structure. It is more common that they operate as a "home-based" enterprise in the countryside. These enterprises perform weaker according to objective and subjective indicators. And they are rather considered as lifestyle-orientated than profit-orientated enterprises.

Ding [2008] with the next model explains the antecedents and mediating forces of family participation:

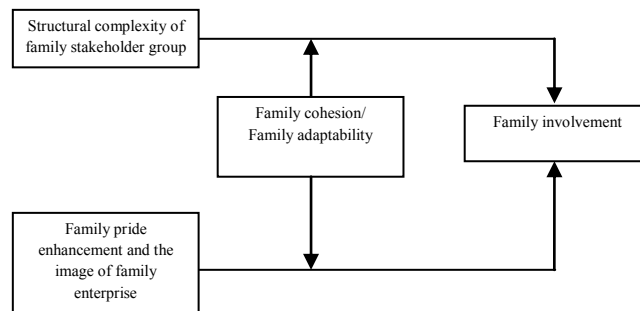


FIGURE 2: RELATIONSHIPS BETWEEN FAMILY INVOLVEMENT AND ITS ANTECEDENTS AND MODERATORS
(Ding [2008] p. 185.)

According to the author the more family members claim the right of ownership, the more specific that they will participate with higher rate. The probability of family participation is more likely if they think their participation will raise the social status of their family, and if the enterprise has a positive image. The family unity and adaptability influence positively the relations between family members, the social status of the family, and the image of the enterprise (among those family members who have ownership and also among those who do not have.) This way, these factors have stronger effect on family participation.⁷

Most of family businesses are related to a single family and typically owned by parents and children. Already this system can be complicated and this complexity even grows when more families have ownership over the enterprise. A special

⁷ When dealing with family participation in an enterprise, we can find that there is a need for clarification of the concept "business family", and it is a big challenge – similarly to the definition of family business – and this subject is rarely unfolded in literature. Sten [2007] gave three types of business family based on the intensity of participation of particular family members. Based on the widest definition, every member of those families where at least two family members participate in the enterprise formally or informally is also a member of business family. Based on the second definition, only those family members are members of business family who participate in the enterprise formally or informally. According to the strictest definition, only those members are considered as business family members who participate formally in the operation.

combination of people, skills, abilities, attitudes is required when there is multi-family ownership. This way it is not surprising that only a few enterprises last long enough to have a third generation ownership (Leach [2007]).

Certain enterprises prefer the ownership of one person only against the succession of business from generation to generation with fragmented multi-family owner structure. In a one person ownership there can be a permanent owner structure through generations even when the identity of that single owner changes (Gersick et al. [1997]).

Kuczi [1997] created the four types of family businesses based on family participation in operation:

- family businesses with traditional family ties where kinship largely contributes in the success of the enterprise,
- family businesses where kinship is a limiting factor in the operation,
- family businesses with traditional family ties, here the nuclear family is in focus and personal interests are subjected to common interests,
- family businesses where one participates due to his impaired coping options.

Size

In the next figure we can see that family businesses can be typable based on their size, they are in every size category with different rate.

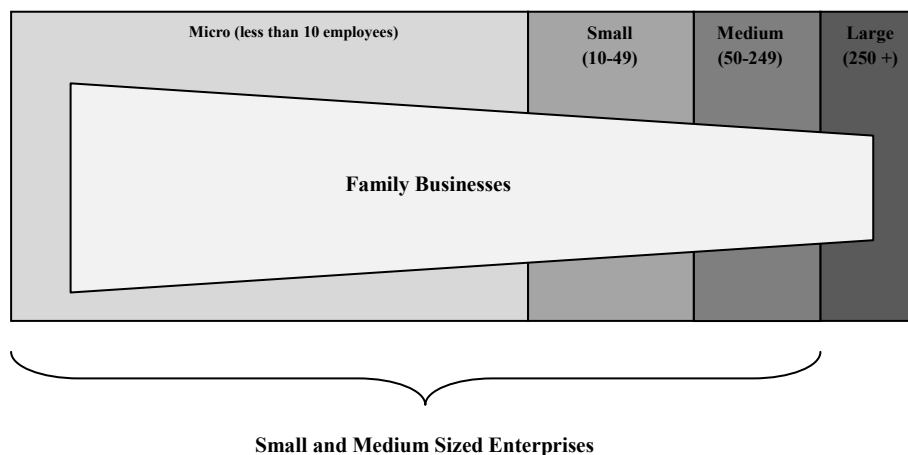


FIGURE 3: SIZE CLASS CONSIDERATION OF FAMILY BUSINESS SECTOR (Mandl, [2008] p. 50.)

Here I must mention that in everyday language, economic and political assessments and often also in the scientific community, the concepts of small enterprise and

family business are confused for one another. Fülöp [2004] gives the ten most important features of small enterprises, they are the following: "The enterprise is a crucial basic existential for the family, the main source of income and livelihood." (Fülöp [2004] p. 16.). The reason is that most small enterprises operate as family businesses, however we cannot narrow the circle of family businesses to micro and small enterprises, the more so because Luisser and his colleagues [2007b] have proved during their research that the size of enterprise is a relevant factor while observing family businesses.

Strategy

Miller and Le Breton-Miller [2006] made distinctions among family businesses following a strategy:

- Trade mark building strategy: there is a distinction between building up a trade mark and creating its fame.
- Craftsmen strategy: Providing the highest quality product, service which is much higher than the offer of concurrence.
- Higher strategy of operation: Giving the most economical offer to the customers with the maximum effectivity of operation.
- Innovation strategy: Coming up with such special products, services which are not available for the rivals, based on high activity of research-development.
- Sales representative strategy: the main goal is growth, they do everything for diversification, the enterprise always seeks for new opportunities.

Researchers found out that 90% of observed family businesses can be distinguished based on which strategy they follow.

Level of strategy and trust

According to Gómez [2002] trust and strategic management influence most family business performance. Based on this he distinguishes four types of family business.

- In the "ideal family business" trust is on high level and strategic management is strong. Enterprises in this category have high performance regarding business and family issues.

- In the "provident family business" although trust is missing but the strategic orientation is strong. Beside good economical performance there is negative family performance.
- In "naive family businesses" there is high trust and but strategic management is missing. There is positive family performance and negative economic performance.
- In "critical family businesses" trust and strategic management, both are missing, and this leads to negative performance regarding business and family issues.

Future goals

Not only strategy but also future goals can be base of classification regarding family businesses. Poutziouris (quotes him Owino [2009]) gave four types of family businesses in the UK's SME sector based on future goals:

- The "traditionalists"'s (61%) goal is succession of family ownership and operation through generations, stabilization and maintance of their actual situation until they are forced to do differently by reasons of family needs or market conditions.
- The "growing" (21.4%) whose main goal is to increase the size and market share of the enterprise organically or by founding joint enterprises. These enterprises do not deny from outsiders to join them and from their involvement for reasons of financing their needs for growth.
- The "struggling" (15%) do not have distinct strategic orientation, they often face with financial difficulties, they have no plans for growth and development, they are fighting for survival and for keeping the enterprise in their ownership.
- The "outers" (4%) are contemplating the possibility of using the exit, they have no wish to continue operating their enterprise.

Life cycle

Gersick and his colleagues [1997] created their model mainly based on the life cycle of enterprises, (this model will be presented later in details). Based on this, there are four different types of family business:

- first generation enterprises, owned and managed by the founder,
- fast growing and continuously changing enterprises, owned and founded by siblings,
- complex, mature enterprises owned by consortium of cousins,
- enterprises with succession on the verge, they are owned by the family waiting for the act of passing on, the transfer of the baton.

Depending on which type the enterprise has, they also have different features.

Family and enterprise affairs

The next method of observing family businesses is the examination of priorities (family or business) within an enterprise. To be simple we can say that the enterprise is for the family or the family is for the enterprise. Reid and his colleagues [1999] based on Ward's work, observed how enterprises with different orientations can be characterized. The main characteristics are: in those enterprises where family has priority, they are less risk-taking, they can be less characterized as strategic planners. They believe in equality of shares in reached results, they believe that children must be given equal advantages, independently on their performance. These enterprises can be usually characterized with small wealth and size. On the contrary, in those family businesses in which the priority is business, the possibility of taking risks is more likely, they have plans of strategy, regarding children, they believe in priority of opportunities. The enterprise is usually more significant and bigger in size.

Basco and his colleagues [2009] observing 732 Spanish family enterprises came to the conclusion that family businesses are not homogeneous, they are well distinguished by the priority of family or business when making decisions. In their research, they also came to the conclusion that the performance is highest in the case of those enterprises in which there is a balance between the priorities of family and business, besides there, family has relative overall priority.

Complexity of Family Ownership and Participation

Muntean [2008] made a categorization of family businesses based upon the complexity of family ownership and participation, its result is presented in the following figure.

Family presence	Concentration of shares		
		High	Low
	Yes	closely held, family controlled	dispersed, family controlled
No	closely held, no family	dispersed, no family	

FIGURE 4: DEGREE OF FAMILY CONTROL AND OWNERSHIP (Muntean, [2008] p. 13.)

According to Muntean [2008] 92-99% of enterprises are family businesses owned by close family circles.

Litz and Stewart [2000] classified the enterprises according to owner and management structure and the related intention of forming them.

Realization of family in ownership and management of the firm	<i>Realized</i>	Potential non-family businesses	Family businesses
	<i>Not realized</i>	Non-family businesses	Potential family businesses
		<i>No intent to include</i>	<i>Intent to include</i>

Intention to include family in ownership and management of the firm

FIGURE 5: A TYPOLOGY OF FAMILY FIRMS (Litz – Stewart [2000] p. 136.)

Birley and his colleagues [1999] made a classification with three groups based on a survey with 534 questionnaire respondents, with a cluster analysis concerning future ownership of enterprise and family participation in management. The examined enterprises got into particular clusters with nearly the same numbers. In the family enterprises in the first cluster they strive to the balance of dealing with family and business issues, a possible goal could be the maintenance of family ownership, but this goal is not necessarily implemented, not at any price. In the family enterprises in the second cluster they are engaged in family ownership and participation, and they strive to do everything for this. The family enterprises in the third cluster are quite the opposite of the family enterprises in the second cluster, typically for them there is no need for future maintenance of family ownership or family management.

The presented, far from complete typologies of family businesses prove their diversity, difference. The diverse classification of family businesses reveals also the aspiration of researchers for description, characterization and categorization of these

enterprises. In my opinion the reason of these clustering attempts is, on one hand it is clear for researchers that this wide group of enterprises with several members cannot be homogeneous, on the other hand the only explanation – for the often controversial experiences during observing family businesses regarding their characteristics – is if we succeed in further subcategorization of family businesses.

After learning about the challenge within the definition and typology of family businesses, the next subsection deals with family business as a topic and its scientific development.

1.3. Historical overview of family business research

The aim of the subsection is to give a historical overview of family business research based on topics of writings dealing with family businesses by the most influential authors.

Researchers identify different degrees of presence of family businesses and different dates of their scientific discussion. Bird and his colleagues [2002] unfold that family businesses were already at present in the most ancient economies, civilizations, and they played a significant role in development of the West. The economic activity of the ancient Greek civilization was controlled mostly by families, the Roman Empire and the era of conquering the New World also can be characterized similarly. Also in the early stages of industrialization, family businesses played a significant role.⁸ Despite the deep historical roots⁹ family business research was not considered as a self-discipline until the 90s. Despite this, Phan és Butler [2008] track back the writings about family and business to Parson's work in 1955. According to Colli [2003] before the 70s attention was rarely directed to family businesses. The change happened in the 80s, after this era family businesses were examined in a positive light, as supporting factors of economic development. From micro perspective the main topics were: strategy, structure, family ownership, operating a professional management and succession process. From macro perspective they examined: contribution to national commonwealth,

⁸ Czakó highlights in his criticism: "... our subject begins with capitalism, it can be interpreted in only this context, the free enterprise and employment more precisely the freedom of enterprise and employment is a necessary condition. (Still, research about this matter is legitimate.)" (Czakó [2011], p.2.).

⁹ Colli [2011] calls the attention to connections between trade history and family business research. He is basing on that the following factors all are of historic nature: succession, long-term survival, organizational transformations, changes in leadership. Thus approaches and methods which were used in historical researches can be applied on them.

growth, extension, maintenance and relation between cultural and institutional environment. Casillas and Acedo [2007] during their research they made distinctions among three stages of family business research. The era when paradigms were formed was before 1983. Then authors from more different disciplines with diverse theoretical approaches identified several special features and questions to be answered regarding family businesses. The second stage is the stage of forming of dominant paradigms between 1983 and 1988. In this era some really influential authors gave the base of knowledge about family businesses which is accepted ever since. The third stage is the dilatation of the boundaries of family business research. This progress can be detected by new theoretical approaches, applying the results of other disciplines, development of research methodology.

According to Bird and his colleagues [2002] the subject of family business fought major battles until it was acknowledged as a self-discipline. The biggest challenge was that researchers dealing with family businesses used principles and theories from another disciplines, sciences, and this questioned the independence of this disciplines. Due to this, Zahra and Sharma [2004] criticized family business researchers who used quite a few elements, approaches from other disciplines without appreciating those other disciplines for their results.

By now, the importance of the topic "family businesses" is unquestionable. Evidences for this are: courses about family businesses at noted universities¹⁰ all over the world, increasing significance of research and noted periodicals which present scientific results from the field, such as Family Business Review (it has been presenting writings about family businesses for years now), and the newly published Journal of Family Business Strategy and Journal of Family Business Management (Stewart – Miner [2011]). Despite this, I do not quite agree on the statement of Bird and his co-authors according to which the topic of family businesses is a self-discipline. I rather share the opinion of Czakó [2011] which was worded in the dissertation draft criticism, it says the following: "... the observed phenomenon has several features which require applying (or shaping) special methods in disclosure, and these differ in some respects from standard methods of controlling, organizational/institutional, but just due to this, it will not be a discipline..." (Czakó

¹⁰ The thematics of more family business courses of noted universities are available by clicking on the following link: <http://johnmolson.concordia.ca/en/faculty-research/research-centres/family-enterprise-rsrch-conference/family-business-course-outlines>

[2011], p.2.). In my opinion the consideration of family business as a self-discipline is questionable while its significance, its increasing spread, its importance are not.

There are interesting tendencies in the relation between family business research and business research in respects of research directions and choice of topic.

According to Anderson and his colleagues [2005] family business research can be considered as co-discipline to business research, which examines mainly the opportunist entrepreneur who builds an organization, is motivated by growth, the people surrounding him play an important role in it, so as the industrial, economic and social environment in which he is working. On the other hand, family business research rather focuses on leadership, management, development and succession.

Writings related to family businesses, as I will discuss it later, are typically directed to practical management problems. Brockhaus [2004] welcomes this practical approach directed to real problems, at the same time he calls the attention on that searching for theories more and more increasingly in research can lead to results which are less applicable for enterprise owners. I do not agree with Brockhaus's [2004] approach sith despite that, I consider useful all those practical research results which are applicable in everyday life, in my opinion – lacking proper theoretical basis and explanations – their results become questionable. I think exactly the research of these scientific bases encourages family business researchers to shape such theories which could be a stable scientific basis during formulation and explanation of practical results. (In the next chapter I deal in details with theories describing family businesses.)

More family business researchers considered it important to have a classification of various writings on the matter. Chrisman and his colleagues [2003] based on observing literature came to the conclusion that the two most important problems of family businesses are conflicts within the enterprise and succession. Their research – in which they examined the rate of the articles on strategic management topics of family enterprises founded between 1996 and 2003 (this analysis was performed regarding 25 subtopics) – confirmed their conclusion. The highest rate of articles (22.1%) was published on succession issues. Further significant rates were writings on: economic performance (15.3%), management (9.5%), leader- and ownership (7.4%), behaviour and conflicts (6.3%) and resources and competitive advantage (5.8%).

Debicki and his colleagues [2009] deducted the assessment of Chrisman and his colleagues [2003], they were concerning 291 articles in 30 management periodicals, they got similar results. In the articles examined by them, the rates of topics were: management (19.2%), leader- and ownership (15.8%), succession (15.1%), resources and competitive advantage (8.6%), behaviour and conflicts (6.5%) and development and change (5.2%).

As I have mentioned before, on the subject "family business" there are quite a few special periodicals, Family Business Review definitely leads the way. But there are other periodicals such as Entrepreneurship Theory and Practice, Journal of Business Venturing, Journal of Small Business Management, Journal of Business Research and Organizational Dynamics, they are publishing articles relating family businesses with notable issues (Casillas – Acedo [2009]), (Debicki et al. [2009]). Casillas and Acedo [2007] reveal the profusion of literature dealing with family businesses, they observed the number of published articles and references in the Family Business Review from 1988 (first issue) to 2005. Annually on the average 19 articles were published with 30 used references.

As for every field, scientific works dealing with family businesses also have their drawing names. Amongst the most cited authors, highly there are: Ward, Dyer, Lansberg, Rosenbladt, Gersick, Handler and Birley (Casillas – Acedo [2007]). Based on the survey Debicki and his colleagues [2009] made considering citation of particular authors and also co-authors, and social science citation index which gives the value of particular periodicals, the most influential authors in the field are: Steier, Chrisman, Chua, Sharma and Kellermans. Based on the list of Debicki and his colleagues [2009] in which they only considered the number of published articles (based on publications between 2001 and 2007) the most influential authors are: Chrisman, Chua, Steier, Sharma, Astrachan and Miller. In addition to this list, Debicki and his colleagues [2009] made another list concerning the most active institutions in family business. Without entirety on this list the following appear highly: Mississippi State University, University of Alberta, Jönköping International Business School, Babson College, University of Cyprus and European Business School.

During the assessment of the family business discipline, Chrisman [2003] reveals that theoretical researches must be directed on the uniqueness of family businesses.

Its importance is also highlighted by Muntean [2008]. In his opinion those models which are ignorant over characteristics based on family ownership are not convenient, moreover they can be even misleading. Sharma and her colleagues [1997] emphasize the necessity of empirical researches. Brockhaus [2004] also joins their criticism, he believes a big rate of articles published on the matter has a basis of rather everyday observations than of carefully planned and executed empirical research. He most misses the longitudinal researches which would greatly help us to understand the essence of family businesses. Although he is aware of the difficulties of their feasibility. Sharma [2004] admits that the number of qualitative and quantitative researches is increasing (because of the development of family business research and their rich theoretical basis), which she welcomes and thinks this is a conducted trend. At the same time she believes that worthy knowledge which is easy to pass on can be created only by continuous development and empirical testing of theories.

Bird and his colleagues [2002] examined the substantiation of family business discipline based on three criteria. The three criteria which characterize an established discipline are: presence of professional organizations, jobs, career opportunities related to the field and systematical theoretic bases. Related to family businesses there are more professional organizations, influential to scientific discourse (Family Firm Institute, Family Business Institute, The Family Business Network, European Group of Owner Managed and Family Enterprises, International Family Enterprise Research Academy, Institute for Family Businesses). The number of family business researchers is also increasing, and same goes to the number of academic courses in higher education institutions about family businesses, but in this respect there are still possibilities of development. The theoretical basis is wide-sized regarding family businesses, thanks mainly to the start and continuous publishing of issues of the periodical Family Business Review, and annually organized scholarly conferences¹¹ on family businesses.

After the historical overview of family business research with the most typical topics, most influential authors and periodicals, I think it is essential to give a brief overview about the most important results of the most discussed topics. This overview is in the

¹¹ The most significant conferences are: Family Enterprise Research Conference (FERC), Family Firm Institute (FFI), International Family Enterprise Research Academy (IFERA) (Stewart – Miner [2011]).

next subsection. After the description of this discipline with dry statistical data, on one hand this overview allows one to take a look at the real world of the discipline full of excitement and with surprising results. On the other hand these presented features of family businesses help the understanding of the central topic of the thesis, the succession which has key significance in family business.

1.4 The main topics of family business research

As I have mentioned before, this field gives plenty of practical topics to researchers. Next, without entirety, I will present some research results related to the most exciting topics. I strove to select such topics which give comprehensive insight into the world of family businesses and help the understanding of the results presented related to succession.

A very popular topic related to family enterprises is the mapping of their characteristics, specificities, unique advantages and disadvantages. Davies and Ma [2003] collected the features of family businesses: dominance of owner-manager in decision-making, aversion against non-family member managers, paternalism, business affairs are organized on personal and social basis, high-level centralization, preference of family resources when financial needs appear, low level of formalization. Miller and Le Breton-Miller [2003] also highlight the centralized, dominant situation of owner-managers with remarkable power and status based on their ownership. This ideally leads to more liberate decisions, considering long-term goals. The power, dominance and status of the founder, owner-manager, predecessor is very important regarding succession. The will and attitude of the predecessor have influence on the process of succession, sith he is able to sabotage the succession (consciously or subconsciously) due to his influence, if every other factor is ideal. Predecessors are in a very difficult situation when succession is in process: they have to fight themselves, give up the power they built up themselves, give up their influence for their successors.

Based on Koiranen's [2002] examination of family businesses in Finland which are more than one hundred years old, he pointed out that for family businesses the most important patterns of behaviour were: honesty, reliability, respect for laws and quality. And only after these, there were the following patterns of behaviours: property income production, willingness to grow and social recognition.

Krappe and his co-authors [2011] in their research involving German individuals showed that family businesses are considered stable and safe with a certain value of trade mark within, meanwhile as their negative feature inflexibility was given.

An important feature of family businesses is paternalism, paternalistic attitude which is typically the owner-manager's own. He gives the maximum protection and defence to family members, however he denies from them certain things, for example all responsibility, raising up their voices for their own ideas, autonomous choices and modifications (Leach [2007]). The situation of their successors is not easy either, on one hand it is difficult to experience the weight of responsibility which comes with independent decision-making, when up to now they have been acting dependently. On the other hand they have to make serious efforts to attain their self-sufficiency and become the leader of the family enterprise.

Another feature of family businesses is the long-term approach. For multi-generation survival great attention must be directed to providing perfect management, to family which is able to self-maintenance and to limit itself for the interest of providing a unique culture. This unique culture is able to provide a motivation beyond material assets (Aronoff [2004]). Thanks to long-term goals, family businesses can be characterized with relation priority preference against financial results on particular transactions (Miller – Le Breton-Miller [2003]). Carlock and Ward [2006] call the attention on the parallel between family and business planning. Between family and business, there is a long-term harmony which is the key factor for the success of both family and business. It is sustainable only if there is a harmony between family and business planning and if the interests and needs of family and business both are in consideration equally while shaping business strategy. Parallel planning requires long-term approach. Lindow and his co-authors [2010] call the attention on the importance of parallel planning, their research includes 171 German family enterprises. During the research they showed that in family businesses, the family's influence is large on forming the proper strategy thus on enhancing performance.

Another important feature of family businesses is that for them it is of the highest importance to maintain their good reputation. This endeavour and local engagement make them susceptible for social responsibility (Mandl [2008]). Kashmiri and

Mahajan [2010] found out that where the name of the family is included in the name of the enterprise, they are more engaged in social responsibility¹².

It is always a hot question for family business researchers that whether family businesses are in an advantageous or a disadvantageous situation against non-family businesses. Based on the overview of literature, it is a tie game since there are several advantages of being a family business, and there is at least the same number of disadvantages as well. According to Leach's [2007] consideration the advantages, forces are: family business culture, family business values, quick and effective decision-making, commitment, flow of knowledge through generations, flexibility of work, time and money, long-term approach, stable culture, reliability and pride. Peters and Buhalis [2004] – based on their survey amongst family businesses – found out that the most important advantages according to entrepreneurs are: higher motivation for work, personalization of products/services, comfortable and manageable family size, independence and salary savings. Gere [1997] during national research detected the following as advantages: unconditional passing on of practice and knowledge through generations, commitment of family members, PR practice, simple, quick decision-making, safety and experience of common pride. Vecsenyi makes a composition about forces of family businesses: "Most of family businesses give their name to the enterprise. This is a guarantee of quality and commitment. In a multi-generation family business the secret receipts, catches, professional experiences are passed on from generation to generation" (Vecsenyi [2009] p. 73.).

A highly discussed topic related to family businesses is the conflict within the operation. Starting out from the system theory, the following factors imply conflict within: the nature of family businesses, relations between the systems of business and family, the competition between them, conflicts are inherent of family businesses. Szirmai and Mrs. Mihalkov [2009] detect this phenomenon as congenital value conflict of family businesses. (In the Appendix 4 the contraries between values of family and business are presented in a chart.) Business and family are based on different values. Business produces, it can be characterized with profit-orientation and organizational hierarchy and culture, it is customer-orientated, based on contract

¹² Petheő [2005], [2006], [2007] writes in details about social responsibility of SMEs, situation of Hungarian social enterprises and the best CSR practices.

relations, while family is consumption-orientated, its basic value is love, hierarchy is determined by birth order, relations are based on trust. Cole [2000] deduces the conflicts within a family enterprise from the dual relationships and participation of family members in business. It is a problem while facing conflicts and dissolving tension that often it is hard to indentify the real reasons of these conflicts because family members are disposed to argue on superficial problems rather than discussing real, deep troubles. (Danes – Olson [2003]). Leach [2007] highlights two types of serious conflict, they are able to disturb the operation of family businesses, these are: conflict between father and son and between siblings.

Employing and having relations with a non-family member as manager also can be resource of conflicts in family business. There are three sorts of outcome when we are observing the composition of family business management. In certain enterprises only family members have leader position, while in others there is collaboration amongst family and non-family members and it also occurs when they separate ownership and management completely and family members do not appear as managers at all (Klein – Bell [2007]). It is a remarkable experience independently on the composition of family business management that the earnest of business development is the proper leadership at the beginning as well as in the operation (Vecsenyi [2003]). The basic condition of development and growth is the well-prepared, professional management.

In the life of family businesses, succession is perhaps the most over-conflicted period. The contraries – already essential features of family businesses – are all stirred up by spoken and unspoken expectations, competition between the predecessor and successor or potential successors, an uncertain atmosphere due to the change.

Another highly discussed question related to family businesses is their growth potential and inclination. Poutziouris and his colleagues [2002] during their research examined the rate of family and non-family businesses in particular stages of growth. They found out that the rate of non-family enterprises in fast growth period is much larger than that of family businesses, while the rate of family enterprises in mature period are much larger than that of non-family businesses. It is typical for fast

growing¹³ family businesses that they pay more than average attention on planning, they have clearly wrought goals, performance expectations, they often have market leading or following strategy (Upton et al. [2001]). According to Dana and Smyrniotis [2010] family businesses are not growing even if the chance could be given. In the case of Hungarian family businesses international expansion would become an engine of growth. Based on Szerb and Márkus's [2008] research unfortunately most of Hungarian SMEs do not have foreign relations, despite the fact that with the expansion of globalization now fewer and fewer enterprises can allow to limit their activities to just one country (Mészáros [2002]).

Vecsenyi [2010] encourages entrepreneurs for development with the following motto: "Development is a continuous need, growth is not but it is worthwhile and interesting." (Vecsenyi [2010], p. 32.), however he reveals that in many Hungarian enterprises the main goal is the preparation and execution of the generation change, and growth as a priority is relegated to the background. Although succession can be a temporary obstacle of growth, in my opinion it also carries within the need for the adjustment of the family business to growth path. A fresh leader, a new pair of eyes can see new opportunities, and he has elan and energy for taking them.

Related to family businesses, especially due to the economic crisis in 2008, a new topic raised with the question whether family enterprises are more resistant against economic recession than non-family businesses. The results of certain researches show that in recession family businesses seem to be more stable than non-family businesses. According to Lee's [2006] observations after the recession in 2001, despite the fact that family and non-family businesses were equally struck by it, family businesses seem to be more stable especially in respects of job security, despite their difficulties, they dismissed their employees less likely. The external environment and economic climate influence significantly the performance of enterprises. Most enterprises suffered from the recession caused by the crisis of 2008. Szabó [2009] during his research found out that at first most entrepreneurs were informed about the crisis by the media, and then certain signs of it appeared in the enterprises such as: decrease of orders, increasing vacancy of capacity utilization, bank transactions were harder to perform, decrease in the value of investments,

¹³ Csapó [2006a], [2007a], [2007b] writes about fast growing enterprises in details, Mrs. Salamon [2005], [2006] deals with the growth dilemma and life examination of Hungarian enterprises.

delays in customer payments. In most of the enterprises they reacted to difficulties with cost reduction, saving measures, elimination of excess capacity. Meanwhile in other enterprises they saw an opportunity in recession, their extra resources – due to decrease of sales – were spent on development, seeking for new markets, introduction of higher standards to meet customer needs. In my opinion concerning all the family businesses it is an irresponsibility to claim that they were more successful in surviving economic recession. It is probably true for those family enterprises which are stable, with a long history, which have strong financial professional and relational background. They are more resistant against the difficulties of recession, their unique long-term approach and engagement helps their persistence. Only a wide, deep, empirical research could give certainty about this question.

Family businesses also have their own features on financial matters. Poutziouris and his colleagues [2002] stated that hierarchy theory¹⁴ describes best the financial features of family businesses, with a certain persistence can be observed of these enterprises against external long-term financial forms – such as debt and especially capital financing (Béza et al. [2007]).

The expansion of resource access opportunities for family businesses is an important task, Kállay [2000] reveals that in Hungary 10% of the enterprises is able to satisfy their financial needs through institutional financial intermediaries (the 2/3rd of enterprises are operating without loan), while in the EU this rate is 90%. According to Csubák [2003] in Hungary banks are more and more open towards SME customers, they saw in them remarkable opportunity for growth and profit. Csubák's assumption on this matter is confirmed by Mrs. Németh's [2008a], [2008b] examination. While learning about SME customers more deeply, it can be assumed that banks will pay attention also on family businesses, and in the future special bank products for them will also be available. Related to small enterprise financing Kállay [2000] writes in details about courses of good practice, especially micro-credit which helps small family enterprise financing.

¹⁴ According to Myers's [1984] hierarchy theory, small enterprises in the private sector strive to satisfy their resource needs according to a defined rank list. First they use those property items in the enterprise which can be made liquid easily with internal financing. The further elements of the list are: debt financing and capital financing.

Venture capital investments¹⁵ are open for family businesses as a quasi-equity financing arrangement. Poutziouris and his colleagues [2002] and Owino [2009] revealed that dynamical, family enterprises with high capital intensity and significant growth potential can stand for this financial form. Observing family business financing, the main topics concerning researchers are: start financing (Czakó [1997]), (Gere [1997]), (Vadnjal [2008]), operation financing (Setia-Atmaja [2010]), (Filbeck and Lee [2000]), (Corbetta – Marchisio [2005]), (Gatti [2005]), (Chen et al [2010]), (Kuan et al. [2011]), (Di Guili et al [2011]), financial confusion and separation of family and business (Yilmazer and Schrank [2006]), (Muske [2003]), family business indebtedness and possibility of external capital involvement (Caselli [2005]), (Turcotte [2009]), (Mishra – McConaughy [1999]), (Romano et al. [2000]), (Coleman – Carsky [1999]), (Poutziouris et al [2002]), (Chua et al. [2009]). Questions of business financing come into view during the succession process, especially if succession includes remarkable rearrangements of ownership. It may occur that certain family members need resources for buying out other family members who have no interest in business but still they are shareholders by succession. Through generation change, developments, investments, growth aspirations also can generate additional funding need.

The most exciting and interesting question related to family businesses is perhaps succession, the problem of generation change, it is unique because every family business faces the challenges of succession, contrary to other already discussed topics in which some family businesses are involved others are not. Since succession from generation to generation is the basic element of family business existence. The central topic of my thesis is the succession process in family businesses. However, before I deal with it in details and unfold it, one chapter is dedicated to theoretical models describing family businesses. I do this for the complete foundation of the topic "family businesses".

The theoretical basis of the discipline dealing with family businesses, as I have mentioned before, is quite extensive and uses the results of other disciplines in many respects. All of the particular theoretical approaches reveal and explain particular features of family businesses. Based on these particular theories, the researchers in

¹⁵ Szirmai [1998], Karsai [2002], [2004] Makra – Kosztópulosz [2004] and Makra [2006] write about the situation of Hungarian venture capital in details.

the field created models, to throw new and new light upon the features of family businesses and their causes in the background. The most important theoretical approaches explaining family businesses are: agency theory and its opposite stewardship theory, system theory, resource based view, life cycle theory, institutionalist approach and psychological approach. The aim of the next chapter is to sum up the most important results of these theoretical approaches listed above.

2. THEORETICAL APPROACHES DESCRIBING FAMILY BUSINESSES, RESEARCH DIRECTIONS

2.1 Agency theory and stewardship theory

The spine of agency theory is the statement according to which the manager can never be as diligent as the owner, thus if there is a conflict of interests he will rather act according to his own interests than representing the interests of the owner. Measures taken due to conflict of interests and for its reduction (applying incentives, introduction of greater control) generate expenses, thus they worsen enterprise efficiency. Based on the assumption according to which in family businesses the ownership and management are intertwined, some theory creators believe that in family businesses costs based on agency theory (agency costs) are lower than in non-family businesses. However other theoretical additions highlight that in family businesses, altruism generates costs for the enterprise. When considering costs generated by the relationship between the owner and the non-family member manager in a family enterprise, it can be a difficulty that owners are not able to estimate the conflicts of interests completely – due to information asymmetry and limited rationality (Chrisman et al [2003]), (Greenwood [2003]), (Wang et al [2007]), (Morck – Yeung [2003]), (Chua et al. [2003]), (Robb et al [2006]).

Poza and his colleagues [2004] and Poza [2007] distinguished the following factors which generate potential agency costs:

- in an enterprise the position of the number one leader depends on his role in the family hierarchy,
- preference of lower business risk,
- lack of career opportunities for non-family member managers,
- lack of performance measurements for family member employees,
- avoidance of strategic planning, because it would carry family conflicts within.

Greenwood [2003], based on the work of Schulze and his colleagues [2003], believes that the main causes of agency costs are the following: family members are not often suitable for the positions they have within the enterprise, they are disposed not to do their tasks with the maximum effort, because they do not have to be afraid of specific

retaliation, the founder-owner is not often able to give up leadership even when his leader abilities are not the same anymore. Schulze and his colleagues [2003] in their survey involving 883 family businesses revealed the causes of altruism-generated costs, and beyond that they also revealed that altruism can have positive effects too, such as honest communication, co-operation, deduction of information asymmetry among family members, informal agreements, increase of sense of belonging. Besides the things already mentioned, it also can generate costs if the successor incapable for his position, his negligence make the non-family member manager feel unsure. The increased control needs are the extracted perquisite of owners based on their own interests. Based on the agency theory, the appearance of costs can be related to totally diverse causes in family businesses than in non-family businesses (Wang et al. [2007]), (Chrisman et al. [2003]).

Dyer [2010], concerning agency costs and family tools and responsibilities, created a typology of family businesses, it is presented in the following chart.

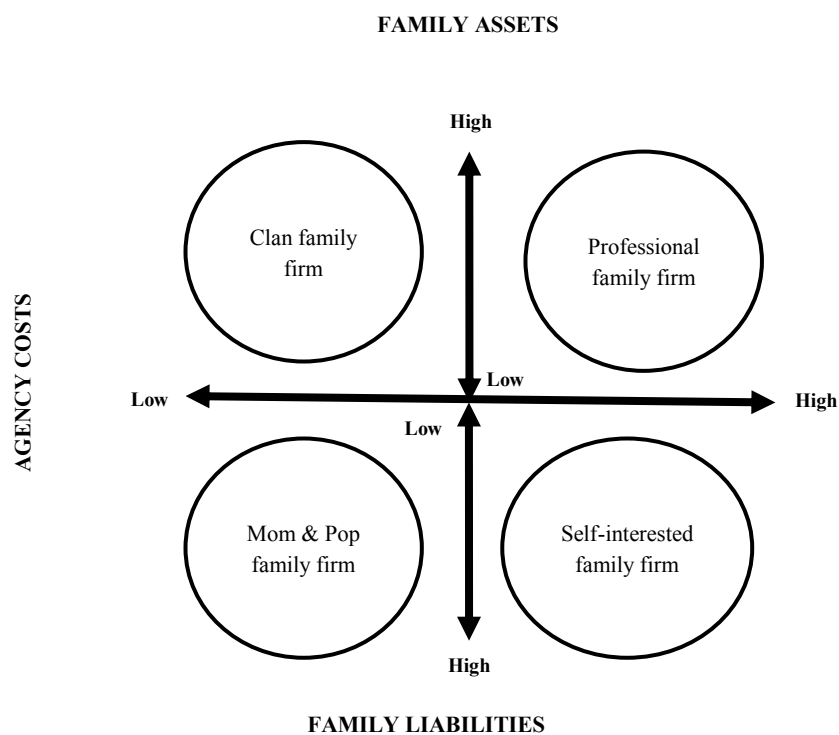


FIGURE 6: TYPOLOGY OF FAMILY BUSINESSES – AGENCY THEORY (Dyer [2010] p. 272.)

In "clan family firms" goals of owners and that of managers are common, this results in low agency costs. The long-term goals of family and business are in concordance. The force of these enterprises is human capital inside, with outstanding skills,

motivation, and when it is needed there is also the financial capital of the family. In "professional family firms" the operation is working strictly based on professional guidelines. This type of family business is formed by family members with developing control systems, this necessarily adds some to agency costs. These control systems help to avoid nepotism and provide resources for the enterprise, with enterprises in this category are able to perform larger-scale development than clan family businesses. In "mom & pop family firms" though agency costs are lower but enterprises in this category are loaded with many family responsibilities, the nepotism strongly appears, family participation tools, resources are not formed, with these enterprises lose to "clan" and "professional" businesses. In "self-interested family firms" family members act according to their interests at the expense of the enterprise. There is strong nepotism, mostly non-family member employees are affected adversely by it. The goals of the owner family diverge, some of them consider the goals as development, growth, others think of resource extraction. These contraries generate a conflict that leaves its mark on enterprise performance (Dyer [2006], [2010]).

Blanco-Mazagatos and his colleagues [2007] consider that agency costs are lower in first generation enterprises because ownership is typically limited to the nuclear family, while business management and operation are concentrated in the hands of the founder. Agency costs increase if more generations appear in family business, mainly due to the relationship of different resource owners and increased appearance of altruism. Owners – bearing in mind their own nuclear goals – are disposed to concentrate on available profit for them in the short run to the detriment of interests of long-term goals of the family and business. Wang and his colleagues [2007] reveal that it is the interest of family business owners to decrease agency costs with they avoid the separation of ownership and management as much as possible. Moreover they try to take advantage of the disciplinary effect of the presence of the owner on non-family member managers.

The theories related to family businesses have not provided the answer yet to the question of which argument of the following groups is acceptable when observing efficiency of family businesses based on agency theory related to agency costs. According to Gómez [2002] the reason of uncertainty is that the assumption applied

during the researches are not complete, and applying a non-consistent family business definition during comparisons, analyses could cause errors.

In addition to agency theory – which is the dominant approach among the others – also appeared the steward theory, the antithesis of agency theory in more respects and it is mainly based on psychology. In its interpretation the performance of managers are motivated by morality and satisfaction in their own work, sith they avoid conflicts with their leaders and they operate as a caring "steward" for the achievement of organizational goals. According to Greenwood [2003] the manager in agency theory who acts according to his interests in economic respects, is not a proper characterization for a non-family member manager, for their description a more proper theory could be the steward theory. According to Nordqvist and Goel [2008] the weakness of both theories is that they ignore social interactions and relation networks amongst individuals. Social network approach has a great role in understanding family business operation because it helps to interpret a very important piece of information in family business operation, the role of the knowledge of non-council and non-family members. Using their social relations, family businesses attract such essential external resources as information, knowledge, legitimacies which are only available from outside the enterprise.

In my opinion agency theory revealed a series of interesting family business-related topics and it gave explanations for several unique features. However neither this theoretical approach nor the closely related steward theory are able to handle the heterogeneity of family businesses, but lacking this they cannot become such basic theories which explain clearly the essence of family enterprises.

2.2 System theory approach

The examination of family business as a system began in the 1960s and 70s with some separate articles. These early classics focused on those typical problems which meant difficulties for family businesses, such as nepotism, rivalry between generations and siblings and not well-prepared management. As the basic conceptual model shows family business consists of two overlapping sub-systems: family and business. Both "circles" have their own norms, rules of their membership, system of values and organizational structures. Problems occur when the same persons do tasks in both circles (for instance they appear as parents and also leaders),

moreover the enterprise must operate according to rules of business life, while it must satisfy needs of family employment, income (Gersick et al. [1997]).

Pieper and Klein [2007] distinguish three stages of family business literature development according to system theory. The first stage can be characterized with thinking in a dual system in which family and business systems appear. In the created models there is mainly perspective knowledge. In the second stage, sub-systems of family and business still play important roles but the sub-systems of ownership and management also appear. In this stage such questions are analyzed as succession planning, succession process, strategy formation and life cycle of family ownership. In the third stage researchers created theories combining mainstream theories mainly to reveal the differences between family and non-family businesses. Researchers considered the future model-building would be using open approaches rather than close ones they used until then. The levels of analysis are: the individual, sub-systems (business, family, ownership, management), family business and environment.

One of the earliest models which help the understanding of the essence of family businesses, the "two circles model" is presented by the next figure.

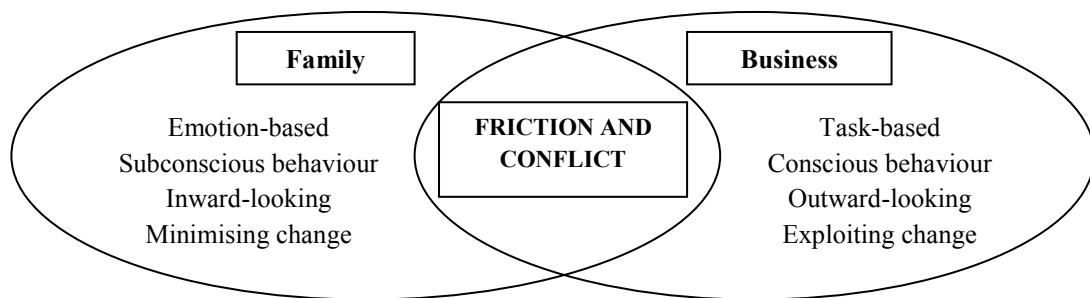


FIGURE 7: OVERLAPPING SYSTEMS (TWO CIRCLES MODEL) (Leach [2007] p. 38.)

The frame which considers family and business as two systems helps the understanding of family business operation. The problems are not derived from the features of individuals in the systems but from those specificities determining the relationships between those individuals. In the system based on family emotions, the members are related to one another by deep, strong emotional ties which can be positive and negative. These ties – and actually most of behaviours in the family – are directed by the subconscious (need of siblings for dominating each other, a

father's wish to be stronger than his son, etc...). The system of family is rather introvert, highly appreciates long-term loyalty, attention, caring for family members. Conservative structure strives to minimize changes so family balance remains untouched.¹⁶ The business system is based on task execution. It builds on contract relations, according to which people perform predetermined tasks, in exchange they get pre-established salary, and in most cases behaviour is determined consciously. The system of business is extrovert, it offers products and services, while emphasizing performance and results. For subservience of survival the enterprise operation strives to execute changes as much as it can, rather than minimizing them. In non-family businesses both systems operate independently, while in family businesses there is overlapping between them and mutual dependence too. The special tension in family businesses is created by different goals and priorities of the competing systems. They lead to frictions in the operation and conflicts of value (Gersick et al. [1997]), (Leach [2007]), (Cole [2000]), (Sharma et al. [1997]).

The next dimension puts the two-dimension model of family business to new light of ownership, and, with taking this into account, the three circles model is created. In this model the independent at the same time overlapping and intertwined sub-systems are: family, business and ownership.

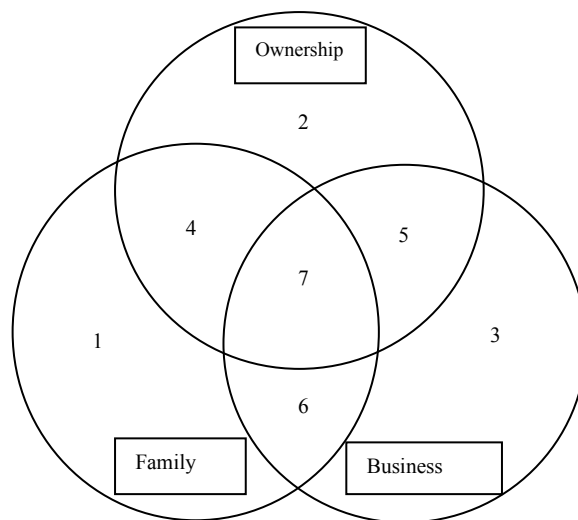


FIGURE 8: FAMILY – BUSINESS - OWNERSHIP (THREE CIRCLE MODEL) Leach [2007] p. 42.)

The particular circles can be interpreted as family, owners, and managers.

¹⁶ According to Zachary [2011] a relatively small attention is paid on the family sub-system in family business research, though with the lack of recognition of its importance we cannot get a complete picture about family businesses.

The interpretation of particular sectors:

- 1-3: individuals in these sectors have only one relation to the enterprise, they belong to the family or they are the owners of the enterprise or they are its employees.
- 4: In this sector circles of family and business intersect each other with those family members belong here who have shares in the enterprise but they do not work there.
- 5: those individuals who are share holders and they also work in the enterprise but they are not family members.
- 6: those family members who work in the enterprise but they do not have shares in it.
- 7: in the overlapping area of the three circles there are those who are owners, family members and also employees in the enterprise.

One of the most special features of family businesses, the resource of its specificities is that how the family sub-system is able to influence the sub-systems of business and ownership (Gersick et al. [1997]), (Leach [2007]), (Melin – Nordqvist [2007]), (Miller – Le Breton-Miller [2003]). All the sub-systems have their borders which separate them from the other sub-systems and from the external environment in which family business operates. In order to optimal operation, sub-systems must be integrated, the whole system has a sort of co-operation. Although the condition of successful and balanced operation is that the particular sub-systems get equal importance. In practice it occurs that some sub-systems are in advantageous position. With we can distinguish "family priority" and "business priority" system (Distelberg – Sorenson [2009]).

Poza [2007] applies the following distinction: family priority, management priority and ownership priority. In his opinion family businesses may be disposed to follow approaches like family priority, management priority or ownership priority. Derived from this, it may occur that one of the sub-systems is in advantageous position over the others. It may lead to significant imbalance in the enterprise. This imbalance causes lower performance than the actual possible performance of the family enterprise. It is primary in family businesses with family priority that employment in the enterprise is a privilege of birth. The stereotype of nepotism which reflects the opinion of most people about family businesses can be derived from this kind of

system. For family businesses with management priority it is typical that they discourage family members from employment in the enterprise, and as a condition of employment they require external work practice. In the case of family businesses with ownership priority the most important questions are: investment period and perceived risk. And contrary to the other family businesses they expect shorter periods in ROI (return of investment).

The "bull's eye model" describes the relations among individuals, sub-systems and environment. Its graphical figure is now presented.

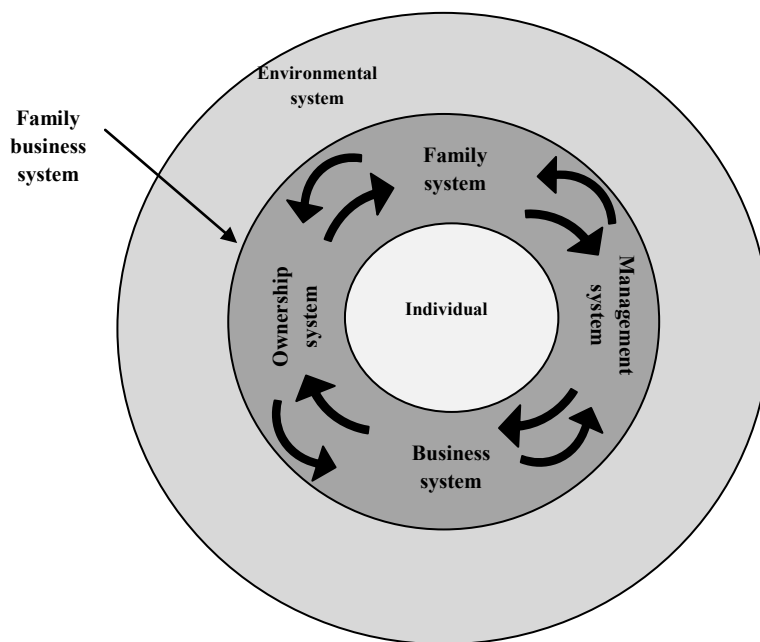


FIGURE 9: THE BULLEYE (Pieper – Klein [2007] p. 309.)

The sustainable family model worked out by Stafford and his colleagues [1999] differs from the other system theory approaches in that it includes both the sub-systems of family and business and also specificities of these sub-systems. The general goal of this model is to identify those resources, imperative forces, processes and transactions in family and business which most likely make them successful and they also provide sustainability. The standard of family success is satisfaction, the standard of business success is profit. Both family and business are social systems with goals, which gain their achievements through personal and resource transactions. On the interface of family and business fractures appear that can derive from the outside and from the inside of family and business. Fractures from the outside can be: political changes, economic boom or technological innovation.

Fractures from the inside can be: marriage, divorce, birth and death of family members. Fractures can be good or bad too, they can result in positive or negative effects. Particular fractures must be reacted by the systems of family and business. These systems react to these fractures based on fixed patterns. These fixed patterns often can be resource transfers (Winter et al. [2004]). The extent of the overlapping between family and business systems may be different in particular family businesses. In those enterprises where they strive to separate family and business the overlapping is narrow, but where family and business are remarkably mixed up the overlapping can be quite large. Sustainability derives from convergence of family and business success and proper reactions given for fractures (Stafford et al. [1999]).

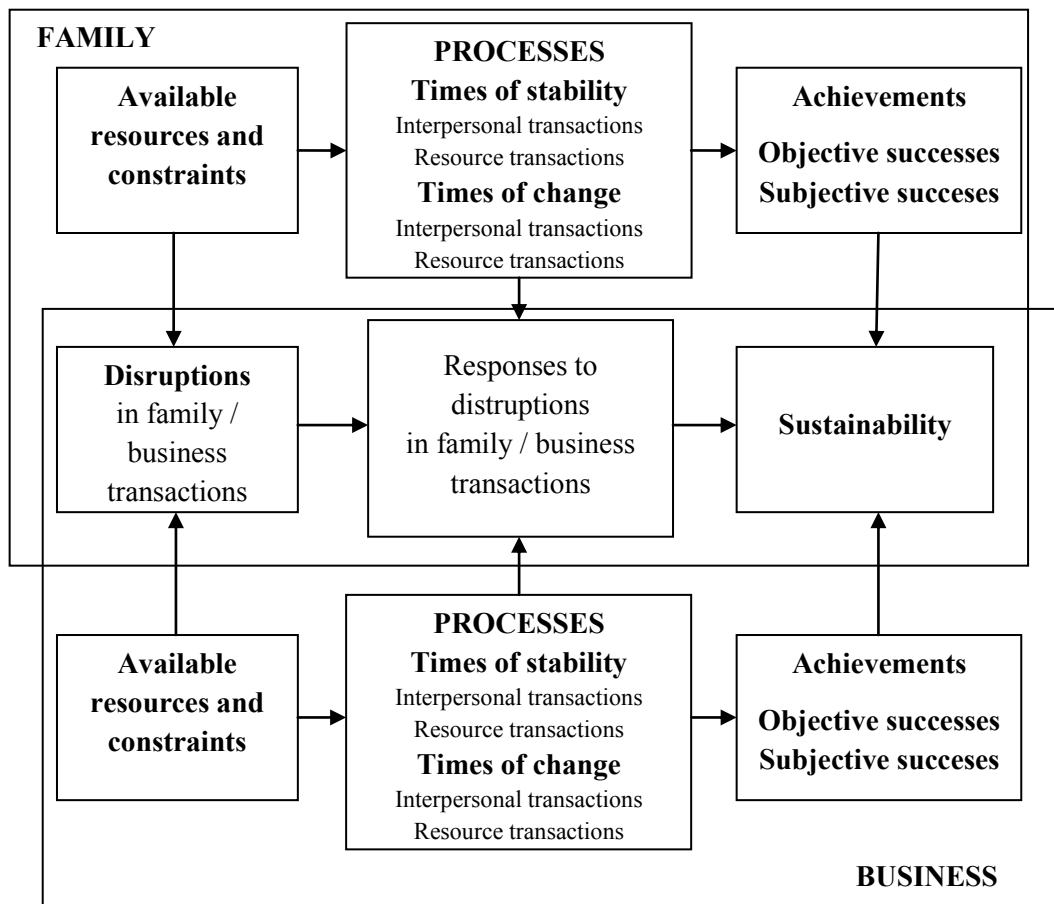


FIGURE 10: SUSTAINABLE FAMILY BUSINESS MODEL (Stafford et al. [1999] p. 204.)

The general statements about sustainable family business model are: the family system is rational, interactions between systems happen with exchange of resources on their blurred borderlines, both systems of family and business are managed by the

owner families working together and not separately. If borders are too wide it means the death of family or business. Conflicts between systems appear if needs and resources do not meet (Danes et al. [2007]).

Olson and his colleagues [2003] during their research based on sustainable family business model, came to the conclusion that achievements of both family and business have positive relations to the age of enterprise, tools of enterprise, personal leadership, owner's time spent in the enterprise, family member employees and employment of temporary aid staff. They stated in their research that family has greater influence on business than vice versa. It is also confirmed by the observation according to which family businesses often survive economically difficult times thanks to – in most cases – the family behind the enterprise not to the merit of enterprise performance.

Danes and his colleagues [2009] observing the effect of family capital (human, social and financial capital of the family) found out that it has effect on results achieved by the family enterprise and on evaluation of success both on short- and long-terms. The long-term effect of family capital is almost twice bigger than its short-term effect.

System theory approach is a good basis for the graphic description of family businesses, and it clearly reveals their most important feature: the base of their existence is the co-operation of more systems. This is also an explanation for their countless special features, difficulties, advantages.

In my opinion amongst the family business describing theories perhaps the most useful approach is the system theory. During the research and educational activities I much relied on this approach which gave me certain clues while answering several toughies.

The clarity of this approach, its unambiguous, intelligible nature provided that I could always bear in mind all those interfaces, and contact points between systems which contain the most important features and challenges of family business operation. In education the two and three circles models are of invaluable service. With its help, the essence of family businesses is clear from the beginning: there are attractions and repulsions in family businesses, and all at the same time, and their source is the intertwining between family and business sub-systems.

2.3 Resource based view approach

During examining the performance of family businesses, resource based view starts out from the fact that family businesses have such valuable, rare, hardly replicate and not replaceable resources that make the base of their sustainable competitive advantage (Dyer [2010]). Resource based view has the potential that it can identify those resources and abilities which are sources of family business specificity, that enable them to develop their competitive advantages based on their family nature. This theory helps us to answer the question of whether the participation of family members in operation means an advantage against non-family businesses (Chrisman et al. [2003]). With resource based view, those long-term performance differences among enterprises which are not attributed to the industry or economic circumstances now can be explained successfully. This theory is able to explain the performance gains of family businesses against non-family enterprises (Habberson – Williams [1999]). Moreover based on resource based view it can be derivable that how family businesses identify, develop their abilities which give them their uniqueness, how they are passed on to their leaders, how they are applied in new structures, and how they are able to renew them in changing circumstances (Chrisman et al. [2003]). Competitive advantage in family businesses is perhaps best explainable with the resource theory of organizations. From this theoretical perspective, the enterprise is the resultant of specific, complex, dynamic, incomprehensible, unique resources. These resources are often referred to as organizational competences which lie in internal processes, human resource and in other incomprehensible assets and which are able to provide competitive advantage for the enterprise (Poza [2007]).

The five resources which make the capital of family businesses are: human and social capital of family members, survivability, patience and leading structures. Family businesses can be in advantageous situation in identification of opportunities against non-family businesses thanks to good information flow amongst family members (Chrisman et al. [2003]). Poza [2007] identified the following unique resources of family businesses which can give the base of their competitive advantage:

- the overlapping responsibility of owners and managers, small enterprise size which is suitable for tracking fast changes on the market (family businesses

are capable of quick decision-making as a routine, sith they can take such chances that are missed by others),

- concentrated ownership structure leads to higher enterprise production and long-term engagement during the investments in people and innovation (it is typical for family businesses that they invest: they do not take out the profit as dividend but they invest it in development of the enterprise),
- seeking for customer focus and market gaps leads to higher profit,
- the wish to protect the name and reputation of the family is often embodied in high quality of products and services, this is also the source of higher return,
- family unity and owner engagement – derived from the harmony among family, ownership and management – support the presence of patience capital, lower administrative costs, help the ability/knowledge transfer among generations and provide agility in fast changing market conditions.

Dyer [2010] highlights three factors which influence family business performance: human capital, social capital and financial capital. Human capital means the source of motivated family member employees who give their names to the enterprise, they are loyal, ready to work flexibly if necessary, for example they are willing to do overtime without special compensation. Social capital means those relationships which are built and often maintained through generations by family members. Trust derived from these long-term relationships often helps family businesses to form good relations to non-family member employees, customers, suppliers, obligees. (Thanks to social family capital, the enterprise can obtain such high-quality resources as information which is unavailable in market conditions, and can have such worth for the enterprise that cannot be expressed in monetary value (Anderson et al. [2005])). However social capital does not have only positive effects, it can have negative effects too. If family becomes introvert, its members trust in one another only, and they consider outsiders as rivals or in worse cases as enemies. Social capital can mean a great help for the family enterprise in economic recession, it approves the chances of survival, it provides flexibility, loyalty, commitment. The inward social capital decreases agency costs with the reduction of information asymmetry (Mandl [2008]). During developing social capital, family business leaders must pay attention on developing both outward and inward social capital with equal emphasize (Salvato – Melin [2008]). Hoffaman and his colleagues [2006] highlight

that social capital as resource is tight, hardly replicate and not replaceable, thus it is capable of becoming the source of competitive advantage of family businesses against other family businesses with lower level of social capital or against non-family businesses. Financial capital means the financial tools of the family which they make available for the enterprise if necessary (Dyer [2010]). Advantages based on family presence can be embodied in: reduction of administrative costs, lower level of accountancy obligation due to higher level of trust and organizational culture (Poza et al. [2001]).

According to Kuczi [1997] family as a resource is manifested in the following areas: use of family as solidarity resource, use of family property, use of kinship loans, rights of relatives or family members, family labour and family culture.

Habberson and Williams [1999] introduced the concept of familiness¹⁷ which is the togetherness of such resources that are formed by the interaction between systems of family, family members and the enterprise. This togetherness is the base of unique enterprise ability which provides competitive advantage in the long run. Naturally, not in every case this familiness is capable of becoming the source of long-term competitive advantage. Conscious application of competitive advantage of familiness requires remarkable amount of work which includes the identification, categorization, evaluation of the factor capable of providing advantages, and its application in the business structure. Zellweger and his colleagues [2010] performed the comparison of three sorts of interpretation of the concept "familiness". The first is based on the components of familiness: family management, ownership and control. And in the focus there is their presence in the family enterprise. In this interpretation, competitive advantage of familiness is nourished by family presence. The second approach focuses on the essence of familiness, through those patterns of behaviour, synergistic resources that support the success of family and business. Here the sources of competitive advantage are those unique processes that support the operation of family business and which are engined by continuity through generations as a goal. From the third point of view, the source of familiness is the identity of the family enterprise that is made unique by family presence. In the focus

¹⁷ The familiness in Hungarian – striving to preserve the original content of the word – can be equated with the expression "homeliness", though the translation is not perfect. In my opinion, with the application of the Hungarian equivalent, the underlying content of the forming concept is relegated to the background. The compliance to the international literature becomes difficult, that is why I am using the original expression "familiness".

there is the need for clear definition of the enterprise, the family must give a consideration of the enterprise. The competitive advantage derives from the transmission of family enterprise image towards those who are concerned inside and outside of business.

Tokarczyk and his colleagues [2007] performed a research involving eight family businesses and twenty-one managers, during this research they proved that familiness plays a significant role in long-term financial performance of family businesses. They also proved that familiness is related to market-orientated culture hereby formation of better performance. Craig and Moores [2005] added the dimension of familiness to the Balanced Scorecard management tool during its examination, and they also illustrated its effect on enterprise development, management and succession planning. Frank and his co-authors [2010] gave a bibliographical overview based on articles in noted periodicals dealing with family business topics and related to familiness between 1999 and 2010. The articles were listed into the following four categories: conceptual research articles, writings based on social capital theory, publications on special subjects and articles dealing with familiness metering. In their work they called the attention on the importance of definitions of familiness and the methodological bases which help in field research.

Chirico and Salvato [2008], and Chirico [2008] highlight the importance of knowledge, as a base on which every resource depends. In their opinion, only those family businesses can be successful in dynamic market conditions which are capable of integrating the specific knowledge of family members hereby developing their abilities permanently. Chirico [2008] distinguished two factors during modelling the accumulation of knowledge in family enterprises. One of them is the openness factor which includes the participation in academic courses, trainings (these are the sources of "pure knowledge" which integrating in family businesses and shared with employees, they support development), working outside the family business and non-family member employment. The other is the emotional factor, it includes: family relations, engagement in the family enterprise (despite that they do not have actual ownership over the enterprise, family members feel that it is their own). Openness and the emotional factor define that how successful the enterprise is in accumulation of knowledge, and using this knowledge how much it is capable of providing advantages for the enterprise.

As a criticism of resource based view approach regarding family businesses, we can say (it is true also for agency theory approach) that it starts out from the fact that single goal of family businesses is to enrich their wealth by competitive advantages (Chrisman et al. [2003]). According to other opinions the force of this theoretical approach is that it is able to reveal the differences amongst performances, it makes connection to enterprise strategy, it is process-orientated, it enables the involvement of really important and incomprehensive factors in family business characterization – such as trust and convergence – as higher performance explanatory variables (Habbershon – Williams [1999]).

Astrachan, Klein and Smyrnios [2002] developed its efficiency meter, the F-PEC scale (Family – Power, Experience, Culture scale) which is capable of metering the effects of family power, experience and culture. The contribution of the scale to family business research development is that researchers went beyond the bipolar approach (family and non-family businesses) and they created a permanent scale (Sharma [2004]). The creators of this scale examine the effect of family on operation, family success, misfortunes and strategy (with the evaluation of participation measure and manner). During evaluation the primary question is that what effect family presence has on the enterprise and not that a given enterprise is a family business or not. The scale consists of three sub-scales, these are: power, experience and culture. The explanatory variables of power sub-scale are: ownership, leadership and management. The elements of experience sub-scale are: which generation the enterprise has, how many generations are working together in the management, in the operation, how many families have some connection with the enterprise. The components of culture sub-scale are: the overlapping between the values of family and business and commitment (Astrachan et al. [2002]).

The unified system perspective developed by Habbershon and his colleagues [2003] combines the results of system theory and resource based view. In its interpretation family business is a social system with three sub-systems: operating family (representing history, traditions and family life cycle), enterprise (with applied strategy and structure for prosperity) and family members (they represent interests, abilities and life stage of owners and managers in the enterprise). The system operates well if it is more than just the sum of all parts. The parts operate together in a synergistic manner. The creators of the model consider those families as business

families which during the operation strive to save the prosperity of present and future generations. In the case of business families the biggest challenge is to identify those resources and abilities related to the family which are the base of profitability. Performance model was worked out based on unified system perspective. In the focus of this perspective there is the sum of unique resources and abilities generated by the sub-systems. (The effects of defined resources and abilities can be both positive and negative). The central mix of resources and abilities which leads to advantages in earning revenues is familiness which I have mentioned before related to family businesses. Performance model is presented in the next chart.

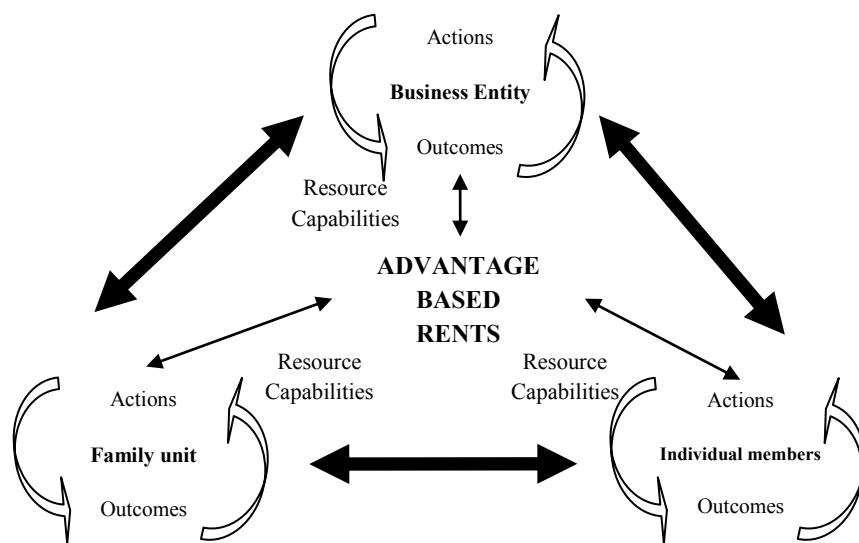


FIGURE 11: UNIFIED SYSTEM MODEL OF FIRM PERFORMANCE (Habbershon et al [2003] p. 461.)

The goal of this model is revealing how family participation is able to result in such resources and abilities which have influence on business profitability. In case of family businesses it occurs that their main goal is not profit generation and despite that they do not follow economic perspective goals, during their activity they gain significant income (Chrisman et al. [2003]). Chrisman, Chua and Litz [2003] developed the model of Habbershon and his colleagues [2003] that nourishing from the results of the former model became suitable for the distinction between business families and families which run enterprises as a lifestyle. Business families are those which are planning consciously the development of the enterprise by the family. They build largely on added values by family and family members. Researchers consider these enterprises as family businesses. Here family participation is realized

through ownership, leadership and daily work. And the most penetrating feature of the essence of these enterprises is succession in the family.

Resource based view is a good base for family business researchers because it gives the base of graphic explanation of unique advantages of family businesses. It is proved by the diversity of models built on this theory.

2.4 Life cycle theory, institutionalist and psychological approaches

Among the theories dealing with family businesses there are those which try to capture their essence based on life cycle change. Ward worked out the development model of family businesses with three stages. In the first stage, business and family make a consistent unit, the principal decision-maker is the owner-manager. In the second stage, still the owner-manager performs the operational tasks but in the family, the priority is the growth and development of the children (next generation) which changes also the goals of the enterprise. At first place there is the employment of the children in the enterprise, or in any other ways, the future of the children must be provided. In the third stage, needs of family and business get into confliction, the enterprise can stagnate, the owner-manager is tired, his retirement is near. In this situation the number one goal is the maintenance of harmony between family and business (Quote: Sharma et al. [1997]).

Laczkó [1997] summed up the development of family businesses in the next chart, considering the age of enterprise, parents and children.

Characteristics	Stages		
	I.	II.	III.
Periods (in years)			
Age of the business	0-5	10-20	20-30
Age of parents	25-35	40-50	55-70
Age of children	0-10	25-25	30-45
Characteristics of business			
The business relation to changes	Fast growing, require time and money	Mature, steady	Needs strategical renewal and investment
Characteristics of structure	Small, dynamic	Larger more complex	Stagnate
Motivations of owner-manager	Committed to the company success	Wants to preserve his=her own influence and stability	Makes interest in other areas, partially step aside, the next generation claim for growth and change
Financial expectations of the family against the business	Satisfaction of basic needs	Growing needs, including convenience and education of children	Bigger needs, the financial stability and liberality come into view
Family goals	The business is successful	Financial stability, high-quality education of children	Family harmony and unity

TABLE 1: DEVELOPMENT OF FAMILY BUSINESSES (Laczkó [1997] p. 13.)

Among life cycle based family business models, perhaps the most well-known model is the one that created by Gersick and his colleagues [1997]. This is a development model. This three-dimension model considers change in enterprise, family and time, features can be defined depending on the stage of change in particular dimensions.

With a three circles model, analyzing the relations among sub-systems enterprise, ownership and family, a snapshot can be made of any family business describing a particular moment in the life of the enterprise. This snapshot can help in understanding the enterprise in that given period when the examination was made. However most of important dilemmas which family enterprises face with, derive from the passing of time. These dilemmas include: changes in operation and family, and distribution of property. In the three-dimension model of family businesses, all three sub-systems – ownership, family, enterprise – have their own separate development dimension. All three sub-systems pass through a series of stages (Gersick et al. [1997]). In the next figure, it is the graphical representation of this model:

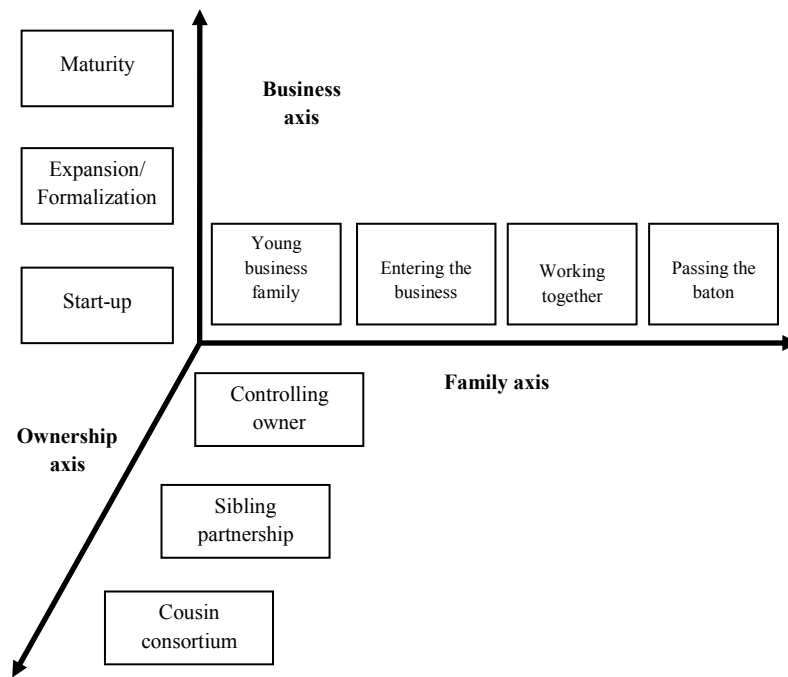


FIGURE 12: THE THREE-DIMENSIONAL DEVELOPMENTAL MODEL (Gersick et al. [1997] p. 17.)

It can be observed that smaller structural changes in ownership, in concordance with aging of family members or other structural changes, can have a waving effect on the three circles of generations. These sample variants of ownership which are forming from time to time, make the first dimension of the development model. Family axis differ from the other two axes (ownership and enterprise), because it is influenced by natural, biological aging of family members, for this, it is rather a one-way axis, while the others are not. The development of the enterprise can be modified (it can be stopped or hastened), the ownership structure can be changed but the development of the family cannot be influenced. Time spent in particular stages can be shorter or longer, and the events happen there can largely differ in particular families. The third dimension is the ownership structure, it can remain permanent through generations even when the identity of particular owners changes (Gersick et al. [1997]).

The development model of Gersick and his colleagues [1997] was tested by Rutherford and his colleagues [2006] involving 934 enterprises. The result of their work is the completion of the original model with factors which influence the development of the enterprise. The graphical representation of the completed model is the following:

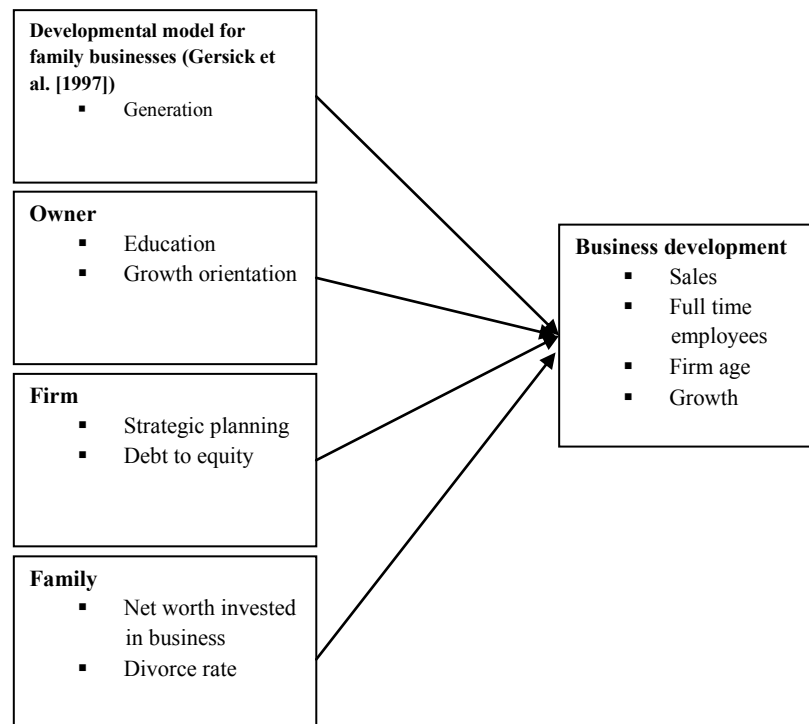


FIGURE 13: EXPANDED FAMILY BUSINESS MODEL (Rutherford et al. [2006] p. 329.)

With the testing of survey data, researchers found out that those enterprises which are growth-orientated, owner-runned, are older and have bigger growth potential. While enterprises of lower qualified owners are typically younger and they have lower growth potential. Enterprises in lower indebtedness generally are smaller and their development is slower. Those enterprises where there is no strategic planning are typically smaller, they grow by less, they apply less employees. Researchers also reveal that the rate of family businesses causes setback in enterprise performance (Rutherford et al. [2006]).

Leaptrott (2005) examined family businesses on institutionalist basis, as they operate with the interaction of two institutions: family and business. His final statement is that institutionalist approach is not the only one by which specialities of family business are explainable but it is a good tool for explaining a certain heterogeneity characterizing nature and operation of family businesses.

Pieper [2010] reveals that family business research should need a wider theoretical base due to its nature. He highlights that applying psychological approach would be more fruitful sith beyond theoretical development of family businesses, psychology also could benefit from the results. Psychologists discovered a long time ago that in families were they are working together, significant changes can be observed. The

author considers desirable the psychological and theoretical research of the following topics concerning family businesses: motivation, strength and power, obedience and group-thinking, group cohesion, socialization, relationships, management, conflicts. Explaining the essence of family businesses, researchers of the field used such classic theories as agency theory, steward theory and system theory. Resource theory – it is growing more and more popular in management studies – had influence also on family business research. It provided theoretical frame for the explanation of highly emphasized competitive advantages of family businesses against non-family businesses. Life cycle-, institutionalist- and psychological approach serve us as interesting sources, and they predict the possible future development of family business theories.

2.5 Summary, evaluation

The first two chapters of the dissertation were dedicated to the overview of family business literature. I strove to classify the knowledge of the selected literature related to family businesses in a way that I provide a comprehensive picture of the topic. Thus I make a base mainly for the next chapters about succession process and for the empirical research.

I started the theoretical overview with the problematique of family business definition. The expression "problematique" is intentional because despite the several definitions of family businesses in literature, I did not manage to identify (nor formulate) such definition which would satisfy completely all needs. However the definition of family businesses is an urgent task because the lack of a widely accepted definition in my opinion becomes an obstacle for the development of this area. The rate of family businesses and a series of inconsistent statistical data concerning its role in economy cause uncertainty. Researchers in the field emphasize the significance of family businesses in vain if they are unable to confirm it with reliable and valid statistical data. I think the main mission of family business definition is to make a basis for statistical data collection. For this I believe it is essential to form a definition based on such well-measurable factors as ownership, rights of decision and number of family-related employees for statistical collection of data. With its help, the wide circle of family businesses is at least reliably separated. Thus systematic collection of data based on defined criteria would guarantee the

existence of reliable and comparable data in the long run. With its help, we would gain valid information on the rate and role of family businesses. Proper information would mean help in the work of researchers and also of economical and political decision-makers.

The primary criticism of this strict criteria-based definition would be probably that it does not define the circle of family businesses adequately. Such nuances as number of former generations and future intents fade away. However the goal of this kind of definition would not be that it becomes the single acceptable and perfect family business definition but that established statistical collection of data would be possible with its help. And similarly, we know the weaknesses of the SME definition on EU level but its unquestionable merit is that it provides frame for wide comparison and analysis. I hope that based on the family business definition which is formed by the EU and presented in my dissertation, soon a wide and systematic, statistic collection of data begins.

Independently on the definition used in statistical data collection, the liberty of formation of particular, most research-related definitions would remain for researchers.¹⁸ Typology of family businesses is closely related to the definition problem.

The countless tries of typology presented in my dissertation prove that family businesses are not homogene, there are remarkable differences among them. However the presented distinctions hint that family business researchers have not found a stable, mostly accepted classification yet which could serve as a base of further observations. It can be assumed that in the background there are the difficulties of definition sith it means a serious problem to split a segment on and on without knowing its boundaries.

Amongst the applied classificational aspects I think the following are really justified: the ones concentrating on family participation, typology based on size, distinctions based on life cycle.

The measure of family participation has great influence on family business features. With the examination of family participation a distinction can be made between

¹⁸ During the research I also faced the difficulties of definition, on the sample I had, I tried to apply more methods for the distinction of family and non-family businesses. Finally I relied on statistics and I identified these sorts of enterprises with cluster analysis which was a good decision, now I can say after the results I got.

"more familiar" and "less familiar" businesses. They probably show differences based on several important features.

I consider important the classification based on size because despite that it is obvious that there is a plenty of differences between a micro- and a medium-sized family business, in their comparison it is interesting to observe common features and challenges between them, between such different enterprises, based on their family nature.

I consider that classification based on life cycle theory still has many new elements within due to its complexity, despite that Gersick and his colleagues [1997] have already overviewed the subject thoroughly. I believe that complex examination of family and business life cycle holds many possibilities in both respects of theorizing and practical research.

In the two last subsections of the first chapter, I deal with the historical overview of family business research and the review of main research directions. Though these parts lead quite far in this subject, I considered important to show that how extensive and diverse family business research is. I feel that without these parts my dissertation would hint that the most important topic in family business research which is most worthwhile for examination is succession. It is without doubt that succession is very critical and important in the life of family businesses, and it is not by chance that experts pay remarkable attention on this question. But succession affects a generation only twice: when it takes over the enterprise and when it passes it on. So this is a relatively rare occasion, in contrary to those everyday operation problems such as conflicts, financing and growth. The bibliographical overview shows that related to these subjects, family businesses have such specialities which are useful not only for business operators but also the enterprise-related financiers, investors and supporting organizations.

I dedicated the second chapter entirely to family business describing theoretical approaches, introducing research directions.

I think the application of agency theory on family businesses opened quite many theoretical questions, it serves as a starting point of interesting reasoning but examination of agency costs in focus and the explanation of family business performance with it, are a dead end. The theory provides a good basis for well-structured theoretical derivations and explanations but these theoretical results cannot

be confirmed by practical research. In my opinion, the reason for this is that differences between family and non-family business performances and efficiencies are not determined by lower or higher rate of family motivated agency costs, though they influence them. The following have more pronounced roles: industry, business size and actual market conditions.

My problem with the stewardship theory – despite that I consider it as an interesting colour spot amongst other family business-related theories – that it is not applicable to family businesses generally. Derived from exactly the highly discussed heterogeneity of family businesses, the theory stands in the case of certain enterprises while it fails in other cases.

Among all the other theoretical approaches listed here, I think the most applicable one is the system theory in respects of theorizing and also practical research. The proof of the potential inside this theory is that it was able to develop and renew continuously. The two circles model developed into a three circles model, the bull's eye model appeared and then came the sustainable family business model. It is the force of system theory models – especially in the case of two and three circles models – that they explain clearly and unambiguously the relations between family and business. I think the outstanding significance of these models is that they can be used both in theorizing and practical research.

The resource base view is close-fitting in family business research since as promised it is able to explain that plus factor with which family businesses are more than non-family businesses. The problem is that it cannot be stated generally that every family business has better performance than non-family businesses, not even in respect of similarities in environment, industry and operational conditions. And now we get back to the problems of family business classification. There are such family businesses which perform better than similar non-family businesses thanks to unique resources from the family, but it is not true for every family enterprise. In my opinion, resource based view is not suitable for the distinction of well-performing and bad-performing family businesses. Its force lies in the explanation of good performance. Its weakness that it is hard to apply in research. I do not think that resource-based research of family businesses is impossible but in my opinion, the definition of variables metering particular examined resources requires good imagination and careful consideration.

In my dissertation I discuss together life cycle approach, institutionalist and psychological theories. As I have mentioned before, I consider life cycle-based explanations very imaginative and interesting especially in respect of theoretical discussions. I believe that researches based on this theory lead to valuable results but when it comes to their execution, we must not forget that the complexity and heterogeneity in the theory are not necessarily capturable in reality.

Institutionalist approach is interesting but I think it is a try with few new elements in it.

I think psychological approach is one of the most exciting directions. I believe the knowledge in psychology would serve us with new explanation and results in many respects, about family business features, operation, specificities.

Despite that I do not agree with every presented approach and I do not consider all of them applicable in practical respect, I did not want to impair arbitrarily the diversity of the listed models because in my opinion multifariousness has an important message. It proves that the topic "family businesses" is not just euphonious, fashionable and easy but also has such complexity and depth that can only be discovered by profound, serious, well-organized theorizing and research.

In the first two chapters of the dissertation I overviewed the most important topics related to family businesses. The aim of this was that I make a proper base for the examination of the topic "succession" which plays a key role in family business life, and it is also the central topic of my dissertation. I hope that the theoretical overview about family businesses on one hand proves the significance of succession process, on the other hand it helps the understanding of the topic.

Succession features in family businesses are discussed in the next four chapters of the dissertation. First I overview the literature about the persons in the succession process, the predecessor and the successor, then I examine the succession process in details. Having the theoretical knowledge, I present the results of the survey concerning Hungarian family businesses affected by succession. Finally I sum up, evaluate the gained information and I make suggestions concerning possible research directions in the future.

3. THE PARTICIPANTS OF THE SUCCESSION GAME: THE PREDECESSOR AND THE SUCCESSOR

3.1. About succession in general

Succession is the final test of a family enterprise. If an enterprise becomes from a one-man business into a family business, continuity becomes a unifying interest. If the enterprise is passed on while it is profitable and in good condition, it will be the main driving force for the new generation (Gersick et al. [1997]). In the survival of family businesses there is a great role for succession planning, because in most cases this is a stage in the life of family businesses where lacking preliminary plans and preparations, there is the biggest possibility for the decline and cessation of the enterprise (Robb et al. [2006]).

According to the survey of Chua and his colleagues [2003] involving Canadian family entrepreneurs, the main concern of entrepreneurs is related to succession that is followed by relations to non-family member managers.

The significance of succession is also supervised by the EU. It is desirable that on this subject would be paid attention in every member state, mainly due to the role of enterprises involved in employment. According to assumptions, in the next ten years 1/3rd of European enterprises will face with the challenge of succession. It means the handover of about 610,000 small and medium enterprises which provide 2.4 million jobs approximately (European Commission [2003a]). Based on experience, more and more handovers happen outside the family, many entrepreneurs want to operate the self-founded enterprise for just a short period of time then they are planning to sell it. In certain cases it is not just the age of the entrepreneur that motivates the handover or sell. Other factors – such as personal and family reasons and changing of market conditions – also influence the decision about the handover (European Commission [2002]).

The concerns about succession in family businesses are not without a cause according to research results. Based on surveys in the U.S., 30% of family enterprises are passed on to the next generation, and only 13% of these enterprises remain in family ownership through three generations. In Australia 11% of family businesses survive to be third generation enterprises, 6% of these to be fourth

generation businesses.¹⁹ The reason of succession failures is mainly the lack of planning and preparations (Westhead [2003b]). Based on Poza [2007] 85% of new enterprises fail in the first 5 years of operation. From those family businesses that survive, only 30% is handed over successfully to second generation of the founder-owner family. This rate is even worse in the case of the second-third and third-fourth generation. 12% of the enterprises remain in the ownership of the third generation and 4% of them remain for the fourth generation to the family. Surveys performed in the UK show that 30% of family businesses will be second generation enterprises and 2/3rd of these get into the hands of the third generation and the rate of those enterprises which survive after the third generation is 13% (Chirico [2008]). According to other researchers three enterprise of ten live the handover to the second generation while the third generation hands over only 15% of these enterprises (Tatoglu et al. [2008]).

Birley [2001] examined the rate of first, second and third generation family businesses and those which are not in family property any more concerning 16 countries. According to his statement the highest rates of second generation family businesses are in: Belgium (55%), Italy (48%), Finland (44%) and the U.S. (40%). The highest rates of third generation family businesses are in: Germany (34%), Finland (24%), the UK (23%), Italy (22%) and the U.S. (20%). The tail-enders of this survey regarding both second and third generation family businesses are Ireland (14%, 5%) and Poland (6%, 0%).

One explanation for the high rate of family enterprise cessation and for their getting out of family property is that it is rarely provided in every generation that there is a proper, suitable, motivated leader in the family. However chances of family business survival are also influenced by wide-sized social, cultural environment and not only by the family (Kuczi [2000]). The succession between the second and third generation is often more easily realizable for the family. They have already successfully managed the first succession between the first and second generations and now they have some experience in it. Second generation is helped by other things too: enterprise operation is stable, members of the second generation are

¹⁹ In certain cases the failure of the handover through generations – if non-family succession brings development, innovation, fresh capital by the new owner – does not mean the failure of the enterprise.

typically higher qualified than those of the first generation, they have wider knowledge about management.

There is no easy job for those family businesses which hand over successfully the enterprise from generation to generation because the effect of the presence of more generations on family business performance is not clear. On one hand advantages of operation through generations appear in long-term planning, on the other hand arguments, difficulties in succession process can become obstacles of growth (Miller – Le Breton-Miller [2006]). Davis and Harveston [2001] during their research examining conflict situations in family businesses revealed that the more generations are working together in the enterprise, the deeper and more frequent the conflicts will be. Second generation family members are in a more difficult situation in respect of enterprise ownership (this increases the possibility of conflicts), sith their predecessor had likely 100% ownership and leadership, and now they must cope with only shareholding and also they have to be new leaders at the same time (Leach [2007]). In contrary of all this, Kazmi [1999] during his research concerning the characteristics comparison of first and second generation entrepreneurs, revealed that in respect of enterprise operation, the second generation entrepreneurs are in an easier situation. They have all the following: required capital, financing, human resource and market presence. In contrary to this, first generation entrepreneurs have to fight for these things listed, for them, good performance is not a result but the condition of sustainment. Maybe that is why that they are more diligent, more confident, more persistent, more motivated than their second generation successors. Pfeifer and her colleagues [2006] examined Croatian first, second and third generation family enterprises seeking that in which factors there are changes between particular generations. Based on their results, the more generations the family business has, the less likely is the employment of women, and succession planning and long-term planning become more typical.

To call the attention on the significance of succession and enterprise handover is justified by that according to the survey performed by the Barclays Bank [2002] 61% of the family enterprise leaders do not know what future the enterprise will have (regarding non-family businesses this rate is 71%) and only 16% of them are ready for the handover. Based on a survey in Finland by Malinen [2004] 61.1% of the entrepreneurs deal with problems of succession due to their old age, 9.5% due to they

got tired of being an entrepreneurs, 7.1% due to they are no longer capable of operating the enterprise with profit. From the involved 492 entrepreneurs 24.8% say that their companies will become involved in succession in the near future, 9.3% say that a change like that is not due, 65.8% did not share their opinion.

As I have mentioned before, the question of succession has outstanding significance in family business research. Handler [1994] overviewing the literature identified the five main directions of succession research, these are: succession as a process, the role of the predecessor, perspectives of the next generation, multilevel analysis of the succession process and factors influencing the efficiency of the succession process. The Hungarian outstanding significance of the succession process is analyzed in details in the article of Filep and Szirmai [2006].

In the EU an expert group was established and it made suggestions about with which legislative amendments handover and succession can be facilitated. The most important measures are: facilitating of the handover for a third party from the outside, advancing employee buy-out, applying special tax and inheritance rules on succession and handover, facilitating entrepreneur retirement (European Commission [2002]). After making these suggestions, they monitored the performance of particular member states, experts detected more, good practices which facilitate and help the handover process. These are: series of seminars about enterprise handover, establishment of information portals, informing young entrepreneurs about the opportunities of enterprise takeover, establishing a mentor system, providing training and help, establishing markets for business sales (Filep [2007]), programs supporting enterprise handover financing and shaping target specific loan and guarantee schemes (European Commission [2003b]). However it is interesting to observe that in Hungary only a few realized the theoretical and practical significance of this subject.

In small enterprises, planning does not play a remarkable role, despite its importance, though for successful operation the following things are essential: planning, knowing the basic concepts related to the enterprise, understanding the essence of marketing and financial process (Szirmai – Szomor [1999]). The significance of planning is illustrated visually by the approach Szirmai and Klein [2010] used in their book. Founding a business is not a simple economic process, choosing to run an enterprise is choosing of your fate. Regarding succession planning, unfortunately small

enterprise owners are not more conscious at all than on planning in general. That can be often considered as the main cause of the succession failure.

The persons who play the leading roles in succession are the predecessor and the successor. Their features, habits often influence largely the success of the succession process, determine its outcome. Predecessor and successor – for the desirable outcome of succession – ideally go through the succession process based on properly worked out plans.

Discussing the topic, first I hand over theoretical knowledge about the predecessor and successor, then I draw the possible outcomes. After this I deal with succession planning and succession process in details. In the last subsection I present succession models that can be found in literature. They serve as a frame for the generation change.

3.2. Experienced entrepreneur in an unfamiliar role: the predecessor

The predecessors, founders²⁰ have a key role in succession sith they are those on whom the beginning of succession and its time depend. Despite that the entrepreneurs involved have wide experience, they are unfamiliar with succession because they have never faced a similar problem before. Those entrepreneurs who did not found the enterprise but took it over, they are in a more fortunate situation because they have already lived through a handover process, though in an opposite role, as successors. In contrary, those – and most of Hungarian entrepreneurs belong to this category – who have no experience in succession, they have to experience the pitfalls of this process for themselves.

Most of predecessors think that the time they want to spend as leader of that particular enterprise is completely understandable and explainable for all involved. Many of them think of their retirement, the change of their role, though only a few get to actually act for this, and it is quite rare that they refer unambiguously to this intention and its time by their communication, behaviour (Poza [2007]).

The predecessor can inhibit or postpone actively his decision about succession due to reasons of lifestyle, psychology or behaviour. It is frequent that the predecessor is unable to distinguish the interests of family and business, and applying outdated

²⁰ In the case of first generation, the founders are the predecessors, while in the following generations, this identity does not exist.

management tools, he cannot plan proactively the nearing succession process which becomes more and more inevitable (Westhead [2003b]). In many family businesses, the founder plays a central role, due to this he has effect on strategic goals, culture, introvert or extrovert nature of the enterprise. Moreover he determinates its relation to the external environment. Due to all this he has remarkable influence over the enterprise performance (Kelly et al. [2000]). Sharma [2004] also highlights that the founders of family businesses are not simple leaders. Due to their symbolical role, they have great influence on culture, values and performance of the enterprise. Lussier and his colleagues [2007a] proved in their research involving four countries that the predecessor, the founder of the enterprise has effect on management activities, style and practice applied by those leaders who follow him.

Most of the predecessors are proud of their successes in the enterprise worthily, and this pride often is the cause of their business short-sightedness. It occurs that predecessors ignore the changes in business environment. In the background there is often fear of change, they believe that to give up those well-established methods and procedures which have worked until now may lead to failure, and they do not recognize that it is their own inflexibility that stands in the way of enterprise performance. It is typical mainly for first generation leaders, founders that they strive to establish a paternalistic organization which satisfy their needs and wishes maximally, where the subordinates obediently and unconditionally follow the picture of future worked out by the predecessors (Chung Yuen [2003]). Leach [2007] related to the power and status of the owner-manager, unfolds that the most concerning difficulty in the life of the enterprise is that leaders of family businesses never retire and actually never have. As long as family members participate together in management, it does not matter that whether the leader gets his salary or not, whether he has ever crossed the threshold of the company's office, their names are always above the door and they will always be related to their family and enterprise. Retiring for these leaders does not mean actual retirement from business but reorganization and transformation of their relationships to the enterprise.

According to Wang and his colleagues [2007] performance of family businesses the highest as long as the founder operates the management, especially when he has that special professional knowledge or knowledge of management which can serve as a base of development. According to these researchers, enterprises runned by

successors operate according to a more formal and more professional basis, where the main goal is the protection and enhancement of achieved results.

Poutziouris and his colleagues [2002] compared the management styles of family and non-family businesses. In the rates of particular styles they have not found significant differences between family and non-family businesses. In both enterprise types, the most typical was the participative style (in more than 50% of the enterprises it is specific) and this was followed by the delegative, functionalist, professional and autocratic styles. Sorenson [2000] involving 59 small enterprises, examined the effect of particular management styles on the family, business and employees. Based on his results, the participative style leads to positive results regarding family, business and employees, while the laissez-faire management style approves the commitment of employees. Based on McGregor's X – Y theory, the classification of employees X (they have to be enforced to work) or Y (they are motivated, they like working, they are independent) can have effects on the management style (Bakacsi [2000]).

Depending on the size of the enterprise, the effective management styles can be largely different. Thus family businesses also require changing management styles during their growth process.²¹ While in enterprises which apply 25 people at the most, the "factotum manager" is able to manage all his employees directly, basing on mainly his professional preparedness. In the case of a company with 25-75 employees the "manager of managers" style is needed, here the results are achieved through people and managers. The first person of an enterprise with more than 75 employees has to be the "manager of systems" who achieves the results through people, managers and systems (Vecsenyi [2003]).

Goffee [1996] made a typology based on market-orientation and development of internal control systems of family businesses, it is presented in the following figure.

Market orientation	Development of control system	
	<i>Highly developed</i>	<i>Underdeveloped</i>
<i>High</i>	Managerial	Entrepreneurial
<i>Low</i>	Paternal	Family custodial

FIGURE 14: TYPOLOGY OF OWNER-MANAGERS BASED ON MARKET ORIENTATION AND DEVELOPMENT OF CONTROL SYSTEM (Goffee [1996], p. 41.)

²¹ Hortoványi [2009] writes about the examination of innovative strategic behaviour of enterprise managers, that is entrepreneurial leadership.

The owner-managers belonging to the "managerial" type generally watch out for market changes, take new chances, the organizational establishment of their enterprise is developed, it serves the effective work. The members of the "entrepreneurial" style also can be characterized by high market-orientation but the organizational structure and internal control system of the enterprise is not developed. Thus it is frequent that tasks are executed by subcontractors and these are outsourced. The "paternal"-typed entrepreneurs often inherit a well-functioning, established enterprise with stable organizational structure, and they provide the operation on high level, however they lack flexibility and perspicacity. Owner-managers owning a "family custodial"-typed enterprise, inherit a stagnant, often declining enterprise with low market-orientation and weak internal control system. Their personal participation is often low, "proven, reliable" managers operate the enterprise.

The typology above is not only applicable for family business classification but also with passage between particular types, the development of a given family enterprise can be described. The "entrepreneurial"-typed owner-manager develops his enterprise with establishment of modern organizational structure and control system. But with the decrease of market-orientation, the enterprise growth can come to a halt. During the succession process, it is useful to evaluate that to which type the taken enterprise belongs, and with which managements steps its development can be advanced, keeping it in track of growth.

Cisneros [2010] illustrated the possible styles in a three-dimension model to show the diversity of manager styles in family businesses. The three dimensions correspond to the three types of managerial way of thinking:

- Homo economicus: his thinking is determined by economic logic, he is interested only in the profitability of his enterprise, his advantage is that he is performance- and task-orientated, pragmatic, his disadvantage is that he is distant, hard-fisted and he can be also insensitive.
- Homo politicus: his thinking is determined by logic of power, the achievement of his goals is helped by his power within the organization, his advantageous features are: excellent thinker, good negotiator, problem-orientated. His disadvantages are: he is harsh for the achievement of his goals, hypocritical and dictatorial.

- Pater familias: his thinking is determined by family logic and interests. He defines his decisions with maximal consideration of family interests and welfare, his advantage is that he is human-centered, generous, loyal, his weakness is that he is disposed to nepotism, he is driven by his emotions and paternalistic.

It is naturally rare that a particular enterprise manager is clearly definable by one of the three categories, it is more specific that two or three ways of thinking determine his style.

Leach [2007] in his book distinguishes three groups of founders based on the work of Peter Davis, American business researcher:

- Owners: for the owners, the main role is of the enterprise ownership. It is frequent that they identify with the enterprise entirely. They have less trust in anybody else's decision-making abilities. They are equally dynamic with their children, various relatives in the enterprise as with everybody else. The owner strives to entirely dominate the organization all by himself, and he excludes others completely from power and he does not share his responsibilities at all.
- Managers: similarly to owners, managers also hold tightly the control in their hands but they also strive to gather a powerful team of staff, they delegate and advance efficiency and harmony within the enterprise. Managers love the nature of family business, they like the idea that their children join them in the enterprise and they work together. However these positive features do not change the fact that managers hold tightly the control over the enterprise in their hands, and with their behaviour they confirm mainly their paternistic role, providing that they are those who manage, organize the enterprise development.
- Experts: experts form their enterprise based on their own creative or professional knowledge, it is typical for them that they are working insanely in their home studies or office, they are making such plans and products that are understood only by them. Experts do not like administration, tasks of everyday management. Generally they delegate the tasks of management to non-family member managers. It is not hard for experts to pass on the management administrative details to someone else, however they are less

disposed to give their special knowledge to their children, who often have no such abilities as those of their fathers. Despite the difficulties of retirement, experts as they are aging, are more and more aware of that lacking their professional abilities, the enterprise is not viable.

Based on Jeffrey Sonnenfeld and P.L. Spence's research results in 1989 published in the Family Business Review, Poza [2007] created the styles of entrepreneur retirement, the ways of power transmission, and he completed the original results:

- Autocrat: according to many owners it is perfectly normal that after their retirement they still rule. They go to work even after their retirement, they are still the actual leaders, they cannot imagine that there is someone who can actually replace them. Autocrats do not talk about succession, they do not give the date of their retirement, or any deadlines for the change of their function.
- General: generals, due to self-discipline, in accordance with the military rules, when the time comes they retire. They wait patiently, hoping that the younger manager or the elected leader due to his popularity, prove his inappropriateness. When it happens, they return in triumph to make amends for the mistakes and save the enterprise.
- Ambassador: ambassadors, when they retire, leave most of the operative tasks to their successors or key managers who are non-family members but they reserve the diplomatic and representational roles for themselves.
- Governor: governors publicly envisage the date of their retirement, they are engaged in the handover of power within the deadline. Giving the date, they urge the planning of the inevitable, they involve the key managers, employees, suppliers and customers in the process.
- Inventor: the inventor is the metaphor of an excited number one leader who is preparing for the reception of another quite satisfactory position in another enterprise. Inventors are creative. After they have built the system and the organizational background which help the next generation to take over and bring on the enterprise successfully, they are ready to follow their next dream. Successors of inventors are very fortunate, they can ask for coaching, advice whenever they need to.

- Tsar of handover: because it is very hard, only few owner-managers undertake this task, they become the engine of the succession process after many years of transformation process. Tsars of handover are able to add a remarkable value to the handover between generations, especially when the enterprise is a complex, multinational company, and the owner family is extensive and multigenerational. Tsars of handover must be aware of the difficulty that it is a very big challenge to be at the center of the change which was started by them.

Garcia-Álvarez and López-Sintas [2001] distinguished four groups of predecessors, founder-entrepreneurs:

- Family tradition followers: for them, the enterprise is more than just the source of income, they respect the enterprise built by their predecessors, human relations, ethical orientation and responsibility for the family are important for them. The enterprise growth is determined by family traditions.
- Performance-orientated founders: they consider the enterprise mainly as source of livelihood, short-term orientation, vocation and task orientation are typical for them. They more like doing things rather than organizing them, the task of their subordinates is to help them with the execution.
- Strategists: for them, it is an important goal to build up the enterprise and make it successful, business is not only source of livelihood for them, their work is a kind of self-realization, they concentrate on performance, establishment of an effective internal control system and long-term goals.
- Inventors: for them, the most important thing is self-realization, innovation, the enterprise gives the frame for these. Besides this, the enterprise is also a source of livelihood for the family.

The classifications of predecessors listed above are not nearly complete and it is hard to imagine that a particular person can be defined clearly by one of these types. However the categorization can be useful, if we want to understand the motivations of predecessors, the background of their decisions. The knowledge about the different types can help us in the evaluation of the predecessor status, the understanding of his actions.

Founders largely differ from one another according to their personalities, motivations, values. These differences may reflect in those socialization patterns

with which they prepare their successors to the takeover of the enterprise. There are two different stages in the socialization of the preparing successors: family socialization (every successor lives it through similarly, its main elements are transmission of values and training), and business socialization (it is with the collaboration of predecessor and successor, and it is highly determined by the attitude of the predecessor, its final goal can be the reproduction of the founder by the successor, or the advance of the successor's development as a new leader) (Garcia-Álvarez – López-Sintas [2001]).

The management style of the predecessor is not the only influencing factor of succession. It can be also influencing that how successful he is in his roles in succession. Cadieux [2007] detected the roles of the predecessor in the predecessor-successor collaboration and in the period when the predecessor retires.

The roles of the predecessor in the collaboration with the successor:

- Pro-active role: starting the succession process, foundation of the successor's preparation, initiating the collaboration.
- Supervisor role: defining tasks, giving instructions, controlling work what is done, initiating necessary modifications.
- Teacher role: transmission of the knowledge which is needed for managing the enterprise.
- Protector role: the successor can gain the experience which is needed for managing the enterprise only by independent decision-making, and by evaluating its effects afterwards. Despite this, the predecessor does not leave the successor alone with his decisions but for avoiding remarkable and serious mistakes and for his protection, he (the predecessor) countersigns the decisions of the successor.
- Introductory role: the predecessor introduces the successor to all those who are involved in the enterprise, he introduces the successor in the significant business circles of the enterprise operation, he tries to hand over his relation capital to him.
- Mobilizing role: the appointment of the successor, the reinforcement of the successor in his suitability and skills.

- Cooperator role: after the appointment of the successor, this is the last phase of the collaboration, the successor now is able to work independently but in some cases he still needs the support and experience of the predecessor.

After the full handover of the enterprise operation, predecessors have more different roles in the enterprise. They can appear as directors who have veto over the substantive decisions, they can become the symbol of the enterprise for the successor, for all the employees and partners. They can act as observers, protectors. For that they know well the enterprise, they can follow the applied management tools, the satisfactory level and the interest representation of the employees. They can contribute as mediators between the company and those suppliers, customers whom the enterprise has been in good relations to, or they can act as professional supporters or advisers.

Beyond the typologies presented above, we can learn many things about the features of Hungarian entrepreneurs who will face the challenge of succession in the near future, from those writings concerning the specificities of those who have become entrepreneurs after the political changeover. The results of the experts researching this field are in accordance. They say that those people became entrepreneurs who have higher level of education with more years of relevant experience and wide relation capital, and they are of better than average social, cultural environment. Most of them have been employed in state enterprises before (among the employees of public sector, there are only few who chose to be entrepreneurs), and men more often started enterprises than women (Czakó et al. [1995]) (Czakó [1997]), (Róbert [1999]), (Kuczi [2000]). Amongst the motivations of why someone became an entrepreneur the following were the most frequent reasons: uncertainties about state jobs or more broadly about employment safety, reasons of tax evasion, income maximalization and wishes for reserving and increasing the standard of living (Czakó et al. [1995]). The special Hungarian situation after the political changeover resulted in the establishment of unique enterprise strategies Balaton [2005a], [2005b], [2007]). Szerb and Ulbert [2002] revealed that from the second half of the 90s, the typical extensive development was changed into intensive stage of development. The motivational background of enterprise foundation also changed, entrepreneurs got "clean". Szirmai [1993], [1997] created the typology of the newly formed entrepreneur society. In the classification of 1993 we can find the following types:

the complaining, the hero of our time, the Hungarian gentry, the comprador, the Hungarian farmer, the puritan industrialist, the New-fashioned Ostap Bender, the former activist, the fear, the pressure and the company empire founder. In the classification of 1997, we can find the following types: the children of changeover, (their entrepreneur motivation is mainly related to the changeover), the self-fulfilling entrepreneur (traditionally they are the most considerable to be entrepreneurs, their attitude to the enterprise is positive), the false, pressure entrepreneurs (they are not real entrepreneurs, they return to be employees as soon as possible), the newcomers (they start business as private entrepreneurs, they do not know anything about being an employee) and the traditionalists (traditional small entrepreneurs, industrialists, merchants).

As a result of private ownership and ownership concentration in the 90s, in Hungarian enterprises the number one leader – who is also the majority owner at the same time – makes the strategic decisions (Farkas – Mészáros [2002]), and most of these leaders do not have strong vision of future (Bálint [2002]).

The classifications and characterizations listed above are interesting because in the near succession wave in front of the Hungarian entrepreneurs, predecessors with the listed features try to handover their enterprises defined by the factors above listed to the next generation.

3.3. Young titan on his first mission: the successor

The real essence of family business is given by the fact that the management and ownership of the enterprise is handed over from one generation to the other of the same family, members of the new generation keep on doing the work which was started by their predecessors, and in the ideal case, they build on the enterprise and increase its value. However it is not always so obvious that the potential successor/successors in the family tend(s) to take over the enterprise (Filep – Szirmai [2006], Filep [2006]).

The next generation that joins the family business has a unique opportunity to build a promising career with many challenges. The advantages of their situation are clear, the enterprise had been already started and it operates, promising work safety and an attractive remuneration package.

Generally family businesses are not well-diversified multinational companies which can easily survive the downhill of one or two of their markets. However the question always arises that in the long run the enterprise will last or not. For those family members who are longing for stability, family business is not certainly the most attractive career option. The parents' pressure is very sophisticated towards the successor for joining the enterprise, at the same time it can be strong and consistent. Thus the decision about joining is the first lesson of the next generation about emotional dilemmas which are related to the connections between family and business, and this new generation must face with them (Leach [2007]).

The children of those parents who have a bigger enterprise, are planning to join the family business in a higher rate. Its reason can be assumed to be better financial and non-financial perspectives. Most of the decisions of potential successors are influenced by mainly the possibility of being the future leader, on average they are planning to take over the enterprise operation in an 11-year period (Stavrou [1999]). Getz and Petersen [2004] classified all those factors which can have effects on making the decision about the takeover of the enterprise. These are: situation of potential successor, perceived desirability, perceived feasibility. The factors in the particular categories are presented in the following chart.

Situation of potential heirs	Perceptions of desirability	Perceptions of feasibility
<ul style="list-style-type: none"> ▪ Being brought up in the family business ▪ Work experience (within and outside of the family firm) ▪ Education specific to the industry ▪ Ability to work in and/or control the business ▪ Education and career goals 	<ul style="list-style-type: none"> ▪ Desirability of the potential lifestyle ▪ Desirability of the location /setting ▪ Desirability of the nature of the work ▪ Desirability of the business as a career 	<ul style="list-style-type: none"> ▪ Current and potential earnings from the business ▪ The legacy (real property, brand) ▪ Potential to grow or diversify the business ▪ The business environment (competition long term viability) ▪ Practicality of inheritance (taxes, legal problems)

TABLE 2: INFLUENCE FACTORS OF FAMILY BUSINESS TRANSFER (Getz – Petersen [2004] p. 273.)

When it comes to joining the family business – similarly to many other fields of life – taking the first step is the most difficult. Ernest Rowley, who is considered among the 200 richest people of Australia – recalls his memories about this: "I thought here is my father with this business... why not I go back and join him?... I joined my

father and we started our collaboration. Then he had only one employee. So when I joined, we doubled our labour force." (Gilding [2005] p. 29).

Bachkaniwala and his colleagues [2001] revealed that the following factors also have great effect on succession: working and career possibilities in front of the successors, growth and development potential of the enterprise. Stavrou [1999] mapped the reasons why a potential successor decides that he would participate and work in the enterprise, or why not. He classified these reasons based on how frequently the respondents answered with them. The following chart contains his results.

Most frequently reasons	Less frequently reasons
<i>Intention to join</i>	<i>Intention to join</i>
<ul style="list-style-type: none"> ▪ Plan to expand the business ▪ will have control over the firm operation one day ▪ Want to help their family prosper through the business ▪ Want to be their own boss one day 	<ul style="list-style-type: none"> ▪ Would like to be with parents, making up for time that parents were too preoccupied with the firm to be with them ▪ Experience peer pressure from friends whose parents also own a business ▪ Need to gain prestige in their community
<i>Intention not to join</i>	<i>Intention not to join</i>
<ul style="list-style-type: none"> ▪ Want to pursue other job opportunities available due to favourable employment conditions in the marketplace ▪ Plan to create their own business ▪ Need to discover their interest ▪ Aspire to prove capable of their own accomplishments ▪ Plan to pursue their educational aspirations ▪ Need to develop their own identity ▪ Plan to pursue a different career path ▪ Have other dreams for their future 	<ul style="list-style-type: none"> ▪ Have no interest in joining a firm where the owner keeps company secrets about business operations from employees ▪ Have no interest to join a firm in which the guidelines used in choosing employees are not clearly defined. ▪ Do not feel as business emphasizing important family values ▪ Could drive away capable non-family employees just because they are member of the owning family ▪ Do not meet the firm employment criteria ▪ Do not think their families want them to join the business ▪ Are not interested in joining a firm that lacks effective human resource management systems

TABLE 3: REASONS FOR JOIN AND NOT TO JOIN THE FAMILY BUSINESS (Stavrou [1999] p. 56.)

Birley [2002] performed a survey with the involvement of children of 412 owner-managers, and he found out that the most frequent reasons why they do not want to join the enterprise of their parents are:

- they cannot collaborate with their parents,
- the parents have objections against them working in the enterprise,

- they think that there are too many family members in the enterprise already,
- they consider the enterprise too small,
- they believe that they could not unfold their talents in the enterprise, they could not apply their gained knowledge,
- they get a higher salary in another workplace,
- they are not interested in the business career that the family enterprise offers.

The handover of the enterprise between generations nowadays is less obvious than it was before. Most of the children of entrepreneurs are high-qualified independent cosmopolitans who are less and less considerable as automatic heirs. It is more and more typical that they look at the enterprise as a product which is founded, it grows and then it is sold. This makes hard for the younger generation to look at the family business as an inheritance dedicated to the successors (Leach [2007]).

Stavrou and his colleagues [2008] performed a questionnaire survey in the U.S. and Greece involving such university students in whose families have enterprises, concerning their wishes to join the enterprise. There were 84 respondents from the U.S. and 120 from Greece. As a result of this survey they found out that the Greek respondents are more like to join the family business with a higher rate than the Americans. For both kinds of respondents, Greek and American successors, it was a significant viewpoint of decision that how successful and effective the family enterprise is. In the case of Greek female respondents, they observed that family and personal reasons have remarkable influence on the decision about joining the enterprise, at the same time they also realized that the age of female successors and the age of the enterprise are inversely proportional to their wish to join. In the case of Greek male respondents the influencing factor of decision is – besides enterprise performance – the family. In their case, in contrary to women, the older the enterprise is, the more likely they join it.

The survey in the UK involving children of owner-managers showed that the gender of children significantly relates to their wishes to join or not. 75% of the male child respondents have already worked in family business, and only 35% of the female child respondents did the same. 77% of female children who did not join the family business gave the reason of it saying that they were not interested in business career (Leach [2007]).

Zellweger and his colleagues [2010] performed surveys at 87 universities of eight countries, and they found out that 11% of the students with family enterprise in the family are planning to join the enterprise after they have finished their studies. 34% of them want to start their own businesses, 55% of them are thinking of they would be working as employees. Researchers found out that the young with family enterprise backgrounds are afraid of leader's responsibility, but they are optimists, regarding that they would be able to be effective entrepreneurs. In their article, researchers also call the attention on that in literature, little attention is given to family business takeover as a career and the attitude and motivation of those who choose it.

Martin [2001] examined future successors' emotions concerning their future role in family businesses where they are the chosen successor, and he found out that in family businesses, the attitude of appointed successors are more positive, more of them are waiting for the handover and they are more optimists about the tasks they will have to face with.

The decision of the enterprise owner about succession may determine that the enterprise would survive or go under. According to certain opinions, family businesses must never be given to the next generation because successors are usually not as talented as their predecessors. The more successful the predecessor is, the bigger the enterprise is, the less likely that the next generation will be able to operate it successfully (Leach [2007]). In my opinion, keeping the enterprise within the family, handing it over to the next generation provides long-term advantages which cannot be bartered away or wasted. The source of these advantages does not lie within the perfect suitability or fully preparedness of the successor, not necessarily, but much rather in the attitude represented by the family, their style in business. One may argue that a successor can be as talented as a predecessor or not, what the successor's forces and weaknesses are compared to the predecessor. The only sure statement that predecessor and successor are not the same person. Successor has his own goals, opinions and working style. When it comes to succession planning and choosing the successor, one must strive to evaluate the forces and weaknesses of the successor, exactly what measures are needed for assuring that regarding his abilities, he would be able to manage the enterprise successfully after the handover. One of the

steps to take might be the further training of the successor, applying mentors, managers and experts who can help him.

During succession of the family business, the most important decision is the successor's that he wishes to join the business or not. The intention of joining the enterprise and taking it over does not mean that the potential successor is actually suitable for solving successfully all those tasks before him. The first test of the successor is the succession process itself, when it is decided that he has enough empathy, patience, professional preparedness, he communicates properly, he is persistent enough to sit in the number one leader's chair or not.

In most of family businesses, it is a remarkable challenge to choose and prepare the proper successor. Ibrahim and his colleagues [2004] mapped the features, abilities, skills of the potential successor who plays his role successfully. They highlighted the following: leader skills, the ability for managing and influencing others, the suitability for independent decision-making, the ability for motivating other co-workers, good communication and conflict resolution skills. The following are also important: management skills, strategic planning, market positioning, financial and general management skills, industrial experiences. The further features of an effective successor: commitment, motivation, respect for family and towards non-family employees.

Sharma and Rao [2000] mapped the opinions of Canadian and Hindu family business leaders about the most important features of a future successor. According to both Canadians and Hindus, the most important things are fairness and commitment for the enterprise. Beyond these, Hindu enterprise owners consider the family-, blood relations significant, while for Canadian predecessors the important things are interpersonal relationships, past performance and experience. Based on a survey in Australia, the most essential features of successors are: fairness, commitment for the enterprise, intelligence, decision-making skills and self-confidence. Among the features less important there are: birth order, gender and degree of relatedness, while among more than averagely important features there are: handling interpersonal relationships, strategy planning skills and experience. A research also revealed that it is more important for bigger enterprises, that the potential successor has good relationship with the other members of the family, he has the needed professional skills and experience, he is in the proper age and he is in personal relationship with

the number one leader (Romano [2000]). The achievement of respect from non-family member employees is also important. On all these things potential successors have to pay attention while they spend time at the enterprise. Unlike in the case of those family business successors examined by Ainsworth and Cox [2003] where it became an anecdote in the circle of employees how the pair of siblings, appointed successors of the enterprise were quarrelling with each other over the parking lot of their father's who was then on holiday.

The interpretation of siblings' relationship during succession is not an easy task, especially when they are fighting each other for the position. In this case, filled with emotions, it is hard to understand that something seems to be fair for one of them and not necessarily fair for the other (Miller [1998]). Parents can help resolve the conflict between siblings with advancing open communication, revealing the roots of rivalry, encouraging the redefinition of their relationship (Sharma et al. [1997]).

DeNoble and his colleagues [2007] consider possible requirements towards the successor in having and obtaining social and human capital. On social capital on one hand they mean relationship with the family, including the predecessor and those family members who are working in the enterprise and those too who do not actively participate in the operation, on the other hand there are the business relations which can be internal and external. Human capital is the tacit, industrial and general management knowledge about the enterprise. Motwani and his colleagues [2006] during research found out that in a lower revenue company they more likely choose a successor who has strong sales and marketing competencies.

Cater and Justis [2009] examined that with which conditions the successor can become a successful leader. According to them, all the following contribute to the successor's success: positive relationship between parents and child, long-term perspective, gaining the industrial knowledge, understanding the specialities of the leader's role in the family enterprise. Based on the research of Tatoglu and his colleagues [2008] the important features of the successor are: competence, interest for the enterprise and qualifications.

According to Poza [2007] successful successors have the following features:

- they know well the enterprise, the business profile fits them,
- they know themselves, their forces and weaknesses, they have the necessary external experience and qualifications,

- they want to manage and be at service,
- they are responsibly guided and helped by the previous generation, advisers and non-family member managers,
- they have good relations, adaptability towards others especially to those who participate in succession (siblings, brothers-in-law, sisters-in-law, cousins),
- they can count on competent non-family member managers in senior management who complete their abilities,
- they have the needed ownership stake for leadership and if it is necessary they are able to make alliances in management,
- they have achieved respect from non-family member employees, suppliers, customers and other relatives,
- their skills and abilities are suitable for strategic business needs,
- they respect the past, their energies are focused on the future of business and family.

Kazmi [1999] examining second generation entrepreneurs, stated that the main features necessary to success are: results orientation, leader and managing skills, employee managing sense, motivation, administrative skills, openness to new ideas, willingness to take risks, good schedules, looking ahead and managerial skills.

During researching about the successor's gender, they proved that in the father-daughter enterprise the conflicts are less, they are more understanding with each other, there are more collaboration and integration than in father-son enterprises (Haberman – Danes [2007]). However women also must fight against the difficulties related to their gender. This role conflict often occurs: She is "his daddy's little girl" but at the same time she is also a business woman. And confrontation with non-family member employees also can cause many difficulties (Vera – Dean [2005]).

According to Cole [2000] the problems in parent-child relationship are the hardest things to talk through. Most of children would like to be considered less like children and more like employees, managers or co-owners. During succession, for parents, it can become source of serious conflicts not to give managerial responsibility to the children. They do not consider them suitable for responsibilities, independently on their age and experiences, the children working in the enterprise feel to be locked into the family company without any other available opportunities, and sometimes

they feel that their parents are slowly decreasing the value of their inheritance (Birley [2001]).

Tatoglu and his colleagues [2008] revealed that those predecessors delegate wider range of rights of decision to potential successors who are certain about the identity of the successor, they think the successor is competent, responsible, he has the necessary abilities and experiences. On the contrary, certain parents have very high expectations and quite challenging tasks for their child, children they consider potential successor(s), they are much stricter to them than to other employees, they are trying to be maximally assured that the children will be prepared to their heir role (Cole [2000]). During the predecessor-successor collaboration it is important to establish a harmonical, balanced relationship pleasing for both sides, because conflicts can go so far that the potential successor leaves the family enterprise, and he creates concurrence to his parents by founding another enterprise on his own (Ainsworth – Cox [2003]).

Harvey and Evans [1994] characterized the effect of the successor’s preparedness and his willingness to join the enterprise on the organization within a 2x2 matrix.

	Motivated to enter	Unmotivated to enter
Qualified	Organizational win (positive impact)	Organizational loss (negative impact)
Unqualified	Organizational loss (negative impact)	Organizational win (positive impact)

FIGURE 15: DECISION CRITERIA FOR FAMILY MEMBER INVOLVEMENT (Harvey – Evans [1994], p. 229.)

The enterprise wins with the decision of the successor in two cases, first if the suitable successor decides to join the enterprise, or if the successor with no proper qualifications decides not to join the enterprise. In both of the other cases, the decision has negative effect on the organization.

When choosing the successor, the owners of family businesses must evaluate honestly the abilities of the next generation related to the enterprise management. If the child misses the necessary abilities, the owner must face with the facts, because ignoring this problem can worsen the situation. The undeserving promotion of the successors does not mean advantage neither for them nor for the enterprise. Assignments beyond one’s abilities carry not only business risk but it can cause also

an unsuccessful career, bitterness, even a failure experience for life to the individual (Leach [2007]).

It is typical to family businesses that they appoint a family member for managing the enterprise, despite that a non-family member manager would be much suitable for the task. In bigger enterprises, this feature of family businesses does not show much, in their case, it rather occurs that they appoint a non-family member as leader of the enterprise. Giving positions to family members within the enterprise is not necessarily the proof of nepotism, it can also be considered as a rational step for the reduction of risks and agency costs (Lee et al. [2003]).

Royer and his colleagues [2008] examined – regarding the significance of empirical knowledge about family business and general, professional and industrial knowledge – that which carries success more likely: choosing a successor from inside or from outside the family. Their results are presented in the following figure.

Relevance of general and technical industry-specific knowledge

		<i>Low</i>	<i>High</i>
		Relevance of experiential family business-specific knowledge	<i>Low</i>
	<i>High</i>	Inside option has higher probability of being success promising because of access to experimental knowledge	Inside option is preferable, if the potential family successor industry specific and general/technical knowledge plus his/her experiential family business knowledge is higher than the potential non-family successors successor industry specific and general/technical knowledge

FIGURE 16: THE CONTINGENCY MODEL OF FAMILY BUSINESS SUCCESSION (Royer et al. [2008] p. 19.)

According to Sambrook [2005] there are three remarkable elements of the successor's knowledge: The first is technical or professional knowledge (about taxes and other related legislations, general knowledge about the business sector). This knowledge is task-orientated, it can be easily acquired in special and formal or informal ways. The second element of knowledge is related to the organization, how it operates, what the key factors of success and growth are. This knowledge can be acquired in an informal way, it mainly requires deep knowledge about enterprise

environment. The third element of knowledge is that specific tacit knowledge which consists of management skills, decision-making skills and process perspective. It is really hard to make it tangible for the successor and to acquire it. Perhaps the most important stage of succession is the knowledge transmission between predecessor and successor, its complexity contributes largely to the opinions of researchers according to which successful execution of succession process is the biggest challenge before family businesses.

Suerez and his colleagues [2001] created the model of knowledge transmission and development related to family businesses, based on resources and knowledge. It is presented in the following figure. In their model, transmission²² of tacit knowledge about family businesses has especially important role, being the source of long-term competitive advantage. For the transmission of this tacit knowledge, it is essential that there is good relationship between predecessor and successor, the predecessor must be pride of the results achieved by the successor, he must be open for new management techniques, the successor must respect the predecessor's accumulated knowledge and experience, his contribution to the results of the enterprise, the successor must not be negative about the proven procedures, methods.

²² According to Chirico [2008] tacit knowledge can be acquired mostly by "apprenticeship" and mentoring.

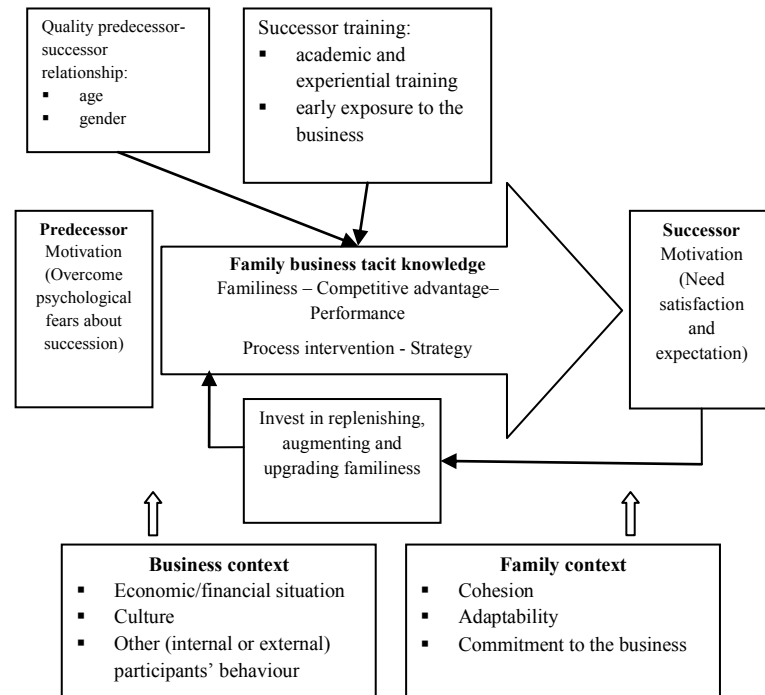


FIGURE 17: MODEL OF KNOWLEDGE TRANSFER AND SUCCESSOR'S DEVELOPMENT IN THE FAMILY FIRM
(Suezer et al [2001] p. 41.)

Choosing the proper successor is not an easy task, according to Leach [2007] when evaluating candidates, the following aspects should be considered:

- Are they committed to the mission of the enterprise?
- Do they have the necessary abilities to advance the enterprise?
- Are they able to think independently and make correct judgements?
- Do they have the necessary skills? Are they able to undertake tough decisions? Can they motivate others?

When choosing a successor, depending on family culture, they may or may not be following the primogeniture discipline. This is when the firstborn male child takes over the enterprise. This approach can lead to conflicts between siblings, especially when the younger brother is more suitable for the takeover of the enterprise (Paradise [2009]).

As a criterion of choosing a successor, Tatoglu and his colleagues [2008] suggested that if the candidate has not had working experience in the family business yet, the main criterion be the qualification. If he has been already working in the enterprise, the main criteria be the competence and business interest as they suggested. There are many opinions about the importance of external working experience. According

to Leach's [2007] reasoning, it is essential for the later success of the successor that he works enough outside the family enterprise and he proves himself, developing his self-assessment and self-confidence, extending his business experience, increasing his credibility in the eyes of non-family member employees. A three-five-year period of external experience in another enterprise provides for the successor building a knowledge base, facing such problems which may occur in the family business, gaining new experiences (Chirico [2008]). In contrary to this, the research of Tatoglu and his colleagues [2008] in Turkey, reveals that in family businesses not too much attention is given to external working experience, it is rather important that the successor has good relationships with those involved in the enterprise, he understands and acquires the family business culture. Hisrich and Peters [1991] also consider it important that in family succession, the successor gains experience in more fields in the enterprise, he gets to know its operation, after taking a look in the details, he sees through the enterprise structure, he gets in connection with the key employees of the enterprise.

Those parents who are planning the involvement of their children in the family business, can take concrete steps for making business career attractive for them. Gere's [1997] research reveals that parents most often try to influence their children in choosing a career, by encouraging further education and involvement in business work for that in the future, the children will have fancy for joining the family enterprise. 28% of the respondents in the research, said that when the research was being made, their children had already been working in their enterprise. Other 22% said that they were planning to involve their children in the family enterprise after they had grown up and finished their studies.

The successor in a new role will be successful more likely if his preparation for the takeover happens consciously. Lambrecht [2005] distinguished the six milestones of the successful preparation: entrepreneurship stage (the entrepreneurial climate and activity in family businesses are passed on from generation to generation; the importance of this early socialization is also highlighted by Poza [2007]), educational stage, formal inner education, gaining of external experience, official start of working in the enterprise (possibly at the bottom of the rank ladder), written plan and agreement about the handover. According to Leach [2007] for the members of the next generation, the training and educational process must be planned within the

enterprise. It helps much, if at the beginning a structural plan is created with the involvement of the older generation, in which they outline the career to be followed, the milestones to be achieved, in a way that the successor later becomes capable of taking the role of the owner-manager. In the training of the successor a mentor can get a significant role. In the ideal case, the mentor is an employee who have been working in the enterprise for a long time, is an elder, has high status in the enterprise (due to mutual emotional involvement, parents might be weak teachers), who is willing to share his experiences and he highly concerns the development of the next generation. For mentors, there is a risk of their limiting the negative reactions to the potential successor, because as employees they are afraid of getting revenged by the successor in a few years for their comments of "constructive criticism". According to Reid and his colleagues [2002] in family businesses, the family member managers can be more effective if they had participated in manager training before they started to work in the enterprise.

During the handover of the enterprise, perhaps there is too much emphasis on the successor's suitability. I believe there is no perfect successor, this might occur only in an impossible situation, where he has all the positive features and experiences of the predecessor's, and in certain fields²³ he would be even better than the predecessor and the successor has no weakness. Exists only a proper successor for whom such a plan can be worked out – regarding his abilities and knowledge – which contains his personal development and defines those implemented changes within the enterprise which make the frame of his successful work. The possibilities are endless, for the successor, the conditions of the successful takeover and effective operating afterwards can be created by education, preparation with guidance, reorganizations, elimination of the successor's eventual weaknesses, flaws, applying non-family member employees, managers, and advisers.

²³ Cubico and his colleagues [2010] researching the value-orientation of collaborating generations, revealed remarkable differences. They found out that for the older generation, the work in the enterprise is a lifestyle, the field of self-realization, meanwhile it is not typical for the younger generation.

4. SUCCESSION PROCESS

4.1. Handover outcomes

A family enterprise is a real family business if it remains in the hands of the same family through generations, utilizing the accumulated knowledge and experience. Lambrecht [2005] lists three reasons encouraging families to go on with the family enterprise through generations. The first things are the values represented by the family: responsibility for employees, love for the product and independence. The second is reservation of the family's name, especially when it has emotional and symbolical significance. The third is taking the advantages of the family enterprise such as long-term perspective, versatility and commitment for life.

Duh and his colleagues [2009] based on their survey in Slovenia, concerning 132 small and medium enterprises, found out that 31.8% of them are expecting succession in five years, and more than 70% of them want to solve the succession within the family. According to the survey of PricewaterhouseCoopers [2008] in the half of the examined enterprises, they are planning the succession within the family. Extremely high (84%) is the rate of those North American companies where they are planning to keep the ownership in the family. Poutziouris [2001b] identifies the following most typical exit options besides succession inside the family: sale to a third party, sale to enterprise management, sale to external management, partial exit, reserving some control for strategic investors, keeping the ownership with applying professional management and keeping the ownership with applying family management.

Bjuggren and Sund [2001] see the most important alternative of keeping the family business in its external sale or internal handover. They call the attention on how important is creating a supportive legislation for external sale or internal handover by inheritance or donation.

Ip and Jacobs [2006] identify more possible options – other than the already mentioned succession outcomes – such as reorganization of the enterprise into a franchise system, operating it as a franchise, founding a common enterprise, stock exchange listing, fusion with other enterprises and closure the enterprise. Based on the survey of Grant Thornton [2002], the handover preference list of family

businesses is the following: inheritance within the family (56%), sale (26%) and involvement of external capital investors (10%). For non-family businesses, the most likely outcomes are respectively: sale (39%), then involvement of external capital investors (22%) and finally handover within the family (17%). For non-family businesses – despite their complexity and preparations with remarkable labour expense – the full and partial sale options are more significant (Poutziouris et al. [2002]).

According to Leach [2007] the enterprise owner has the following options related to succession:

- appointing a family member,
- appointing an interim manager,
- appointing a professional manager,
- exiting with the full or partial sale of the enterprise,
- exiting with the dissolution of the enterprise,
- not doing anything.

Related to succession in family businesses, the "curtailment" of family participation is a not an often mentioned option. It is a typical problem in family businesses that with widening and dilution of the owner circle, the enterprise operation becomes harder, and one must comply to many controversial expectations. One way to solve these difficulties is to narrow the owner circle, its execution requires serious preparations and spirit of compromise (Lambrecht – Lievens [2008]).

Based on his research concerning 16 countries, Birley [2001] came to the conclusion that enterprises basically can be divided into three groups. There are such companies (33.5%) in which they encourage children to join the enterprise, they think that they must choose the future successor from family members. Others (28.3%) have completely opposite views, they strive to distinguish family and business maximally. While those in the third group strive to make a balance between family and business. The presented research results all confirm that the most preferred succession outcome in family businesses is handover within the family. Lambrecht [2005] sees five successful ways for execution of handover within the family:

- the successor(s), full of interest, motivation, ambitions, think(s) that their takeover of the enterprise is obvious,

- the one who hands over the enterprise openly expresses that he would like that the potential successors in the family took over the business,
- successors feel it is a moral duty that they would take over the enterprise, they do not want to disappoint the predecessor, they want to avoid the bartering away and waste of the family enterprise in any case,
- for the successor, the takeover of the enterprise is determined – he slipped or stuck into the enterprise – he had typically become an active party in the life of the enterprise already at a young age, in weekends, school vacations,
- the predecessor draws the successor into joining the enterprise by slightly pressuring him, influencing his studies, his interests. In this case, only the gentle manipulation works effectively, forcing never works successfully.

As much desired which it is for family business founders to hand over the enterprise to the next generation, there are certain factors which can make obstacles of succession within the family. Getz and Petersen [2004] collected these general inhibitory factors of succession within the family:

- there is no (proper) successor in the family,
- age incompatibility (old parent, young child),
- the "dream" of parents and that of the children are not identical, the children want to go on their own ways, they are longing for independence,
- the predecessor does not want to retire, he is not planning the succession,
- the children have negative attitude towards the enterprise,
- gender preference (the disadvantageous treatment of daughters),
- the enterprise is not viable or succession is unfeasible due to inheritance legislation and its tax implications.

Kiong [2005], based on his research concerning Chinese family businesses, revealed that lack of successor is a problem in many family businesses, and not one of them disappeared due to unresolved succession.

In certain cases, family businesses are planning succession within the family but the process is not successful. Massis and his colleagues [2008] collected the inhibitory factors of family succession and listed them into categories.

Category	Subcategory	Factor
Individual factors (related to profile and/or motivation of single individuals)	Successor(s) related factors	Low ability of potential successor(s) Dissatisfaction/lack of motivation of potential successor(s) Unexpected loss of potential successor(s) (death or illness)
	Incumbent-related factors	Personal sense of attachment of the incumbent with the business Unexpected, premature loss of the incumbent (death or illness) Incumbent unforeseen remarriage, divorce or birth of a new children
Relational factors (regarding the relationship with/among family and nonfamily members involved in the family business)	Family members	Conflicts/rivalries/competition in parent-child relationship Conflicts/rivalries/competition (e.g., sibling rivalries) Perils related to high “consensus sensitiveness” of the family business Lack of trust in the potential successor(s) Lack of commitment to the potential successor(s)
	Nonfamily members	Conflicts between incumbent/potential successor(s) and nonfamily members, and nonacceptance of the potential successor(s) among nonfamily members Lack of trust in the potential successor(s) Lack of commitment to the potential successor(s)
Financial factors (regarding inadequate internal financial resources and excessive opportunity cost associated with raising external financing)	-	Inability to sustain the tax burden related to succession Inability to find financial resources to liquidate the possible exit of heir(s) Inadequate financial resources to absorb the costs of hiring professional managers
Context factors (associated with changes in the political-economic environment in which the family business operates)	-	Change in the business performance Decrease in the scale of the business Loss of key customers or suppliers/decline of the relationship between the potential successor(s) and customers or suppliers
Process factors (related to the absence of good actions or the presence of bad actions that cause succession not to take place)	Establishment of the preparatory activities	Not clearly defining the roles of the incumbent and the potential successor(s) Not communicating and sharing the decisions related to the succession process with family members and other stakeholders
	Development of successor(s)	Incorrectly evaluating the gaps between needs and potential successor’s abilities Failing to train potential successor(s) Late or insufficiently exposing potential successor(s) to the business Not giving the potential successor(s) sufficient feedback about the succession progress
	Selection of successor(s)	Not formalizing rational and objective criteria for selection Not defining the composition of the team in charge of the assessment of potential successor(s)

TABLE 4: FACTORS PREVENTING INTRA-FAMILY SUCCESSION (Massis et al. [2008] p. 187.)

If there is no proper person in the family to take over the enterprise, Leach [2007] suggests the following possible solutions:

- Sharing the enterprise: if it is impossible for the next generation to manage the enterprise together due to rivalry among siblings, it is worth to consider sharing the enterprise, they could operate the shared parts on their own. Sharing only worth it if it is commercially justifiable.
- Selling the enterprise: selling is a better solution than forced handover. However selling requires strong emotional efforts but it could mean the best option for reserving the owner’s financial security and family harmony.
- Appointing a non-family member manager: if there is no proper person within the family, in many family businesses they decide to appoint an external manager for the operation of the enterprise.

- Appointing an interim manager: if succession obstacles are just temporary (for example: the successor has not gained the necessary experience for the takeover yet) for that period of time until the family successor can take over the baton, they appoint an external manager for operating the enterprise.

Regarding family businesses, sale²⁴ as a succession outcome is not a too preferred solution, especially if the predecessor founded and built up the enterprise, it takes him serious emotional efforts to make a decision about the sale. However when evaluating the unpredictable consequences of an unsuccessful succession and the emotional loss which the sale procedure carries, the most rational decision might be to harvest the fruits of hard work invested in the enterprise by selling it (Dana – Smyrnios [2010]). Unless the decision of the selling is postponed to the last minute, this way the sale will be a forced sale of the enterprise for reservation of family wealth (Leach [2007]). It occurs that the family involved in succession realize too late that reservation and transfer of wealth is more important than sharing and inheritance of management and ownership. It occurs in these cases that selling the enterprise means saving the family wealth (Gilding [2005]). If the entrepreneur decides to sell, he certainly needs a reliable company valuation, so it is revealed what the enterprise costs actually (Filep [2007]). Astrachan and Jaskiewicz [2008] created a special company valuation model of family businesses, the point is to define the enterprise value from the owner family's point of view. According to their theory, the enterprise value is not determined only based on wealth and realizable future financial benefits, but emotional factors also play role in definition of its final value. The emotional value depends on emotional costs and emotional benefits. If the benefits are beyond the costs, to the financial value of the enterprise an excess value is added, while if emotional costs are more, the difference reduces the financial value.

Hemingway and Bálint [2004] summed up the advantages and disadvantages of the revealed succession outcomes in chart.

²⁴ Vecsenyi [2009] identifies the reasons of sale in fatigue, developmental constraints, emergency, good offer, good opportunity.

Outcomes	Advantages	Disadvantages
Family succession	<ul style="list-style-type: none"> ▪ The business remains in the hand of the family, ▪ lower succession costs, ▪ Simpler administration. 	<ul style="list-style-type: none"> ▪ Fresh capital can't be involved into the business, ▪ family disputes, rivalry can occur, ▪ in some cases resistance can be experienced within the company.
MBO and/or MRP	<ul style="list-style-type: none"> ▪ The future and the strategy of the business are provided, ▪ the incumbent can become advisor in the business, ▪ tax benefits. 	<ul style="list-style-type: none"> ▪ Fresh capital can be involved in long ran and a limited way, ▪ too much administration.
Selling to third party	<ul style="list-style-type: none"> ▪ One time big amount of money, ▪ effective new knowledge can be bringed in the company. 	<ul style="list-style-type: none"> ▪ The future and the strategy of the company are not provided, ▪ the selling can be failed by the resistance of the employees.
IPO	<ul style="list-style-type: none"> ▪ Fast growth can be financed, ▪ the reputation of the company growing, ▪ increasing marketability of the company products. 	<ul style="list-style-type: none"> ▪ Huge registration, issue and reporting costs, ▪ more complicated audits and taxation, ▪ focus on short term profits, ▪ risk of insider trade.
Closing the company	<ul style="list-style-type: none"> ▪ Further losses can be avoided. 	<ul style="list-style-type: none"> ▪ Can cause social and other problems.

TABLE 5: ADVANTAGES AND DISADVANTAGES OF SUCCESSION OUTCOMES (Hemingway – Bálint [2004] p. 308.)

Bálint [2006] in his research examined the succession outcomes in Hungarian medium enterprises. Based on his results, medium enterprises choose typically from two succession outcomes: family succession and sale for external parties are preferred. The decision from these two typical outcomes is influenced by the age of the predecessor, features of successor, rate of family ownership, enterprise features and industrial effect.

In the EU they realized that how serious task an enterprise sale is. In every case, sale is difficult because the seller knows more about the enterprise, especially about its weaknesses than the potential buyer does. For this, they believe the presence of such trustworthy organizations with company database is important which helps the sale. The most important criteria against this are that the databases are not fragmented, the organization is neutral, trustworthy and well-known, providing anonymity for sellers and buyers, the quality of database entries is guaranteed. In comparison with other EU member countries, in Hungary, there is a relatively small number of enterprises for sale which is justified by that the enterprises founded after the political changeover provide good standard of living for their owners, thus strong emotional and financial reasons play a role in keeping these well-functioning companies (European Commission [2006]). It reduces the information asymmetry between seller and buyer if the entrepreneur sells the enterprise to the employees. In this case, the definition of ownership rates can be difficult. Does he sell the whole company? Does

he stay in the enterprise with majority or minority ownership? In what constructions does the payment happen (Hisrich – Peters [1991])?

After selling the enterprise, the question arises that what kind of activity the predecessor would do in the future, who once was an active participant in the company. Fager and McKinney [2007] suggest the following possibilities:

- contribution as an adviser,
- contribution as board member,
- realization of his dreams (time and money is given),
- charitable activities,
- creative activities: writing a book, painting, carving, etc...

The efficiency of succession is more likely if the participants define the desirable outcome, with every detail, including development of ownership rights and clarification of personal matters. However the clearest visions and most accurate planning may fall flat in seconds due to the visions and health of predecessor and successor or changing in market conditions. For this, besides planning the desirable outcome and the road which leads to it, it is worthwhile to prepare for vis major situations, when succession process must be executed in unexpected conditions.

4.2. Succession planning, succession process

During succession, the competitiveness of the enterprise, family harmony and ownership advantages are at risk, thus in everyday life of family businesses there is a key role for succession planning. There are many reasons why organizations fail but in case of family businesses, the explanation is given mostly by the unsuccessfulness of succession planning (Poza [2007]).

The competitors, sensing the weakening of leadership, take advantage of the situation, the enterprise may lose important customers, they can seduce the key employees, taking advantage of their uncertainty about the future due to the unplanned succession process. With thorough planning in advance, updating the plan constantly, these dangers can be eliminated (Rosenfeld – Friedman [2004]).

In those enterprises where there is no documentation concerning succession matters, and there is no succession plan, the forced sudden takeover of the enterprise due to any reason may cause serious recession, especially if there are more children of the predecessor and if these children were born in different marriages (Kiong [2005]).

Without written testament, plans, instructions, the inheritance is shared in a complicated, expensive, time-consuming legislative procedure, in a way that it does not necessarily reflect the visions of the testator, and often of those involved. The fair share of wealth does not mean the equal share of it, not in every case, thus neither the equal share of wealth does not necessarily mean the fair share of it (Fager – McKinney [2007]).

Despite the dangers due to the lack of succession plan, near half of the respondent enterprises in the survey of PricewaterhouseCoopers [2008] said that they have no succession plans. According to Stavrou [2003], the succession plan is rarely created in the life of the owner-manager, and if planning still comes up, during its execution, it does not meet the expectations.

It is an interesting result that the involved individuals sense differently that the family enterprise is committed towards succession planning or not. Predecessors are convinced that succession planning was performed fine, while the other family members do not think so (Sharma et al. [2000]).

Motwani and his colleagues [2006] researching 368 family businesses, found out that in those enterprises where the number of family member employees was higher, more attention was given to succession planning, they explained this with that in case of these enterprises, the outcome of succession process may carry more risks for the family, there are more involved individuals. Thus it is inevitable to keep these questions under continuous updating. The second and third generation enterprises are more aware of succession challenges than first generation enterprises. They typically spend more time and energy on succession planning (Sonfield – Lussier [2004]).

For most of the entrepreneurs it is difficult to plan anything, frequently they do not create business plans neither, not to mention a succession plan. Szirmai [1995] and Szirmai – Klein [2010] exhaustively discuss business planning of enterprises in details, from the bases to higher problems. There are no strict regulations about the content, structure and extent of the succession plan, however it must contain certain questions, such as family and organizational issues, legal, tax and financial matters, inhibitory factors of the succession process and practical solutions (Ip – Jacobs [2006]).

According to Gersick and his colleagues [1997], the first step of succession planning is the decision about the ownership structure of the next generation, it serves as a

base for making further decisions. The guidelines to be followed during planning are: maintenance of enterprise continuity, providing liquidity and keeping family interests in mind (Leach [2007]). Sharma and his colleagues [2003a] consider the following as the most important topics of revision during succession planning: to choose and prepare the successor, to work out the vision and strategic plan of the enterprise after the succession, to define the role of the retiring predecessor and to work out the communication with the mainly involved people.

Based on Poza [2007] one has to be careful with these catches when planning succession and division of property and transferring ownership:

- Postponing division of property, ignoring the fact that the life of the current owner once will come to an end.
- Narrowly focusing only on minimalization of taxes at the expense of the enterprise.
- Using property division planning only to divide financial tools, and missing the chance of teaching the next generation, giving them real inheritance and not just financial tools.
- Not considering that the most important goal is to keep on going with the enterprise during planning.
- Confusing being correct with love, wishing that every heir would receive equal treatment.
- Lacking communication with the heirs, improper mapping of what particular family members appreciate the most, what they wish for, what they need.
- Improper training of the successor, not recognizing the special forces and weaknesses of the next generation.
- Missing the peer review of the plans.

Sharma and her colleagues [2000] identified those factors which are influencing succession planning in family businesses.

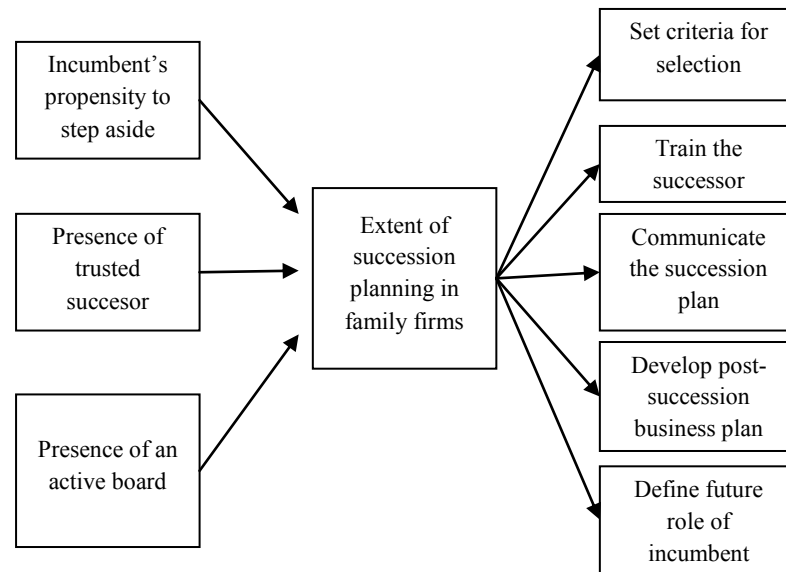


FIGURE 18: FACTORS INFLUENCING SUCCESSION PLANNING IN FAMILY FIRMS (Sharma et al. [2000] p. 235.)

According to Tralka [2003], succession planning has four main steps: defining the value of the enterprise, planning the exit strategy of the predecessor, choosing the successor and defining the methodology of handover.

In most of family businesses, they do not come to even the problems of actual succession planning because they are not able to defeat those obstacles which are in its way. Hubler [1999] detected the following factors which are obstacles of succession planning:

- not proper communication between emotions and wishes,
- evaluation of differences as negatives,
- indirect communication,
- scarcity of resources,
- lack of respect for the past,
- objections against changes,
- objections against handover of leadership,
- lack of forgiving,
- lack of appreciation, acknowledgement, love.

According to Fager and McKinney [2007] the most frequent reasons of the predecessor why they are postponing succession planning are:

- things are going just fine, complex of "good times do not pass",
- it is hard to deal with succession planning while "the house is burning down",

- naturally, I will live forever in perfect mental and physical condition,
- what will happen to the key employees after I have retired,
- if I sell the enterprise, what will I do afterwards,
- succession means a lot of tax burden,
- lack of trust in the abilities of the successor.

According to Tucker [2011] the most important role is given in succession, similarly in family businesses also, to interpersonal relationships. According to him, the biggest obstacles before successful succession are fear and illusion of immortality. Fear of retirement, fear of discard from power, fear of that the next generation can be more successful. For those who have been building something, creating something new in their whole lives, the discard from the enterprise is unknown. It is a frequent criticism regarding predecessors' behaviour that they pretend to be immortals. The next generation, knowing nothing about the plans and visions of the predecessor, anguishes in doubts.

Despite the fact that it is time for dividing the property of the family enterprise, the failure of this and of succession planning can be caused generally by high professional fees, antipathy towards particular advisers and irrational optimism. Nobody likes talking about illness or death, and about their effects on the family and business. This also may influence the postponing of planning the property division (Poza [2007]). Hemingway and Bálint [2004], and Bálint [2004] pointed out that it may occur that the predecessor is not able to create a succession plan because he cannot decide which option among many would be ideal, or the process is too complex for making a strategy.

In family businesses, the handover is a more extensive process than in non-family businesses. It is not limited to the handover of the management but it includes the transmission of its role in the family and transmission of ownership. It caused many enterprises' failure in succession that they were not able to settle these three issues together within an acceptable deadline (Poza [2007]). According to Leach [2007] there are two conceptions regarding the succession process: they arrange the enterprise structure and strategy to the possible and desirable succession scenario or they choose a succession scenario to the structure and strategy of the enterprise's vision.

The starting of the succession process can be encouraged by more factors, these are: aging, psychological changes, changes in the family, environmental pressure, more particularly political or economic changes (Gersick et al. [1999]). It is very important that those who are involved in succession be aware that during succession, the handover of leadership, management and the division of property (ownership, material possessions) are distinguished. It is urgent and important to solve management and other psychological problems²⁵ but sharing financial tools is often the determinative factor of the succession process's success or failure (Ip – Jacobs [2006]).

The execution of succession process may happen in more ways – besides maintaining operation continuity (Tatoglu et al. [2008]):

- the process is fully managed by the predecessor,
- the predecessor asks for advice and help of a chosen family member,
- the predecessor is helped by advisers,
- the predecessor involves the family in work.

The succession process in particular family enterprises may happen diversely. Steier [2001] regarding the handover of social capital, distinguishes the following succession methods: unplanned, sudden, forced, natural and planned and aforethought handover of social capital.

For family businesses, succession process is the pledge of reservation of property through generations. In permanently changing conditions, the innovative abilities of the next generation and their ability to change, the continuous innovation and development can be made into a special advantage of family businesses (Habbershon – Pistrui [2002]). If in the family there is a reliable, suitable successor who tends to hand over the enterprise, the request of starting the succession process may come from the predecessor, or due to the successor's pressure on the predecessor, this later case may result in negative effects on the succession process (Sharma et al. [2003a]). Handler [1991] emphasizes the importance of relationships. In his opinion the factors which determine the quality of succession process are: mutual respect and understanding between generations and adaptation between siblings. The family

²⁵ Among psychological problems, the emotional effort is significant which is required from the part of the predecessor by retirement. Related to this, Szirmai in the Spin-off club performed an experiment called the "rendezvous program". He realized a strategy dissolving the psychological obstacles of retiring entrepreneurs. Its point is that the retiring predecessor is acting like a business angel.

members of the next generation who have maintained positive relationship with their predecessor, when joining the enterprise, they felt that they added something to the enrichment, expansion and growth of the enterprise. While in the case of a negative relationship, they experienced resentment, anger, frustration and lack of appreciation. Singalas and his colleagues [2008] collected the inhibitory factors of succession process and their explanations with references from the related literature. In the Appendix 3, their results are presented in chart.

During the succession process, according to Fager and McKinney [2007], the following questions are worth to consider for deciding that predecessor and successor are ready for the handover or not:

- Is the predecessor ready, and is he willing to retire?
- Is there an established exit strategy?
- Is the predecessor engaged in following the set out strategy?
- Is the family member appointed to be successor proper?
- Is the successor engaged, and is he ready for undertake the tasks before him?
- Is the successor willing and able to do his tasks?
- Is the predecessor aware that with his retirement there will be open positions in the enterprise?
- Are the open positions filled?
- Is everybody prepared properly for their new roles?

According to Leach [2007], if it is decided that they wish to hand over the enterprise within the family, the following guideline is worth to be followed for the succession process execution:

- The planning must be started as soon as possible: the advantage of "problems of tomorrow can be solved today" must be taken.
- The teamwork with the participation of the other generations must be encouraged: the experiences gained in common work help that succession process go smoother. It is fortunate if the older generation can act as coach or mentor.
- A written succession plan must be made: formal mechanisms procedures help to handle tensions and division, which can have negative effects on the effective enterprise operation if they are not solved.

- The family and colleagues must be involved: it is worth to make a team dealing with succession, its members are the owner, a chosen family member and one of the enterprise managers. The team is responsible for working out, monitoring and implementing a succession plan.
- It is worth to ask external advisers' help.
- The successor must be prepared thoroughly: many owners believe that their children want to join the enterprise, if they do not want to, the owners pressure them to force them into it. If the successor is not prepared enough, can be easily pressured, he will be unhappy with the career in the family enterprise, his discontent will not influence positively neither him nor the business.
- The retirement must be planned: it is important for founders to be prepared psychologically and emotionally for the new stage of their lives, which is not focused only on business, it is worth to plan their further role in the enterprise, their remuneration to the time period after their retirement.

If the succession process is well-prepared and its execution is well-organized, still there can be certain factors, events that mean remarkable challenge to all those involved. For instance the predecessor is being negative about the leadership handover, differences in perspective due to age difference between predecessor and successor, questioning the successor's skills and suitability, father-child, mother-child relationships, rivalry between siblings, rivalry with non-family member employees, conflicts between work and family life (Vera – Dean [2005]). During the succession process, it is significant to evaluate when comes the time that the successor would get the whole leadership. Based on the research of Brun de Pontet and his colleagues [2007] concerning 100 succession involved family companies in Canada, they came to the conclusion that the date of the full handover is mainly determined by the measure of the successor's participation and his preparedness for running the enterprise. According to others, the inner decision of the predecessor is determinant in this matter (Sharma et al. [1997]).

The succession process in family enterprises may happen diversely. Miller and his colleagues [2003] during research detected three main types: conservative, waving and rebellious manners. Their main features are presented in the following chart.

	Conservative	Wavering	Rebellious
Strategy	Stagnation, risk aversion, insularity	Indecisive, inconsistent, star-stop	Revolutionary change – often for its own shake
Organization and culture	Tradition-bound, bureaucratic, centralized	Confused culture, conflict-ridden units	New units, new values, chaotic organization
Governance	Old guard still powerful	Mix of old and new managers	Significant turnover, new sheriff in town
Performance	Loss of market share, dying markets	Abortive projects, shrinking margins	Cost and expenditure overruns

TABLE 6: TYPOLOGY OF SUCCESSION PROCESS (Miller et al. [2003] p. 517.)

Morris and his colleagues [1996], [1997] modelled the features of the handover, and the factors of the family enterprise performance after the handover based on questionnaires, concerning 177 involved enterprises. The research revealed that the most influencing factors are: preparedness of the successors, nature of relationships within the family and business and planning and controlling activities. The model is presented in the following figure with details.

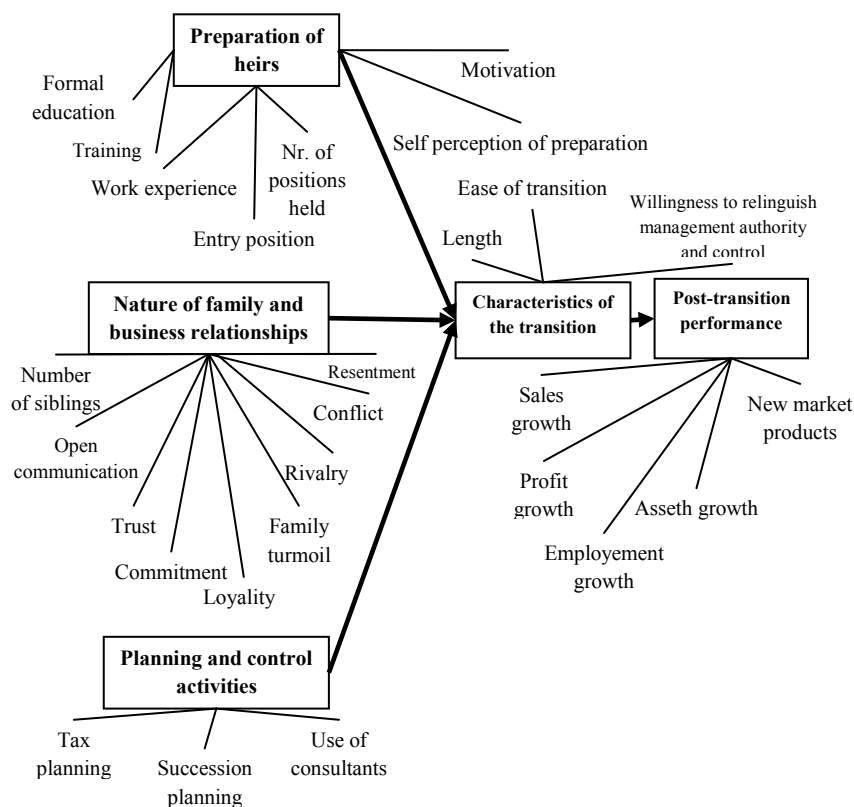


FIGURE 19: FACTORS DETERMINING FAMILY THE BUSINESS TRANSFER OUTCOME (Morris et al. [1997] p. 392.)

The ultimate measure of succession process is that how successful it is. Bigliardi and Dormio [2009] researching successfulness found out that in case of those family

businesses where they consider the following, the succession's success was more likely: succession process lasts more years, it must be planned, its regulations must be communicated towards family business members, common values have a key role, the condition of efficiency is the thorough preparedness of the successor and external working experience, and the predecessor must collaborate with his successor, striving for their most effective training about their future roles. According to Cater and Justis [2010], succession process is determined by the collaboration quality of the two generations, and its efficiency is remarkably increased by open communication and long-term perspective. Chirico [2007] calls the attention on the significance of knowledge transmission as a strong influencing factor of succession success. In family businesses, accumulated knowledge can be acquired by organized education, course studies, other trainings, external and internal working experience, employment of talented non-family member employees. Accumulated, continuously growing knowledge passed on to the next generation is the pledge of long-term family business operation. Based on the research of Mazzola and his colleagues [2008], concerning 18 Italian family businesses, they highlight the positive effect of the successor's participation in strategic planning on his training and on successfulness of the whole succession process. It is due to mainly the tacit knowledge transferred in the planning process, development of working relationships, strengthening of credibility and legitimacy of the successor. Yan and Sorenson [2006] explain the success of the succession process with Confucian values. In their opinion, the process goes without special hardships if it is accepted and supported by the predecessor, the successor and the family. The most important factors are: mutual respect, trust, care, mutual considering of interests, expectations, needs, especially placing family interests over individual and business interests. Chittoor and Das [2007] based on available literature, collected and classified the factors which influence the succession success, they distinguished factors related to: the predecessor, successor, family, business and process, their results are summed up in the following chart.

Factor	Related variables
Incumbent	motivation, personality and characteristics, incumbent-successor relationship
Successor	motivation, abilities, education, working experience outside the family business, apprenticeship
Family	quality of family relationships, existence or lack of harmony between family members, commitment to family business
Business	earlier succession experience, organizational culture, life-cycle of business, tax system
Process	planning of succession process, successor selection process, support and development of successor, shared vision

TABLE 7: FACTORS INFLUENCING THE SUCCESS OF SUCCESSION PROCESS

(Own compilation based on Chittoor – Das [2007] p. 68.)

Santiago [2000] examining succession process of family businesses on the Philippines, came to the conclusion that the determinative features of family businesses are family values, ownership structure and business culture which influence one another. If the applied succession process is consistent to family values, succession process happens coupled with minimal conflicts, strengthening of family relations and business growth. In contrary to this, if succession process is in disharmony with family values that leads to unsolved conflicts weakening family unity and reduction in enterprise performance. Venter and his colleagues [2005] measured the success of the succession process with the level of process satisfactory and maintaining of business profitability. Their researches revealed that process satisfactory is determined by the successor's willingness of the takeover and his relationship with the predecessor. Business profitability is affected by the successor's willingness of the takeover, his qualifications, his level of preparedness and his relationship with the predecessor.

Sharma [2003b] and her colleagues modelling the process satisfactory identified five possible influencing factors: the predecessor's willing to retire, the successor's preparedness for the takeover, the agreement of continuing the enterprise, the accepting of individual roles, the extent of succession planning. During the research they also revealed that predecessors are more satisfied with the succession process and planning elaboration than others involved, maybe because they manage the process, and the result probably will be consistent with their original visions. In planning, it is typical that the predecessor is already planning the succession for a long time in an informal way, however he does not communicate it to those involved.

One of the possible outcomes of succession in family businesses when ownership remains in the family and they appoint an external expert for the management. In this case the performance of succession process is highly approved if there is a planned, smooth takeover, a planned scenario about the leaving order of family members from the operation, and if the chosen manager has enough working experience in the enterprise, he gets a moderate share in the ownership too (Chittoor – Das [2007]).

According to Fox and his colleagues (1996) an experienced facilitator can help much with the problems conflict situations during succession process. Sigalas and his colleagues [2008] during research found out that most influencing factors of succession efficiency mapped in literature are succession planning and family relations. Their positive nature provides succession continuity, while external and internal working experience and education influence the performance after the succession. According to Lee's [2008] results, the influencing factors of family business continuity and performance after the succession are: formalization level, correctness of succession process, well-preparedness of the successor, his motivation, his suitability for his new role, his information processing ability and his relation network.

During succession, for the success it is important to keep the key employees who are able to support the new leader effectively. In family businesses it can be a difficulty that one has to deal with professional and also emotional relations. It is not certain that those who liked working with the predecessor, they would like helping the successor with the same enthusiasm. For keeping the key employees, considerable factors and advices to be taken are (Fager – McKinney [2007]):

- When choosing the successor, one has to pay attention on that the successor is accepted among employees, they see potential in him, that he is able to manage the enterprise successfully and he is respected.
- Dismissal of weak, impedimental employees before the succession that the successor would not have to fight with unsuitable employees in hard times.
- With outlining of a rewards program, its horizon is farther than the date of the predecessor's retirement, it can be assured that the employees in this program are going to be long-term participants in the enterprise for the achievement bonus.

- It facilitates the acceptance of the successor and decreases the uncertainty about his activities if key managers get more independence and they wish to have a stronger collaboration with the successor.

In the succession process, all those involved must face with plenty of difficulties. Such as the "generation shadow" phenomenon mentioned in the literature. It occurs when the next generation already took over the family enterprise but still the predecessors are largely influencing the enterprise operation. If this phenomenon is related to the founder, its occurrence can be real strong which most often embodies in the increased appearance of organization conflicts (Davis – Harveston [2001]). Sonfield and Lussier [2004] during their research found out that the phenomenon of "generation shadow" might be so strong that it can be observed after the second even third generations.

Poutziouris [2001b] sees the root of succession process-related difficulties in the lack of effective succession planning. He considers six kinds of plan to be outlined: strategic business plan, family strategic plan, succession plan, financial plan, taxes plan and venture capital involving plan.

Chung and Yuen [2003] examining the difficulties of succession-involved family businesses, concerning Chinese family enterprises from the second generation point of view, detected the following problems:

- lack of skills and suitability for managing the enterprise,
- equity issues related to the remuneration of family members,
- decisions made by only family members,
- communication problems among family members,
- different working styles of parents and children.

According to Martin and his colleagues [2002], the most frequent reasons of succession failure are: the business to be handed over is rather a way of life enterprise or it has no defined strategic goals. Weak business performance is also a frequent reason of failure, and dependence on the owner. Ibrahim and his colleagues [2001] with their research based on case studies, showed that during the succession process most of the difficulties are due to the relationship between predecessor and successor, the predecessor's aversion related to succession planning and the way of choosing the successor. Based on Romano's [2000] research, the most delicate questions which require attentiveness are: harmonization of short- and long-term

business decisions, preparing the successor, reserving the loyalty of non-family member managers, harmonization of family and business interests, forming a relationship between the successor and non-family member employees.

Family businesses generally report that they have difficulties in human resource management, especially if it has effects on family members or succession. One of its reasons can be that in family businesses, making personal decisions is based on family values and not performance indicators (Kiong [2001]). Non-family member employees do not often support the handover of the enterprise, despite the fact that their well-understood interest is the effective and continuous operation of the enterprise. For many of them, the biggest advantage of working in the enterprise is their close relationship with the founder, they may feel their working conditions, positions, working security threatened by the appearance of the successor (Leach [2007]). Those key managers who are in the enterprise from the beginning might be quite dangerous. They often function as owner-manager deputies. They also might feel threatened by the appearance of the successor (Vera – Dean [2005]).

Malinen [2004] during his research detected the following as biggest challenges of succession process: lack of successor within the family, lack of interest from the family regarding succession, lack of proper buyer within the family and involvement of external advisers in planning. Among the effecting forces of succession planning we can find the family itself. It may influence the avoidance of discussing succession matters. The wife of the founder often hesitates to encourage his husband to retire, because she also hesitates to give up her role in the family enterprise, especially when the family business is an important area of the spouse's social identity (Leach [2007]).

The peer review of experts at the European Commission [2002] defines the following as the most remarkable obstacles of enterprise handover: psychological and emotional problems, complexity of the handover process and difficulties of national legislation application (legal, fiscal and administrative). Vago [2004] examined the succession process regarding the change management and he traces back the difficulties, resistance to the process and postponing to the following:

- without conflicts, there is no change,
- the most frequent sources of conflicts are transitions,
- change is expensive.

Martin and his colleagues [2002] describe the relation between succession and failure of the enterprise with the help of a 2x2 matrix.

		Transition to new ownership achieved	
		<i>Yes</i>	<i>No</i>
Present business health	<i>Stable or growing</i>	Successful succession	Succession failure
	<i>Ailing</i>	Transformation and innovation	Business failure

FIGURE 20: RELATIONSHIP BETWEEN SUCCESSION AND BUSINESS FAILURE (Martin et al. [2002] p. 14.)

If the succession process is executed successfully, independently on enterprise conditions, business may continue to operate in its original form at the handover or with modifications. In the case of an unsuccessful succession, a stable or growing enterprise can be operated for a time for their own inertia. However in the case of a declining enterprise, unsuccessful succession causes the failure of the enterprise.

The key role, complexity and challenges of succession process in the life of family businesses have inspired the researchers of the field to try to frame and model the process. The following subsection sums up the writings about succession process available in the literature.

4.3. Succession process models

More family business researchers have modelled the succession process, applying diverse approaches, striving to capture the essence of the process, define its steps. There are partial references to all this already mentioned here, the subsection strives for summary.

According to Handler [1990] succession process can be considered as mutual role compensation between predecessor and successor. The process consisting of four stages is presented in the next figure:

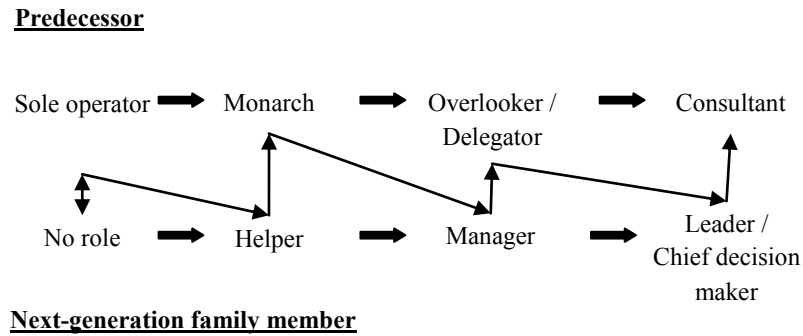


FIGURE 21: THE SUCCESSION PROCESS: MUTUAL ROLE ADJUSTMENT BETWEEN PREDECESSOR AND NEXT GENERATION FAMILY MEMBER(S) (Handler [1990], p. 43.)

The role of the predecessor is narrowing while the successor gets wider range of tasks. Their mutual role compensation, this change means the "succession dance". The predecessor is considerable as the single operator of the enterprise at the founding, when he personally controls quasi everything; this time his children have had no role in the enterprise yet. Surviving the start period, creating stability, the predecessor's dominant role comes to the foreground, this time succession appears only as a future goal, potential successors participate in the life of the enterprise as assistants. With their maturation, the extent of their experiences, they get more and more significant roles in the enterprise and they appear as managers. At the same time, the role of the predecessor also changes, he delegates more of such tasks which he have performed before, he operates as an overlooker, inspector of decisions. When the next generation becomes suitable for management and fully independent decision-making, they take over the enterprise management completely, and the predecessor helps the work of the successor as an adviser. Cadieux and his colleagues [2002] developed the model of Handler [1990] adding stages to it related to roles – introduction, integration, common management and retirement. According to Fox and his colleagues [1996] the main role in the succession process is relations'. They consider to have significant role of six types of relationships, these are between: enterprise and involved key people, enterprise and predecessor, enterprise and successor, predecessor and successor, and predecessor and involved key people. The model is presented in the following figure:

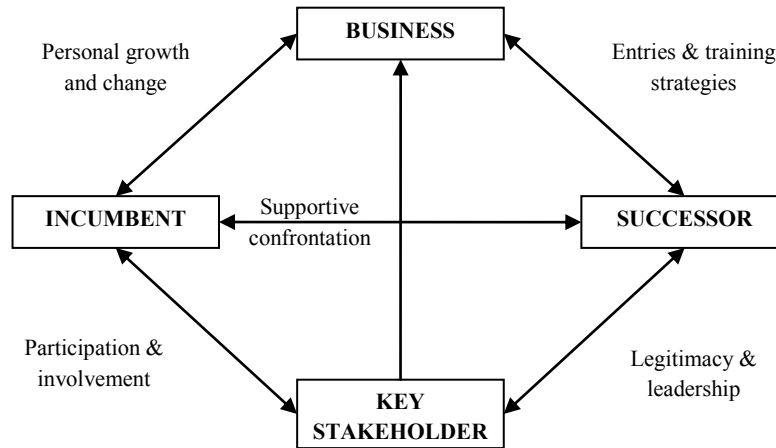


FIGURE 22: FRAMEWORK OF MANAGING SUCCESSION (Fox et al. [1996] p. 17.)

Dyck and his colleagues [2002] drew parallels between succession process and relay race where the influencing factors of success are: sequence, timing, baton-passing technique and communication/teamwork. The researchers corresponded relay race determining factors to organizational factors covering the succession process. The factor correspondence and its explanation is presented in the following chart.

Relay race factors	Organizational equivalent	Explanation
Sequence	Internal organizational context	Ensuring the successor has the ability and experience to lead the organization.
Timing	Impact of the environment on the timing of executive succession	Ensuring the effectiveness business transfer between the incumbent and the successor. If the environmental conditions are favourable, the company is at the stage of maturity and additional resources can be involved the succession process can be managed more thoughtful. Unfavourable environmental conditions can require accelerated succession process, which increases the risk of succession.
Baton-passing technique	Baton-passing and leadership style	Planning the details of the succession process. For the incumbent and for the successor also can be problematic their new role. Incumbent may have difficulty letting go, successor may have difficulty taking over of the leadership baton.
Communication / Teamwork	Communication and interpersonal relations	Harmonic, respectful and clear communication between incumbent and successor is an essential factor of success.

TABLE 8: RELAY MODEL OF SUCCESSION PROCESS (Own compilation based on Dyck et al [2002] p. 148.)

Ip and Jacobs [2006] explained the succession process with a three-staged model, it includes evaluation of obstacles, planning and execution. In their opinion, in the first three stages of the process – regarding particular factors – the required time is 3-10 years. The model in details is presented in the following figure.

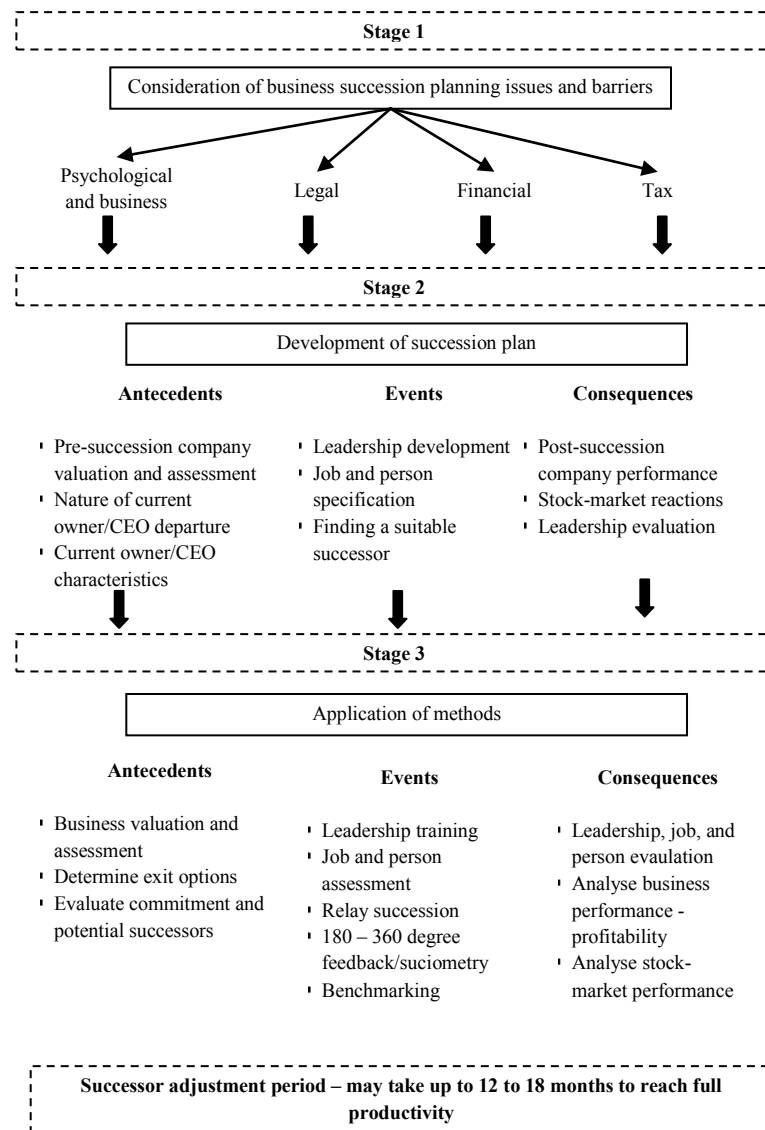


FIGURE 23: THE THREE STAGES MODEL OF SUCCESSION (Ip – Jacobs [2006] p. 342.)

Murray [2003] created a seven-staged model for mapping succession process. The first initial stage can be characterized with preparations for changes brought by succession. If the enterprise and those involved are ready for change and related to this a pressure occurs, we get to the first milestone, to the second stage when change starts to happen. The presence and nearness of change increases the wish for tranquillity in the organization, thus after change starts to happen, usually there is a stationary phase. This phase changes to the phase of dreams and discovery when those involved confront their dreams, wishes, visions, hopes with harsh facts of reality. The second milestone ends the phase of dreams and discovery when one must make decisions about the future, this is the last milestone of the change closure stage. The last stage is of change's and commitment's. According to Murray's [2003]

research, there are three types of succession outcome. In case of success, by the changes, one manages to lay the foundations of a new structure, a balance forms, in a less favourable case, changes do not happen, the old structure remains, bringing imbalance and disintegration, or one does not manage to end the changes, this time imbalance and further seeking ways are typical.

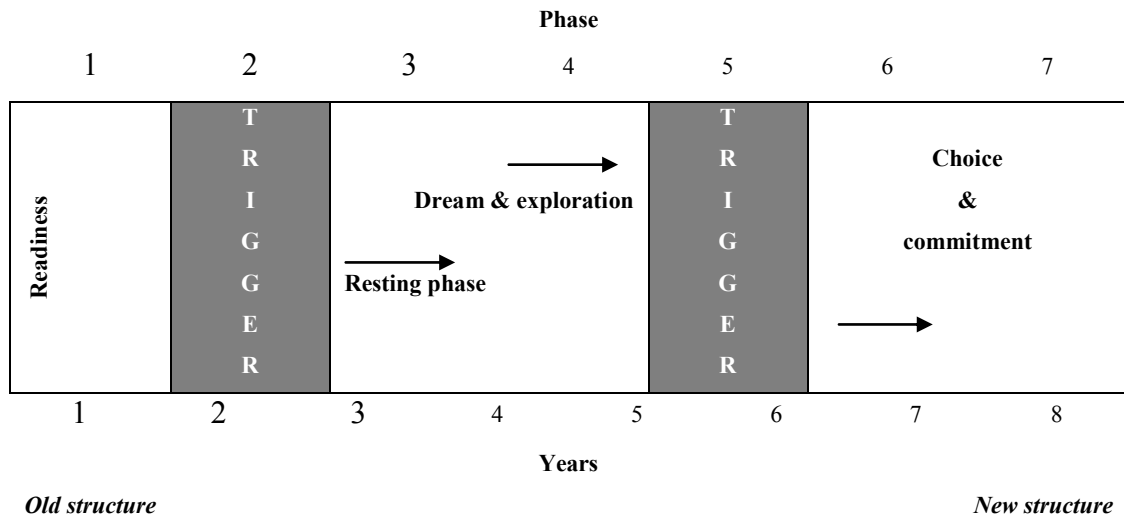


FIGURE 24: SEVEN STAGES MODEL OF SUCCESSION PROCESS (Murray (2003) p. 27.)

The main message of Lambrecht's [2005] model, based on concentric circles – representing the individual, the family and the enterprise – is: the base of family dynasties is the fact that the individual belongs to the family, the family belongs to the enterprise. The continuous connection among the individual, family and enterprise is created by succession. The time axis represents the individuals, the family, the enterprise and the interactions among them are not static, they are forming constantly, they form a dynamic whole together.

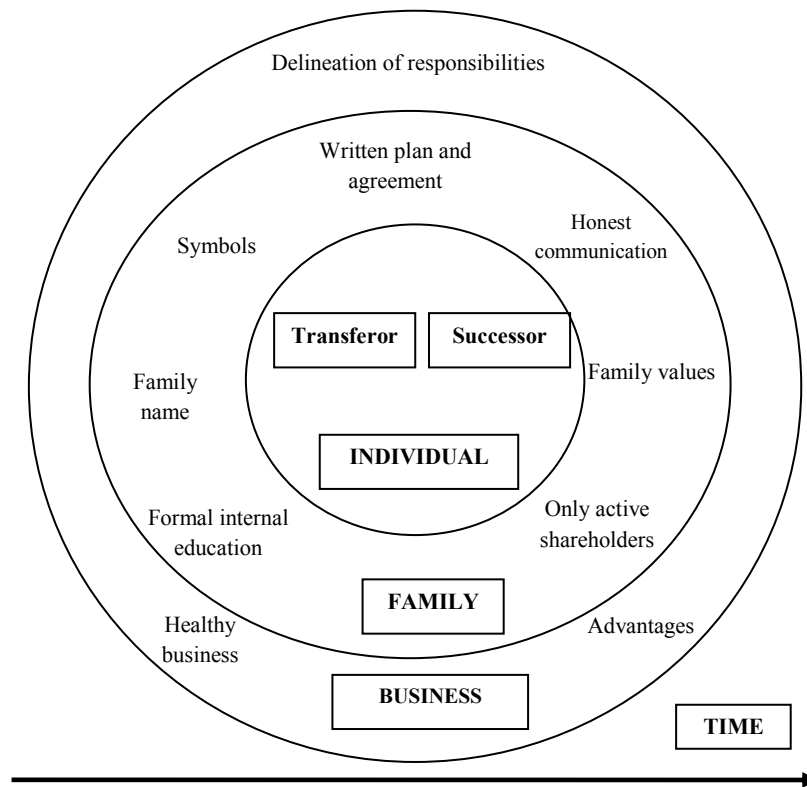


FIGURE 25: AN EXPLANATORY MODEL FOR TRANSFER TO FURTHER GENERATION (Lambrecht [2005] p. 280.)

Stavrou [2003], applying Jung's extrovert-introvert attitude theory on family businesses, argues that family business behaviours in an extroverted manner during succession process. There is more emphasis on values and beliefs represented by some external source than on its own values and beliefs. In case of family businesses, the external source is the family. Its values influence the succession process. As long as the needs of business and family are the same, the phenomenon does not threaten the welfare of the enterprise but if their needs differ, focusing on family values, the enterprise puts its survival at risk. The model is presented in the following figure.

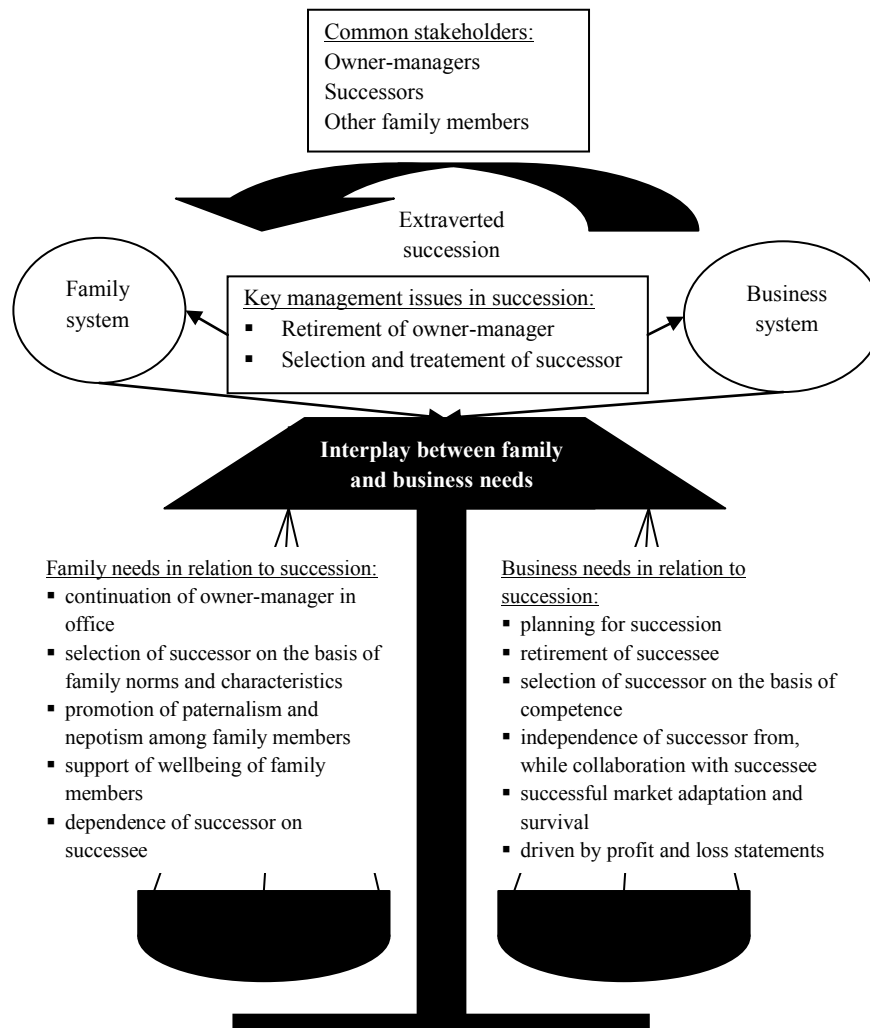


FIGURE 26: EXTRAVERTED SUCCESSION IN FAMILY BUSINESSES (Stavrou [2003] p. 339.)

Litz [2008] illustrated the complex effect of succession on family and business with a 2x2 matrix. In the most favourable case, succession ends with positives for both family and business, this time the profit is mutual. If the effect of succession, in some case, is rather considerable as negative, the process is considerable successful only for one of the systems. While if in both systems there are damages, we face with the unfavourable case of mutual loss.

For that the succession process would go successfully, Brunello [2006] suggests the involvement of advisers. Based on his practical experiences, the adviser's work is needed during more years of operation. In the first stage of consultancy, situation assessment happens, this requires at least three months. It is followed by the phase of handover planning which requires several months depending on enterprise complexity. The third stage is the start of handover execution and controlling of the

handover project. Related to these, one has to provide mentoring and facilitation. In the last stage, in the successful enterprise of the succession process, the adviser participates in business consolidation, creating stability, with a decreasing intensity, increasingly retreating into the background.

Churchill and Hatten [1997] describe succession process with the overlayings of life cycle of the predecessor and successor generation, depending on the effect on business strategy.

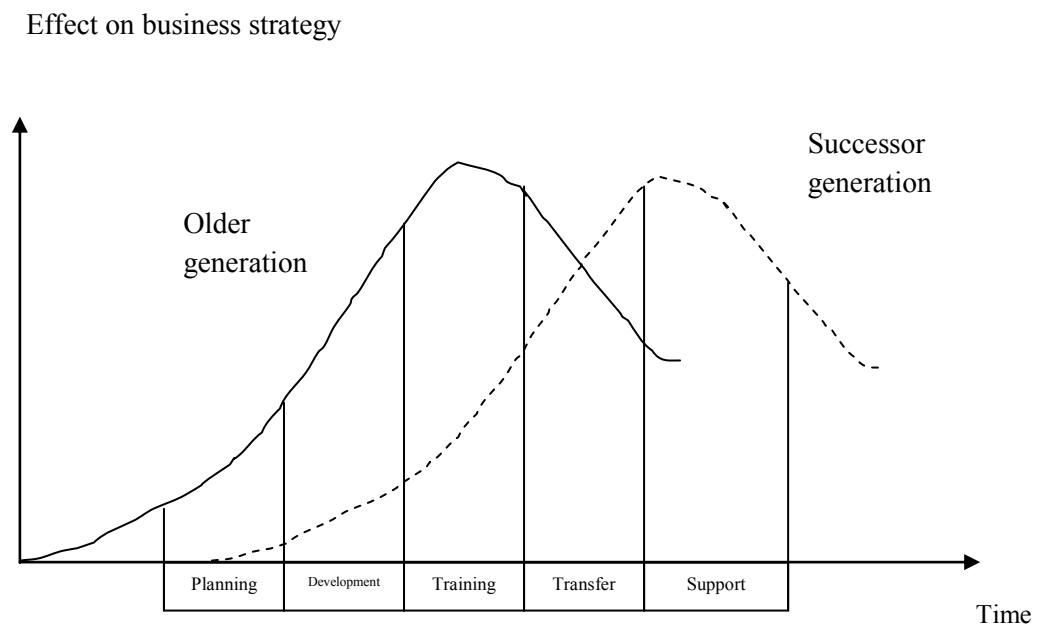


FIGURE 27: EFFECT OF GENERATIONS TO BUSINESS STRATEGY
(Churchill – Hatten [1997] in Carlock – Ward [2006] p. 119)

Succession has serious consequences in the life of family businesses. In any stages of the overlaying life cycle of predecessor and successor disagreements, conflicts can form, and it can have negative effect not only on succession process but also on enterprise performance.

All of the presented succession process models map the succession process considering important criteria. These models create the opportunity for that those involved in succession can see through, examine the process, evaluate the tasks before them. All of the models characterize and describe well the process, but when it comes to their weaknesses, we can say that they reveal little about difficulties and challenges of succession process.

4.4. Summary, evaluation

As I have emphasized before, succession and succession process is worthily the highlighted topic of family business literature. It depends on the success or failure of the succession process that an enterprise is able to become a long-term operating family business or remains such or its family nature fades away, or occasionally the enterprise itself does so.

As it is revealed from the literature review, many experts see the reason of succession process failure in unplannedness. I do not wish to argue the importance of general planning, especially that of succession planning, however in my opinion not in every case when during generation change family businesses are going under due to unsuccessfulness unplannedness is to blame. It is a less expressed approach in literature that succession process can also be considered as a kind of natural selection. As succession has serious challenges, problems for those involved, only those family businesses manage to defeat the obstacles successfully which are strong, stable, and profitable. The weak enterprises with bad performance will be defeated, and although it happens during generation change, the real reason of it is not succession but their long-term incapableness of living/surviving.

In generation change, in the evaluation of properness of predecessor and successor, usually the successor gets criticism. The predecessor, who built and has operated an enterprise ever since is the ideal, the successor has to grow up for him. Naturally, the merits of the predecessor are unquestionable but in my opinion, especially in family businesses, the lack of suitable successor, in many respects, is the responsibility of the predecessor. The predecessor – as the leader of the enterprise – must be able to evaluate what kind of successor is needed for the successful takeover of the enterprise – regarding his knowledge, preparedness, and characteristics. As a family member he (the predecessor) also must know that the appointed successor in the family has the necessary features or not. If the expectations against the successor and the successor's characteristics are in harmony, there is no problem. However if the successor does not meet the expectations against him, one has to evaluate that his deficiencies are correctable, they can be eliminated (with learning, mentoring or expanding the circle of co-workers) or not. If, with development of the successor, the "ideal" state is within reach, as the *pater familias*, the predecessor's task is to give guidance for the development and provide its frames. Briefly, a wise predecessor is

not commiserating about that his potential successor is not suitable for taking over the enterprise, but evaluating the chances, he does everything for making the successor suitable for the takeover. Of course, not in every family there is a proper successor, in this case, the transformation of the enterprise is considerable in such a way that using the ownership rights of successors and heirs, the enterprise remains in family property, hoping that one member of the next generation will be suitable for taking over business operation. This later possibility also can be influenced by the size of the family enterprise. Since only beyond a certain size, the conditions of organizational reconstructing are given and the efficiency of transformation is provided.

The difference between the managing styles of predecessor and successor is a successor suitability-related topic. The predecessor managing styles are discussed in details in literature, however a little discussion is dedicated to the successor's ideal managing features. I believe that behind the fact that many times the successor is considered unsuitable, there is that his managing style differs from his predecessor's. It can be more effective or not but still the predecessor is in an advantageous position due to his style has become habitual over the years, the organization adapted to it. In my opinion, in any case, it is worth for the successor to study and get to know the predecessor's managing style. Not for taking it but knowing it, he will be able to interpret and evaluate the criticism about him.

In literature, there is plenty of writings describing and modelling the succession process which contain detailed presentations. I consider it the weakness of these succession process descriptions and models that they are typically static, not referring to the problems and decision points of the succession process and they usually start out of an ideal case.

Succession process is quite complex, in family businesses, its particular difficulty is given by that all along the way, one has to pay attention on keeping in harmony family and business perspectives, one has to face with emotional and business challenges. Research possibilities related to succession are nearly endless, being preoccupied with the topic, new and new exciting questions raise. In the first stage of the empirical research I performed, I identified family businesses with methods of mathematics and statistics dividing them into subgroups. Then I tried to answer questions I considered most exciting with the help of four succession-related topics:

planning, expectations against the successor, successional features of different family businesses and content of succession.

5. THE SUCCESSION PROCESS IN HUNGARIAN FAMILY BUSINESSES IN EMPIRICAL APPROACH

During the research related to my dissertation, my main goal is the deep examination of successional features of family businesses, and drawing such conclusions which help the better understanding of the features of remarkable challenges that family businesses face. In our country, in family businesses, succession and generation change happen in mass and bursts without former experiences (Filep - Szirmai [2006]).

Now and in the next few years, it is to be decided which Hungarian enterprises become long-term operating family businesses managed by a single family, in which ownerships happens radical change, and which finish existing. For a long time, family businesses operating through generations serve as stable and trusty base of economy, that is why I consider it important to map the succession process, for its deeper cognition, that this knowledge would serve as the source of the background knowledge necessary to the successful execution of the process.

The most important point of examinations related to family businesses is giving the definition of family businesses, and their distinction. For this, at the first stage of research I undertake to identify the family businesses with methods of mathematics and statistics, distinguishing the matter of examination. Then I perform the examination of succession-related hypotheses based on important topics. In the following figure there is the separation method of research sample, topics of examination, hypotheses, the extent of the examination sample and the applied methodology.

ANALYSIS SAMPLE DEFINITION	
Family business definition	
Statements for sample definition	<p>Statement 1: Family and non-family businesses can be distinguished regarding preferred handover outcome, ownership circle and those involved in enterprise operation.</p> <p>Statement 2: Family businesses form separate groups regarding preferred handover outcome, ownership circle and those involved in enterprise operation.</p>
Matter of examination	Whole Sample
Methodology	Examination of data of my own empirical research with cluster analysis.
HYPOTHESES	
Succession planning in family businesses	
Hypotheses	<p>H1/a hypothesis: In making of succession plans, there are no gender specific features.</p> <p>H1/b hypothesis: Those entrepreneurs who have a potential successor more likely make succession plans than those who do not have one.</p> <p>H1/c hypothesis: In those family businesses where the enterprise has debts, they more likely make succession plans than in those where they manage without debts.</p>
Matter of examination	Defined family businesses during analysis sample definition
Methodology	Examination of data of my own empirical research with cross-table analysis.
Expectations against the successor in particular types of family businesses	
Hypothesis	H2 hypothesis: In those family businesses where the entrepreneurs want to hand over the enterprise to their children, the expectations against them are lower.
Matter of examination	Defined family businesses during analysis sample definition
Methodology	Examination of data of my own empirical research with principal component analysis.
Succession features of different types of family businesses	
Hypothesis	H3 hypothesis: Family businesses with different basic features can be distinguished based on challenges of succession process, expectations against the successor and their financial needs during handover.
Matter of examination	Defined family businesses during analysis sample definition
Methodology	Examination of data of my own empirical research with discriminant analysis.
Succession content in family businesses	
Hypothesis	H4 hypothesis: In those family businesses where during the handover they are planning to keep the close family ownership and management, it is rather typical that the predecessor hands over the enterprise ownership to the successor.
Matter of examination	Defined family businesses during analysis sample definition
Methodology	Examination of data of my own empirical research with cross-table analysis.

TABLE 9: SUMMARY TABLE OF HYPOTHESES (own compilation)

For the definition of family businesses the whole available database is used, so I can detect family businesses among the businesses in sample. The examination of hypotheses only happens on the partial sample of family businesses for revealing the succession features of defined family businesses.

5.1. The Introduction of data collection methodology²⁶

For the examination of the presented hypotheses, I used the database of the research "Succession, generation change in the Hungarian entrepreneur sector and its financial consequences" for the Budapest Bank Plc. by the Corvinus University Budapest, Small Business Development Center (Filep – Pákozdi –Szirmai [2007])²⁷. The main goal of the research was not the examination of family businesses, however during the compilation of the questions, we strove for making the database suitable for the subsequent testing of the hypotheses in my dissertation about family businesses. The declarations about the use of research data and about the originality of the examined hypotheses are in Appendix 5. The survey was performed in the end of 2007, related to this, there is a risk of data obsolescence. For the testing of the hypotheses examined in my dissertation, I think, the data of the survey in 2007 are suitable, as the questions are not for a particular date. Their nature is strategic, they examine the long-term plans of enterprises and the visions, expectations, attitudes of those involved, and these do not typically change over the years. The main goal of the research was to seek for those entrepreneurs who soon will be facing with the challenges of succession, and to reveal their plans, visions about the generation change with questionnaire-based query. For this, in the first phase of the research, letters were sent by post to create the sample of personal questionnaires. In the second phase, the actual survey was performed about succession on the sample from the first phase.

²⁶ The base of this chapter is the final report of the research "Succession, generation change in the Hungarian entrepreneur sector and its financial consequences".

²⁷ During the performance of this research a wide group worked together out of bank representatives, department staff and specialized students. I am thankful to all the members of this group for their enthusiasm, great attitude, for that the survey went on in a good mood and quite productively, despite its complexity. It was a great challenge and a fantastic experience at the same time to coordinate a great volumed research like this.

I give special thanks to Imre Pákozdi and Dr. Péter Szirmai, who did plenty of work for the success of the research. I thank them for their help and for they have supported me, they have given a free range to the realization of my ideas. I hope that reading my analysis they will be content with my results.

When choosing the sample, we did not strive for representativeness, our main goal was to seek for available succession-involved micro and small enterprises, based on their answers to the questionnaire we get a picture about their visions related to succession, generation change, about the expectable difficulties and the expectations against successors.

The sample selection happened based on the Hungarian database of D&B, it does not include all the Hungarian enterprises, but the active operation of these businesses are more or less guaranteed. Moreover it provides detailed search possibilities: it contains the names of the leaders of the enterprises and their phone number which was essential for the later steps of the research.

From the sample selection we excluded the sole proprietors consciously, though their number is remarkable, the activities of many are limited, it is often that they are operated only for being "VAT registered", they do not perform actual business activity, that is why we thought that we focus mainly on forms of social enterprise, thereby meeting our goal to map the succession plans of more companies engaged in real business. Considering the deliberations listed above, the sampling criteria and the related item numbers are the following:

2 722 enterprises which have the following features:

- form of enterprise: deposit partnership, Ltd., general partnership, joint-stock company
- revenue: 50 million HUF – 5 billion HUF
- number of employees: 4-100 people
- date of foundation is before 2002 (by this, we wanted to provide that stable, long operating enterprises are in the sample, these more likely survive the period of succession and generation change)
- Hungarian-owned (we excluded from the sample the non-Hungarian-owned enterprises due to language problems while answering the questions)

286 enterprises which have the following features:

- form of enterprise: deposit partnership, Ltd., general partnership, joint-stock company
- revenue: 18 million HUF – 49 million HUF
- number of employees: 3-100 people
- date of foundation is before 2002 (see above)

- Hungarian-owned (see above)

Based on these criteria, there are 3008 enterprises in total in the sample used for sending the letters. The one-page personalized invitation letter was sent to the address found in the database for the senior manager, in the name of the Corvinus University. These enterprises were invited to participate in our research (Appendix 6). In these letters, there were some relevant questions for the later sample choice, and there were also some "teaser" questions.

The letters were posted September 24, 2007. In the following week, we contacted with every addressee on the phone, and asked them to answer our questionnaire.

Until October 30, 2007, 528 letters in total were sent back to us. This rate of return is 17.55%, we succeeded to reach this number because:

- personalized letters were sent,
- the letters were short, clear with a personal tone, their extent was not more than one page,
- we sent the letters stamped and with the header of the Corvinus University Small Business Development Center, we also enclosed stamped and addressed envelopes,
- we promised prize drawing and the possibility of participation at the closing event of the research to our respondents,
- as it was mentioned above, in the following days of sending the letters, we reached the entrepreneurs in the sample on the phone and specifically asked them to participate in our survey.

Despite that we did not ask these questions in the posted letters for further, deeper examination – regarding their small number and nowhere near the comprehensive nature – still we have managed to create such database that gives us interesting and worthy results about the involvement of Hungarian enterprises in succession. During the preparation of the database for examination we cleaned the data. Regarding the small number of questions and the relatively big number of sample size, we excluded all those elements from the analysis which were deficient or mistakenly recorded. This way, the number of the sample used in the analysis was 460, the involvement of these enterprises in succession is presented in the following figure:

Involvement in succession

(N=460)

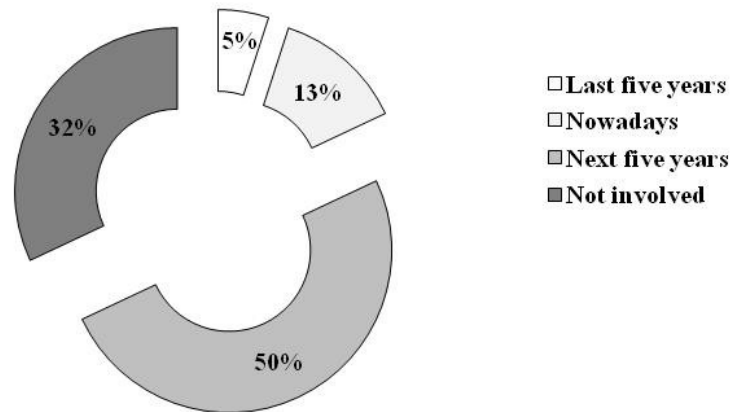


FIGURE 28: INVOLVEMENT IN SUCCESSION (own compilation)

It can be seen in the bottom of the figure that 32% of the respondents do not consider themselves involved in succession and generation change. 63% of all the respondents answered that now or in the next five years they will become involved. Relatively low (5%) is the rate of those who were involved in the past five years, so they walked all along the way of the succession process. The results confirm our former assumptions according to which in the next few years many Hungarian enterprises will face with the challenges of succession and generation change.

The database consisting of the 528 posted letters serves as a base of the choice of personal questionnaire sample. Based on the returned letters we knew who are involved in succession and generation change, and what the age of respondents is. For the choice of personal questionnaire sample it was our perspective that we preferably ask such entrepreneurs who considered themselves involved in succession. The entrepreneurs were reached by professional interviewers, and they performed the survey in person (Appendix 7). During the fieldwork 279 questionnaires were recorded.

Most of the interviewed enterprises (87.6%) were Ltds, but in the sample there are also deposit partnerships, general partnerships and joint-stock company. The main activity of the examined enterprises is trade but there are also a plenty of enterprises with other activities in the sample. The research was nation-wide, the respondents were from all the counties of the country, however most of the interviewed

enterprises are Budapest-based (35.3%). The distinction among the enterprises in the sample is based on company form, industry and base, it is presented in the following figures.

Distribution of enterprises by company form
(N=279)

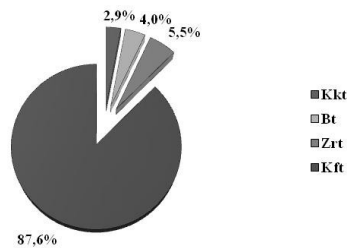


FIGURE 29: DISTRIBUTION OF ENTERPRISES BY COMPANY FORM (own compilation)

Distribution of enterprises by industry
(N=279)

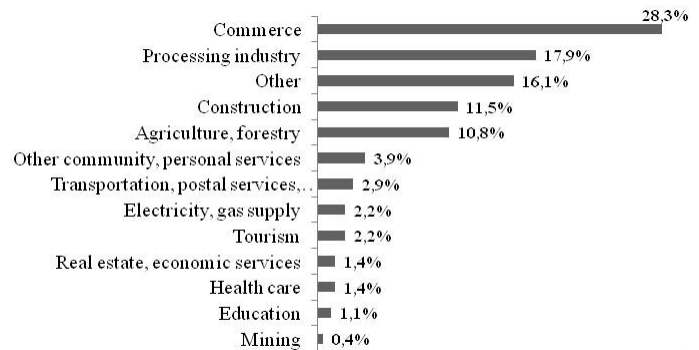


FIGURE 30: DISTRIBUTION OF ENTERPRISES BY INDUSTRY (own compilation)

Distribution of enterprises by base
(N=279)

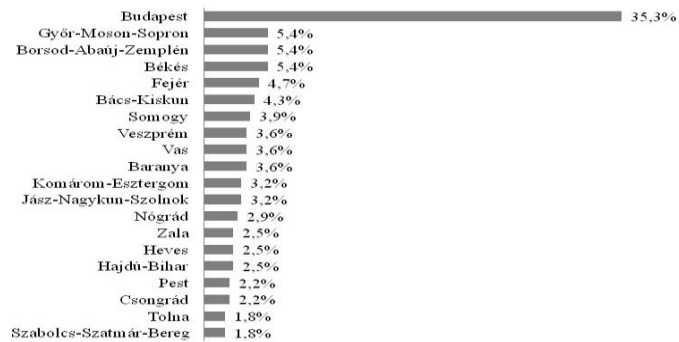


FIGURE 31: DISTRIBUTION OF COMPANIES BY BASE (own compilation)

In the following chart, there are the mean values and standard deviation related to the number of employees and revenue of the sampled enterprises:

	Number of employees 2004	Number of employees 2005	Number of employees 2006	Net revenue (million HUF) 2004	Net revenue (million HUF) 2005	Net revenue (million HUF) 2006
N	272	272	272	254	256	257
Average	23.48	24.38	27.47	397.05	420.49	458.49
Median	15	15	15	220	250	270
Mode	7	6	6	200	250	300
Minimum	2	2	2	1	2	2
Maximum	153	162	610	4 500	4 700	5 100
Variance	641.323	677.594	2,047.256	266,260.990	274,009.087	347,060.685

TABLE 10: NUMBER OF EMPLOYEES AND NET REVENUE OF SAMPLED ENTERPRISES (own compilation)

Beyond the general demographic features, I think it is an interesting result for the whole sample and it is worth to present what sort of handover outcomes are more likely for the respondent, succession-involved leaders of family and non-family businesses.

Distribution of possible handover outcomes

(N=247)

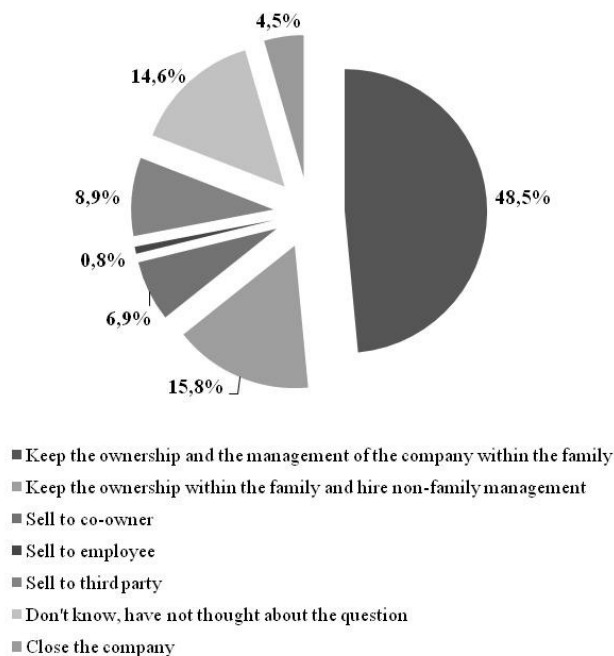


FIGURE 32: DISTRIBUTION OF POSSIBLE HANDOVER OUTCOMES (own compilation)

Most of the interviewed enterprises (48.6%) prefer the full family succession with the handover of ownership and management within the family. A greater rate of respondents (15.8%) wishes to keep the ownership within the family, while they would rather apply an external party for management. And strangely, despite that there are only such entrepreneurs in the sample who are involved or in the near future will be involved in succession, 14.6% do not know anything about or have not thought of the future fate of the enterprise yet.

During survey, we managed to interview a varied business circle with diverse activities, bases and company forms, however it is not representative based on the criteria listed above. Its reason that the main perspective was not providing representativeness but succession involvement, was mentioned before. The sample is "disfigured" in more respect, there are no sole proprietors in it at all, revenue and number of employees are limited, and it contains only Hungarian-owned businesses founded before 2002. In the sample, the rate of female entrepreneurs is 16% and it is lower than the average rate in the country, 29-32%. This may have contributed to the fact that in private enterprises, the rate of business women is quite high, and these enterprises were excluded from the sample (Kállay et al. [2003]), (Horváth [2006]).

79% of the owners of sampled enterprises have higher education, so it is obvious that degreed entrepreneurs dominate the sample. It is probably due to that entrepreneurs with higher education level are rather open for the research and motivated by learning the results, and the possibility of the participation at the closing conference. When the questioning was performed with the personal questionnaire, mainly those enterprises were chosen which were involved in succession process. The weakness of the sample regarding representativeness is also its force, because it serves the goal of the research clearly well – providing deeper knowledge about succession process – if in the sample there are truly involved enterprises in succession though they may be "disfigured" in more respects.

After the survey, the next step of the research is the analysis sample definition, the detection of family businesses from the 279 interviewed enterprises.

5.2. Analysis sample definition: defining family businesses

Distinction and grouping of family businesses

As I have discussed it in details before, in my dissertation literature review, the essential issue related to family businesses is definition and typology (Astrachan et al. [2002], Colli [2003], Melin - Nordqvist [2007], Bianchi - Bivona [2000], Laczko [1997], Handler [1989], Morris et al. [1996], Poza [2007], Sharma et al [1997], Poutziouris [2001], Chrisman et al. [2003], Chua et al. [2004], Leach [2007]). During my research I raised the question of whether family businesses can be distinguished from non-family businesses regarding such definitive features of family businesses as intentional handover to the next generation, family ownership and family participation in operation. If family businesses can be distinguished from non-family businesses, do they form a homogeneous unit or can they be divided into groups with diverse features? The question formulated also serves as a base of research sample definition, I composed the following statements related to this and based on literature review experiences, and related to the definition which have already been mentioned before:

Statement 1: Family and non-family businesses can be distinguished based on preferred handover outcome, ownership and participation in enterprise operation.

Statement 2: Family businesses form separate groups based on preferred handover outcome, ownership and participation in enterprise operation.

I performed the research sample definition based on the questions number 12, 13, 15 of the questionnaire presented in the Appendix 7. The answer options of certain questions were merged, the reason of this is that in the case of particular answers, the respondents' number was small, for this, handling them separately, they had no substantial differentiation power. While with the technically justifiable merge of certain answer options, variables were formed representing good distinctive power. (For the questions, there were also options to give other answers than the given ones but the number of these other answers was so insignificant that they were excluded from the analysis. Those answers were also excluded with small numbers or which were too general, typical for everybody.) The answers of particular questions were recorded as dichotomous variables, for all the answers, the analysis was performed based on answers with 0 or 1 value.

The distribution of answers to particular (merged) questions is presented in the following chart.

Question	Yes (1)	No (0)	No answer
I keep the ownership and the management of the business within the family	120	127	32
I keep the ownership of the business within the family and I apply an external, non-family professional for management of the company	39	208	32
I sell the company to co-owner(s)	17	230	32
I sell the company to external party (third party or employee)	23	224	32
I don't know, I have not thought about the question	37	210	32
I close the company	11	236	32
Spouse - ownership	100	148	31
Child - ownership	56	192	31
Relative - ownership (child's spouse, parent, sibling, other relative)	33	215	31
Former colleague - ownership	65	183	31
Non relative - ownership (friend, acquaintance, professional investor, other investor)	70	178	31
Spouse – working for the company	68	209	2
Child - working for the company	79	198	2
Relative - working for the company (child's spouse, parent, sibling, other relative)	57	220	2

TABLE 11: DISTRIBUTION OF QUESTIONS OF CLUSTER ANALYSIS (own compilation)

Revealing possible groups happened with cluster analysis. "Cluster analysis is the learning algorithm of pattern recognition without a teacher... Cluster Analysis seeks for such grouping of individuals in which it is true that one individual belongs to one and only one group, and it is similar to those individuals in its cluster while it differs from those individuals in other clusters." (Füstös et al [2004], page 160).

I performed the analysis using the SPSS program. For the definition of optimal cluster number I applied the hierarchical method, then I did the forming of final clusters with the non-hierarchical K-Means Cluster procedure.

I performed the hierarchical cluster analysis applying the "within-groups linkage" method and the Euclidean distance. The aim was the definition of the optimal number of clusters. Based on theoretical consideration I valued the expected minimal number of clusters 2 (family business and non-family business) the maximal number

of clusters – which can be characterized by clustering criteria – is 7. The icicle diagram and the dendrogram confirmed the expectations about the theoretical assumption of cluster numbers during the hierarchical cluster analysis. (For reasons of length on account of large number of elements, the SPSS outputs of the icicle diagram and dendrogram were not presented.) To make the most optimal cluster number definable, I also performed the hierarchical cluster analysis for 7, 6, 5, 4, 3, 2 clusters. The Appendix 8 is including the number of particular clusters during the analysis.

The number of clusters is not a determinative criterion during the definition of the ideal cluster number at the same time it helps to eliminate those choices which result in too many or too few elements in particular clusters. Based on these considerations, the solution with 6 and 7 clusters is not quite good, since in both cases there are such clusters to which only less than 9% of the cases belong, and also the interpretation of the formed clusters has difficulties. The version with 5 clusters seems to be a good solution, it differentiates well the sample, it is theoretically based, creating well-justified groups. The flaw of the solution with 4 clusters is that in the first cluster there are 52% of the observations while in the third and fourth cluster there are 12% and 14%. With the 4-clustered solution we lose much information compared to the 5-clustered solution. The solution with 3 clusters seems to be proper regarding the distribution of sample elements, however when characterizing the clusters, important features fade away compared to the 5-clustered solution. After the examination of the more-clustered results, the information content of the 2-clustered solution is so low that its application is not reasonable at all.

For the examination of how stable the structures are – defined during hierarchical cluster analysis – how far they are from the truth, I examined the variables used earlier also with non-hierarchical cluster analysis in the K-Means Cluster procedure of the SPSS program. Handling missing values was performed with listwise method (omission of sample elements with missing values from the analysis).

Similarly to the hierarchical cluster analysis, also in this case I examined the solutions with 7, 6, 5, 4, 3, 2 clusters. In the Appendix 9, there is the comparison chart of particular cluster numbers of non-hierarchical cluster analysis.

The non-hierarchical cluster analysis helped me in the choice between 5- and 3-clustered solution, both of which seemed suitable in the hierarchical cluster analysis.

The 3-clustered solution gained by the two methods proved to be very different regarding the distribution of element numbers, this questions the stability of the solution. The 5-clustered solution using the two types of methodology resulted in similar-numbered groups, and the significance levels were also the best with 5-clustered solution using the SSPS program, the K-Mean Cluster prompt and the anova chart. (The anova chart is presented in Appendix 10.)

However the similar structure and the significance in the anova chart did not prove yet that we have reached the stable solution. For this I examined that whether the clusters in both procedures correspond to each other or not. I examined this based on clustering variables and cluster centers related to particular variables of particular clusters. In the chart 5, there are the compliance between the clusters of the two different methods, the cluster centers and their difference.

Matching cluster	K-Means Cluster					5	1	4	3	2	Difference				
Cluster / Cluster formation variable						Average Linkage (Within Group) Euclidean distance									
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
I keep the ownership and the management of the business within the family	0.00	1.00	0.00	0.00	0.93	0.93	0.00	0.00	0.00	0.97	0.00	0.03	0.00	0.00	0.00
I keep the ownership of the business within the family and I apply an external, non-family professional for management of the company	0.00	0.00	0.32	0.41	0.03	0.02	0.02	1.00	0.13	0.00	-0.02	0.00	0.19	-0.59	0.01
I sell the company to co-owner(s)	0.00	0.00	0.47	0.00	0.00	0.00	0.00	0.00	0.48	0.03	0.00	-0.03	-0.01	0.00	0.00
I sell the company to external party (third party or employee)	0.12	0.00	0.18	0.24	0.02	0.01	0.20	0.00	0.35	0.00	-0.08	0.00	-0.18	0.24	0.00
I don't know, I have not thought about the question	0.88	0.00	0.00	0.20	0.00	0.01	0.64	0.00	0.00	0.00	0.24	0.00	0.00	0.20	-0.01
I close the company	0.00	0.00	0.03	0.16	0.02	0.02	0.14	0.00	0.03	0.00	-0.14	0.00	0.00	0.16	-0.01
Spouse - ownership	0.00	0.29	0.06	0.69	0.72	0.66	0.48	0.41	0.03	0.10	-0.48	0.19	0.03	0.28	0.06
Child - ownership	0.08	0.16	0.06	0.08	0.64	0.56	0.06	0.07	0.06	0.00	0.02	0.16	-0.01	0.00	0.08
Relative - ownership (child's spouse, parent, sibling, other relative)	0.15	0.35	0.09	0.10	0.03	0.03	0.08	0.04	0.19	0.62	0.07	-0.27	-0.11	0.06	0.00
Former colleague - ownership	0.62	0.10	0.94	0.00	0.05	0.08	0.26	0.41	0.77	0.03	0.36	0.06	0.17	-0.41	-0.03
Non relative - ownership (friend, acquaintance, professional investor, other investor)	0.62	0.31	0.06	0.27	0.11	0.13	0.38	0.22	0.19	0.45	0.24	-0.13	-0.13	0.05	-0.01
Spouse – working for the company	0.04	0.16	0.15	0.41	0.44	0.35	0.26	0.33	0.13	0.21	-0.22	-0.05	0.02	0.08	0.09
Child - working for the company	0.04	0.16	0.09	0.18	0.84	0.62	0.08	0.19	0.10	0.24	-0.04	-0.08	-0.01	-0.01	0.22
Relative - working for the company (child's spouse, parent, sibling, other relative)	0.04	0.43	0.09	0.14	0.21	0.26	0.10	0.11	0.10	0.45	-0.06	-0.02	-0.01	0.03	-0.04

TABLE 12: COMPARISON OF NON HIERARCHIAL AND HIERARCHICAL CLUSTER CENTERS (own compilation)

Based on the chart we can say that regarding cluster features, the clusters derived from the two methods are not quite different from one another, clusters with similar features were formed. It is still a question that whether the two clustering procedures group the sample elements in the same manner. Examining this I found out that out of 223 elements, in 148 cases (66.37%) the grouping by the two clustering methods was the same. Based on these, in my opinion, 5-clustered solution is a stable, reliable grouping procedure of the sample elements.

The names, numbers, centers of clusters are in the following chart.

Cluster	1	2	3	4	5
Name of cluster	Businesses with no vision of independent parties	Kinship businesses	Businesses with vision of former colleagues	Marital businesses	Nuclear family businesses
Number of cluster members	26	51	34	51	61
Cluster formation variable					
I keep the ownership and the management of the business within the family	0.00	1.00	0.00	0.00	0.93
I keep the ownership of the business within the family and I apply an external, non-family professional for management of the company	0.00	0.00	0.32	0.41	0.03
I sell the company to co-owner(s)	0.00	0.00	0.47	0.00	0.00
I sell the company to external party (third party or employee)	0.12	0.00	0.18	0.24	0.02
I don't know, I have not thought about the question	0.88	0.00	0.00	0.20	0.00
I close the company	0.00	0.00	0.03	0.16	0.02
Spouse - ownership	0.00	0.29	0.06	0.69	0.72
Child - ownership	0.08	0.16	0.06	0.08	0.64
Relative - ownership (child's spouse, parent, sibling, other relative)	0.15	0.35	0.09	0.10	0.03
Former colleague - ownership	0.62	0.10	0.94	0.00	0.05
Non relative - ownership (friend, acquaintance, professional investor, other investor)	0.62	0.31	0.06	0.27	0.11
Spouse – working for the company	0.04	0.16	0.15	0.41	0.44
Child - working for the company	0.04	0.16	0.09	0.18	0.84
Relative - working for the company (child's spouse, parent, sibling, other relative)	0.04	0.43	0.09	0.14	0.21

TABLE 13: PRESENTATION OF CLUSTERS (own compilation)

The percentages of the clusters in sample are presented in the following figure.

Distribution of businesses identified by cluster analysis

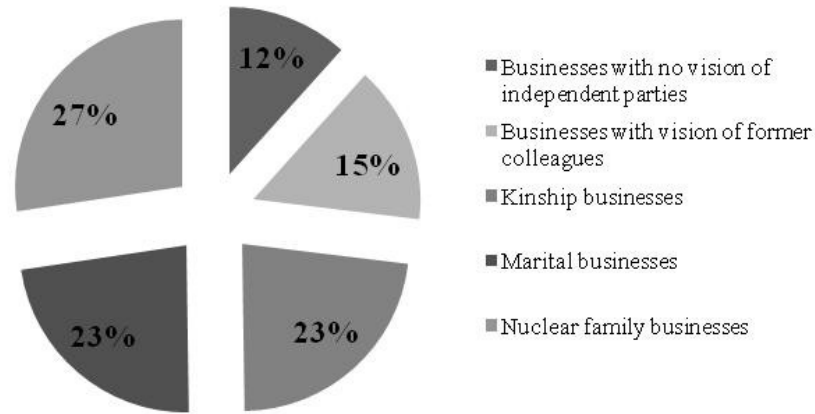


FIGURE 33: DISTRIBUTION OF BUSINESSES IDENTIFIED BY CLUSTER ANALYSIS (own compilation)

The figure shows that the lowest rate is of businesses with no vision of independent parties, while the highest rate is of nuclear family businesses. On the whole we can say that I managed to group the sample in proportion which is fortunate regarding family businesses which will be specially analyzed later (kinship businesses, marital businesses, nuclear family businesses).

Businesses with no vision of independent parties (Cluster 1)

The enterprises in this cluster are typically in the ownership of independent parties, these enterprises have no definite vision.

It is typical for the ownership structure that it is formed by former colleagues and such friends, acquaintances and professional and other investors among whom there is no kinship. In the ownership of these enterprises there are no close relatives (spouses, children), it occurs in a small rate that more distant relatives have shares. In businesses with no vision of independent parties family relations among employees are not typical, neither the close nor the more distant relatives of the founders are employed in these enterprises.

The enterprises in the cluster have no strong visions about the future, in most of them, they do not know and did not think about the fate of the enterprise after the

retirement of the current leader. This feature, the uncertainty about the future fate of the enterprise, characterizes this cluster the most. Regarding future visions, in these enterprises the external sale occurs in a very small rate (not relative, not owner).

Businesses with no vision of independent parties of this cluster differ from the other clusters mostly regarding ownership structure, it is formed by former colleagues and such friends, acquaintances and professional and other investors among whom there is no kinship. This feature makes this cluster similar to the cluster of businesses with vision of former colleagues. In both clusters, it is typical that former colleagues form the ownership circle but in the cluster of businesses with no vision of independent parties, friends, acquaintances and professional and other investors also appear often as owners. In the cluster of businesses with vision of former colleagues, there are the enterprises in ownership of former colleagues almost exclusively.

Businesses with vision of former colleagues (Cluster 3)

This cluster consists of those enterprises owned by independent parties which have diverse but strong visions about the period after the founder's retirement.

The enterprises in this group are defined mostly by their ownership structure, their ownership circle consists of almost only former colleagues, family relations among the owners are not typical at all.

The separation of family and business relations occurs also in employment. Although it occurs in marginal cases that the spouse of the owner is also an employee, employing relatives are not typical for the enterprises in this cluster.

The cluster of businesses with vision of former colleagues differs from its most similar cluster of businesses with no vision of independent parties that its members have strong visions about the period after the founder's retirement. The most typical vision is the sale of the enterprise to fellow owners, it is followed by keeping the ownership within the family, in a way that they appoint an external manager for running the enterprise, and in some companies they are planning to sell the enterprise to an external party (not relative, not owner) who can be even a current employee there.

Kinship businesses (Cluster 2)

To this cluster those enterprises belong where they wish to keep the ownership and management within the family in the future. Their family nature is not given by the small family (spouses, children) but by wider family relations.

It is typical for the ownership structure of the kinship business cluster that its members are mainly from wider kinship (parents, siblings, other relatives, spouses of children), completed with friends, acquaintances, professional and other investors and spouses among whom there are no family relations. In a small rate, but children and former colleagues also appear as owners.

It is most typical for the enterprises in this cluster that they employ relatives. The members of the nuclear family, spouses and children also appear as employees, but their presence is less typical than the employment of relatives.

Kinship businesses have one vision, they wish to keep family ownership and management. By this feature, they are very close to the cluster of nuclear family businesses. Their difference is given by that while the source of family features of kinship businesses is provided by wider family relations, in nuclear family businesses the marital and parent-child relationships are dominant.

Marital businesses (Cluster 4)

In the enterprises of this cluster, family relations strongly appear in ownership structure and division of labour but regarding the future, family ownership and management are not provided.

It is typical for the ownership structure that the enterprise is owned by spouses, this is the strongest feature of the enterprises in this cluster. Besides spouses, in small proportion more distant relatives, friends, acquaintances and professional and other investors appear as owners, however the ownership of children is not typical at all.

A strong feature of enterprises in this cluster is that the spouse of the founder is an employee in the company and the employment of children and more distant relatives also appear, though the rate is not significant.

In the case of marital businesses, the most likely future vision is keeping the family ownership, the management is to be handed over to an external manager, and the possibility of external sale (not relative, not owner) appears here as well as in businesses with no vision of independent parties and businesses with vision of

former colleagues. Among the enterprises in this cluster there are those where they have not thought about the future yet, and also in this cluster there are those which are expecting closure after the retirement of the founder.

Marital businesses are similar to kinship businesses and nuclear family business cluster mainly based on their family ownership. What makes the distinction among them is their future fate: in their case, keeping the pure family ownership and management is not provided.

Nuclear family businesses (Cluster 5)

The members of this cluster are those family-owned enterprises in which for the future they are planning to keep the family ownership and management concentrated on the small family.

The ownership structure of the nuclear family businesses cluster reflects their future goals, as owners, typically spouses and children appear, it occurs only rarely that friends, acquaintances and professional and other investors have shares.

In the division of labour in the enterprise, the owner structure and future goals reflect, the rate of employed children is extremely high and the participation of spouses is also remarkable. It is less typical here to employ relatives than in kinship businesses but compared to the other three clusters, it is worth mentioning.

The enterprises in this cluster can be characterized by only one future vision, after the retirement of the founder, they wish to keep family ownership and management. The most important features of the nuclear family businesses cluster which distinguish them the most from the enterprises in other clusters are their future vision, and the occurrence of children in ownership and employment.

Summary

The cluster analysis has given the answer to the question of the research related to the distinction and homogeneity of family businesses, and it differentiates well the sample for the examination of hypotheses. The performed examinations confirmed the following statements: family and non-family businesses can be distinguished based on preferred handover outcome, ownership and participation in enterprise operation, and family businesses form separate groups based on preferred handover outcome, ownership and participation in enterprise operation. The cluster analysis

revealed more typical forms of family businesses – marital businesses, kinship businesses, nuclear family businesses. Though in the case of marital businesses, the pure family succession is not provided but in the future, they wish to keep the family ownership in most of the enterprises in this cluster. Based on their current characteristics, due to their feature that spouses are working together in them, in my opinion they are considerable as a separate group of family businesses.

In the further part of the research I considered nuclear family businesses, kinship businesses and marital businesses as family businesses and I considered businesses with no vision of independent parties and businesses with vision of former colleagues as non-family businesses. By this, I identified 73% of the enterprises in sample as family businesses. Due to the already mentioned disfiguration of the sample, it cannot be considered as a credible source of the rate of Hungarian family businesses.

Knowing the sample and the research methodology (succession-involved, assumingly rather family-typed businesses undertook to fill out the questionnaire), and due to the high rate of family businesses in sample, I believe that with the help of the cluster analysis, the identification of family businesses is reasonable regarding the rates.

On this basis, I give the following definition of family businesses: family businesses are those enterprises where most of the ownership is in the hands of the wider or smaller family, in the operation there are at least two members of the wider or smaller family participating. It strengthens the family nature of these enterprises but not a definitive criterion that it is more likely that in the future they wish to keep the ownership and/or management within the family.

Certainly, there are those who consider it as an essential condition of family business definition that there is the intention of keeping the family ownership and management. However in my opinion during the definition it is rather worthwhile to concentrate on present measurable factors. In my acquaintanceship, there are several examples for that "business children" during their studies at the university or college would not hear about employment in the family's business. But when they have experienced the tough world of multinational enterprises as employees or when they were facing the difficulties of finding a proper job, today they are working in the family enterprise enthusiastically. I believe that based on the future vision in a given

moment, one must not classify those enterprises as non-family businesses which are now operating as actual family businesses.

5.3. Testing of hypotheses

H1 Hypothesis – Succession planning

The literature discusses unplannedness as a relevant problem related to enterprise handover (Poza [2007]), (Rosenfeld – Friedman [2004]), (Kiong [2005]), (Fager – McKinney [2007]), (Stavrou [2003]), (Sharma et al. [2000]), (Motwani et al. [2006]), (Sonfield – Lussier [2004]), (Ip – Jacobs [2006]), (Gersick et al. [1997]), (Sharma et al. [2003a]).²⁸

Nearly half of the detected family businesses during research (kinship businesses, marital businesses, nuclear family businesses) answered the question of succession planning saying that there are visions about it but these visions are not in written form. However the rate is remarkable (28.57%) of those who have no succession plans. The accurate distribution of the answers is presented in the following figure:

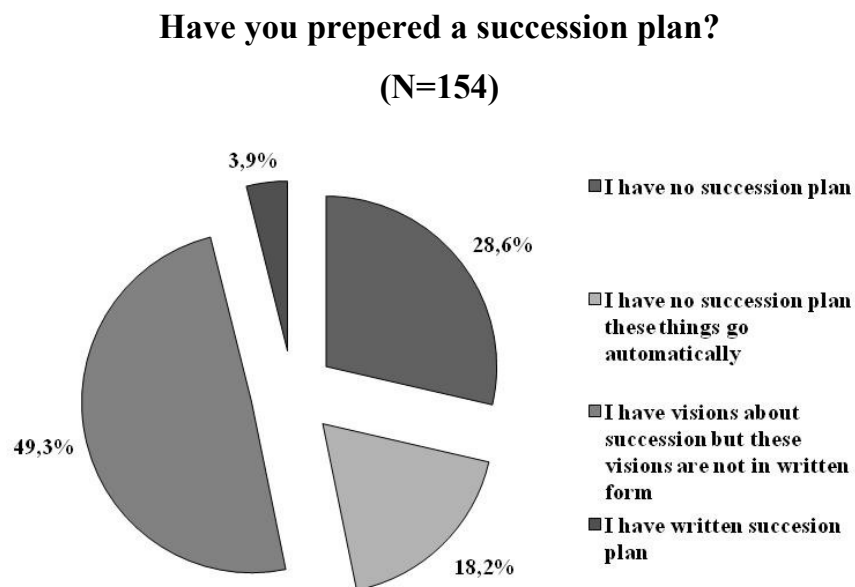


FIGURE 34: PLANNING OF SUCCESSION PROCESS (own compilation)

²⁸ The topic is discussed in details in chapter 4.2.

Related to the results, a question was formed and I considered it worthy for further studying: Are there factors which influence the succession plan making propensity? I performed the analysis based on the following hypotheses:

H1/a hypothesis: In making of succession plans, there are no gender specific features.

H1/b hypothesis: Those entrepreneurs who have a potential successor more likely make succession plans than those who do not have one.

H1/c hypothesis: In those family businesses where the enterprise has debts, they more likely make succession plans than in those where they manage without debts.

I performed the testing of hypotheses with cross-table analysis, based on the questions (5, 16, 19 and 34) of the questionnaire presented in Appendix 7. Cross-table analysis is a widely spread method of analysis, it can be applied in the case of non-metric dependent and independent variables (Sajtos – Mitev [2007]). In the analysis I included the detected family businesses during research. (Out of 163 family business-detected enterprises, 154 answered to the questions of succession planning.) I performed the examination with 5% significance level.

Male and female entrepreneurs differ from each other in more features, it is typical that female entrepreneurs less likely take risks than male entrepreneurs (Palotai et al. [2004]). Related to succession planning the question arises that the lower propensity of making succession plans of female entrepreneurs is whether reflected also in their efforts in succession planning. While examining the H1/a hypothesis, I assumed that in making of succession plans gender specific features do not show, as the aversion against planning – it is typical for most of the entrepreneurs – and delicate topic of succession are strong factors which cover the gender differences.

The cross-table showing the connection between genders and succession planning tendency is the following (in brackets, there are the values without related condition):

Have you prepared a succession plan? / Gender of respondents	I have no succession plan	I have no succession plan these things go automatically	I have visions about succession but these visions are not in written form	I have written succession plan	Total
Man	34 [35.4]	21 [22.5]	64 [61.3]	5 [4.8]	124 [124]
Woman	10 [8.6]	7 [5.5]	12 [14.7]	1 [1.2]	30 [30]
Összesen	44	28	76	6	154

TABLE 14: CROSS-TABLE – CONNECTION BETWEEN GENDERS AND SUCCESSION PLANNING TENDENCY
(own compilation)

The examination of the consistency of variables in the cross-table can be performed with Pearson's Chi square index. The index value is 1.530, it results 0.675 bilateral significance level (the SPSS output is presented in Appendix 11), it is much higher than the significance level 0.05 (5%) chosen for the analysis. Thus the null-hypothesis of the analysis – according to which there is no connection between the two variables – cannot be rejected. I managed to verify the H1/a hypothesis, it cannot be detected significantly that there is a difference between the succession planning tendencies of male and female entrepreneurs.

The assumption in the H1/b hypothesis – according to which those entrepreneurs who have a potential successor more likely make succession plans than those who do not have one – is confirmed by the fact that the presence of the successor is a strong reminder of the inevitability of the handover process, and it awakens the need for planning of the future in all involved.

The two answer options were merged of the question 13 used in the examination analysis (Is there any potential successor to whom you would hand over the enterprise?), (Option 1: Yes, within the family. Option 2: Yes, outside the family.), as it is irrelevant for the hypothesis that the potential successor is of the family or not, and the number of enterprises with an external successor is quite low (8 enterprises), the separate handling of them would weaken the credibility of the analysis. Those were also excluded from the analysis who answered with the option "other" due to their small number (3 enterprises). The cross-table created with

corrected answer categories is the following (in brackets, there are the values without related condition):

Have you prepared a succession plan / Do you have a successor?	I have no succession plan	I have no succession plan these things go automatically	I have visions about succession but these visions are not in written form	I have written succession plan	Total
I have a potential successor	16 [29.1]	23 [17.9]	56 [49]	5 [4]	100 100
I haven't found a successor yet	6 [5.5]	1 [3.4]	12 [9.3]	0 [0.8]	19 19
It is unnecessary to appoint a successor	22 [9.4]	3 [5.7]	6 [15.7]	1 [1.2]	32 32
Total	44	27	74	6	151

TABLE 15: CROSS-TABLE – CONNECTION BETWEEN HAVING A SUCCESSOR AND SUCCESSION PLANNING TENDENCY
(own compilation)

Here, Pearson's Chi square index value is 36.476, the significance level is 0.000 (the SPSS output is presented in Appendix 12), so the null-hypothesis - according to which there is no connection between the two variables (there is a successor and succession planning tendency) – can be rejected.

In those family businesses where the predecessor has already a potential successor, it is rather typical that they have strong visions about the future (though, these are not written), or they make written succession plans. In those family businesses where they think it is unnecessary to appoint a successor, they have no succession plans at all. The cross-table analysis showed that there is a significant connection between the examined variables, however it is still a question that how strong this connection is. In normal scales, the applicable symmetric indexes are the contingency coefficient and the Cramer V coefficient, their value is usually between 0 and 1. 0 means no connection, 1 means strong connection between the two variables (Sajtos – Mitev [2007]).

In this case, the contingency coefficient is 0.441 and the Cramer V coefficient is 0.348, and they are significant, this means it is weaker than average connection. (The SPSS output is presented in Appendix 13.)

In the H1/c hypothesis I assumed that in those family businesses where the management is helped by external, debt financing, they more likely make succession plans. On one hand it is due to the pressure of increased risk, on the other hand it is due to the pressure of the financing institute. Based on the question 34 of the questionnaire (Appendix 7), I distinguished those enterprises which have at least one of the following: investment loan, working capital loan, overdrafts or asset leasing. These enterprises I considered as businesses managing with debts. The cross-table about the connection between succession planning and managing with debts is the following (in brackets, there are the values without related condition):

Do you have a succession plan? / Indebtedness	I have no succession plan	I have no succession plan these things go automatically	I have visions about succession but these visions are not in written form	I have written succession plan	Total
Indebted	30 [31.2]	20 [19.8]	55 [53.8]	4 [4.2]	109 [109]
No debt	14 [12.8]	8 [8.2]	21 [22.2]	2 [1.8]	45 [45]
Összesen	44	28	76	6	154

TABLE 16: CROSS-TABLE – CONNECTION BETWEEN INDEBTEDNESS AND SUCCESSION PLANNING TENDENCY (own compilation)

Here, Pearson’s Chi square index value is 0.291, the bilateral significance level is 0.962 (the SPSS output is presented in Appendix 14), it is much higher than the significance level 0.05 (5%) chosen for the analysis. Thus the null-hypothesis of the analysis – according to which there is no connection between the two variables – cannot be rejected. I did not manage to verify the H1/c hypothesis, it cannot be detected significantly that in those family businesses where they have debts it is rather typical that they put more emphasis on succession planning.

The hypotheses related to succession planning reveal that the influence of the successor is the biggest on the planning process. The presence of the successor

"enforces" keeping the topic on the agenda, during the collaboration, willy-nilly, the future plans come into play, the potential solution possibilities crystallize.

It is an interesting result and it hints the remarkable aversion related to succession planning that there are no differences between the planning tendencies of male and female entrepreneurs, although we would expect that women more likely plan the future of their enterprise – regarding their manners and lower tendency for taking risks.

It is also surprising that in enterprises with debts also there is no succession planning generally. We can come to the conclusion that the financing banks do not see relevant risk in unplanned succession process which is forecasting unpredictable future for the repayment of outstanding debts, or simply they have not noticed the significance of this process yet, that is why they do not urge on making prior plans.

In my opinion those family businesses which start the succession process without prior plans make a mistake. The enterprise handover is a complex process requiring long-term attention, preparing and work. Small enterprises (especially in sample) rarely face with similar challenges. Underestimating the working measure related to succession, with inexperience and unplannedness of similar volumed tasks, one can easily put the enterprise in a critical situation.

H2 Hypothesis – Expectations against the successor in particular types of family businesses

Among the many conditions of the successful succession process, the most important one is that the successor has those characteristics which are essential for the successful management of the family enterprise in the future.²⁹

It is an exciting topic related to the internal successors of family businesses that the expectations against them are lower or higher than the requirements against non-family member candidates. Do the family ties obscure the deficiencies in preparedness, skills, or are these conditions the same against internal and external successors, or do family ties cause rather higher expectations than lower?

In the sample, I thought it would be interesting to examine that whether in those family businesses where the successor is of the family, the expectation against him

²⁹ Expectations against the successor, desirable features and characteristics are discussed in details in chapter 3.3.

are lower or higher. The hypothesis which is the base of the examination is the following:

H2 hypothesis: In those family businesses where the entrepreneurs want to hand over the enterprise to their children, the expectations against them are lower.

I performed the examination of the hypothesis with principal component analysis, based on the questions (23/8, 10, 11, 13, 14, 15, 17) of the questionnaire (Appendix 7). The principal component analysis transforms a set of variables into a smaller-numbered set of variables than the original in a way that it reserves most of the information of the initial variables (Székelyi – Barna [2005]). The questions which serve a base of the principal component analysis are related to the expected features of the successor, they are 1-10 in the scale where 1 means no importance and 10 means the greatest importance. These are the variables related to the successor's features, preparedness:

- he has good organizational skills,
- he knows the enterprise,
- he knows the industry, the concurrence, the main competition factors,
- he knows the main customers and suppliers of the enterprise,
- he has a good relationship with the employees in the enterprise,
- he has good communication skills,
- he is able to deal with money, he does not waste it in vain.

It is a related goal to compress these into a single variable, a principal component, this way making it comparable among the detected family business types during the definition of research matter. From the analysis the cases with deficiencies were excluded, thus I performed the principal component analysis with 153 respondents. In the resulted set of variables the KMO-index value is 0.828, the Bartlett's test is significant, thus we can say that the principal component analysis is applicable. (The SPSS output is presented in Appendix 15).

During the principal component analysis my main goal was to compress most of the information about the successor's expected features, skills into a single variable (principal component). With the analysis I managed to express 54.2% of the variable information in one principal component. (The SPSS output is presented in Appendix 16). The resulted principal component can be considered as a variable measuring the expectations against the successor's preparedness. The communalities of principal

component variables are in every case higher than the minimal value of 0.25 (rule of thumb) (Sajtos – Mitev [2007]), namely every variable in the analysis has sufficient explanatory power. (The SPSS output showing communalities is presented in Appendix 17). Based on the loading matrix (Appendix 18) we can say that every variable in the analysis has great influence on the principal component. Saving the scores of the principal component we get a variable related to particular elements which expresses the level of expectations against the successor's preparedness. Lower values of these scores mean lower level of expectations, higher values mean higher level. In certain types of family businesses, comparing the average values of principal component scores, we can examine the H2 hypothesis – according to which in those family businesses where the entrepreneurs want to hand over the enterprise to their children (kinship businesses, nuclear family businesses), the expectations against them are lower than in those family businesses (marital businesses) where it is likely that an external successor will take over the enterprise.

The average values of principal component scores regarding particular types of family businesses are presented in the following chart:

Type	N	Average	Variance
Kinship businesses	50	-0.031	0.840
Marital businesses	42	-0.104	0.971
Nuclear family businesses	61	0.096	1.138

TABLE 17: AVERAGE VALUES OF PRINCIPAL COMPONENT SCORES REGARDING PARTICULAR TYPES OF FAMILY BUSINESSES (own compilation)

Comparing the average values, the H2 hypothesis cannot be verified. The analysis does not confirm that regarding examined variables, in those family businesses where the entrepreneurs want to hand over the enterprise to their children, the expectations against them are lower than in those family businesses where it is expectable that an external successor will take over the enterprise. Exactly the opposite of this is true – in those family businesses where the enterprise will be handed over to a family member, the expectations against the successor are higher.

The following figure may help to reveal the possible reasons of this result which shows the average values of expectations against the successor in particular types of family businesses.

**Average values of variables related to the successors's features,
preparedness by family business type**

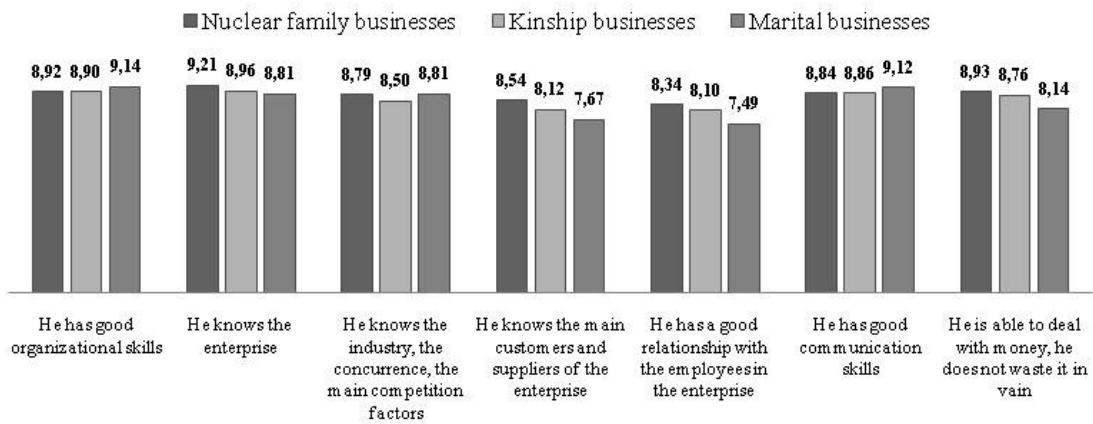


FIGURE 35: AVERAGE VALUES OF VARIABLES RELATED TO THE SUCCESSOR FEATURES, PREPAREDNESS
(own compilation)

The figure illustrates well that every examined feature has relatively high average value, and that in nuclear family businesses and kinship businesses where the family succession is likely, these values are higher regarding most of the elements than in the case of marital businesses. It is worth to observe that the averages of nuclear family businesses and kinship businesses move together, in a way, that the average of nuclear family businesses is always higher. In nuclear family businesses it is considered highly important that the successor knows the enterprise and he is able to deal with money.

In marital businesses, the following expectations are higher than in nuclear family businesses and kinship businesses: good organizational skills, knowledge about industry, concurrence and main competition factors and good communication skills.

In my opinion there are three explanations of the high expectation against a family member successor. High expectations can be derived from partiality in the family, especially in the case of nuclear family businesses where parents think that their child has to be outstanding in every main feature, and assuming the best, they are convinced that their successor actually has these skills, qualities.

In another approach, examining the factors which were given high scores by entrepreneurs with family member successors, it can be observed that these are related to knowledge about the enterprise, customers, suppliers, good relationship

with the employees and sparing. These listed skills are most effectively acquired with the help of family members working in the enterprise. So examining this from the respondent's (entrepreneur about retiring) point of view, these are not the important features of the successor but the knowledge which has to be given to the successor by the retiring entrepreneur.

Behind these high average values, it occurs that in those family businesses where the successor was appointed said-unsaid, it is a common interest to prepare him as best as they can for the tasks before him. In the process, in these enterprises, it often comes up inevitably and it is discussed that in what the successor must be good. During the collaboration, the deficiencies are sharper and they show much clearer, it is more specifically manifested that what features are needed for the successor, this leads to composition of expectations.

Probably, there are such enterprises where only one or two or all the three explanations stand, but it is also possible that a reason not mentioned here plays role in composition of higher expectations against the successor. So successors with family ties are not in an easy situation, in most of family businesses, family relationship does not replace preparedness, it even indicates higher expectations.

H3 Hypothesis – Succession features of different types of family businesses

Family businesses are often classified under one roof, and it is considered that they face with the same difficulties during succession process, their expectations against successors are similar and so are their needs in handover financing. During examination matter definition, I managed to detect three types of family businesses and related to this, it is worth examining that regarding the listed features whether these enterprises are actually similar to one another.

H3 hypothesis: Family businesses with different basic features can be distinguished based on challenges of succession process, expectations against the successor and their financial needs during handover.

I performed the testing of the hypothesis using the family business groups given in cluster analysis with discriminant analysis. During discriminant analysis, my goal was to reveal linear combination of independent variables related to particular groups. Considering these, the groups are most separatable (Sajtos – Mitev [2007]).

I performed the analysis based on the questions 21/2, 21/12, 23/1, 23/4, 23/16 and 28/1, all of them measure 1-10.

In the ideal case, during discriminant analysis, a number of conditions must be fulfilled, its list and fulfillment in the sample are presented in the following chart.

Condition (Sajtos – Mitev [2007])	Fulfillment of condition (yes/no)
Measurement level of variables	yes
Independence of data	yes
Exclusiveness of groups	yes
Group size	yes
Sample size	yes
Linearity	analysis is subjective
Univariate and multivariate normality	no
Homogeneity of variance	no
Multicollinearity	no

TABLE 18: CONDITIONS OF DISCRIMINANT ANALYSIS (own compilation)

The database of the analysis does not comply fully to the conditions of discriminant analysis, still we can expect usable results, as the method is robust regarding the conditions not fulfilled, in the case of extremely high number of sample elements and relatively high number of elements in particular groups (Sajtos – Mitev [2007]).

During testing the hypothesis, I was seeking for the answer to the question that whether it can be forecasted that to what type the examined enterprises belong, regarding the challenges of succession process, the expectation against the successor and the financing need of the handover process. These questions serving as a base of analysis are presented in the following chart:

Category	Variables	Measurement scale
<i>Challenge</i>	Finding the appropriate successor	1 – not a challenge et al 10 – serious challenge
	Problems arising from lack of honest communication between the predecessor and the successor	
<i>Successor's characteristics</i>	Successor should be related to predecessor	1 – not important et al 10 – very important
	Successor should be more than 30 years old	
	Successor should have working experience in other company	
<i>Financing</i>	During the succession process there are not extra financing needs	1 – disagree 10 – totally agree

TABLE 19: PRESENTATION OF VARIABLES OF DISCRIMINANT ANALYSIS (own compilation)

I performed the examination using the detected family business types during the definition of research matter. I performed the discriminant analysis involving 150 family businesses out of 163, 13 enterprises were excluded due to deficiencies in answers.

The discriminant function is influenced significantly by all the examined variables applying a confidence level of 5%. (The SPSS output is presented in Appendix 19.) The measure of contribution to the discriminant function is the most significant in the case of family relationship as expectations against the successor, and in case of finding the proper successor as challenge. Although none of the examination-involved entrepreneurs has outstanding discriminatory power, 60.7% of the examined enterprises can be classified with the help of significant discriminant functions with 5% confidence level (the SPSS output is presented in Appendix 20). The discriminatory power is the biggest in the case of marital businesses, the rate of correctly classified sample elements is 85%, in the case of kinship businesses this rate is 54%, while regarding nuclear family businesses this rate is 50%. (The SPSS output is presented in Appendix 21.)

The average values of particular variables and the difference from the overall average are presented in the following chart:

Variable	Kinship businesses (N=50)	Marital businesses (N=40)	Nuclear family businesses (N=60)	Aggregated average	Difference from aggregated average		
	Average	Average	Average		Kinship businesses (N=50)	Marital businesses (N=40)	Nuclear family businesses (N=60)
Challenge of finding the appropriate successor	4.64	8.72	5.28	5.99	-1.35	2.73	-0.71
Challenge of lack of communication between the predecessor and the successor	3.06	4.00	2.13	2.94	0.12	1.06	-0.81
Successor should be related to predecessor	7.30	3.08	7.27	6.16	1.14	-3.08	1.11
Successor should be more than 30 years old	3.22	4.88	3.42	3.74	-0.52	1.14	-0.32
Successor should have working experience in other company	4.86	6.62	5.58	5.62	-0.76	1.00	-0.04
During the succession process there are not extra financing needs	5.10	6.05	7.17	6.18	-1.08	-0.13	0.99

TABLE 20: AVERAGES OF VARIABLES USED IN DISCRIMINANT ANALYSIS (own compilation)

The graphical representation of the averages is given in the following diagram:

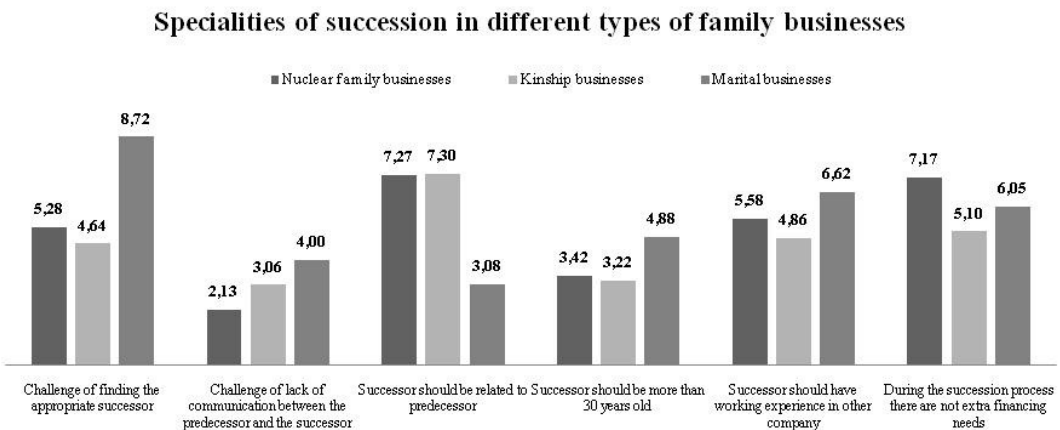


FIGURE 36: SPECIALITIES OF SUCCESSION IN DIFFERENT TYPES OF FAMILY BUSINESSES (own compilation)

The discriminant analysis distinguishes marital businesses the most, based on variables. Examining the averages in the chart and the figure, it is revealed that marital businesses mostly differ from nuclear family businesses in that the biggest challenge for them are finding the proper successor and problems related to dishonest

communication. Family relation is not a condition for the successor, however the age of more than 30 years and external working experience are stronger expectations than in the case of the other two types of enterprises. Marital businesses are between nuclear family businesses and kinship businesses regarding likeliness of financial needs in the handover process. In nuclear family businesses, they mostly think that during the handover, additional costs and financing need are not expectable.

The analysis reveals that kinship businesses and nuclear family businesses are very similar. For kinship businesses, it is less challenging to find the proper successor, probably due to the high number of potential candidates, however communication problems are more likely. In both cases it is essential that the future successor is of the family, external working experience and age are less important factors. The single remarkable difference between the two enterprises is in additional costs and financing need in the handover process. In nuclear family businesses additional costs and financing need are not likely, while in kinship businesses they are expecting these. The reason of this can be found in more fragmented ownership structure. Handover can awaken the need for significant change in ownership structure with owners about to leave and appearance of the younger generation as new owners.

The discriminant analysis verified the H3 hypothesis – family businesses with different basic features can be distinguished based on challenges of succession process, expectations against the successor and their financial needs during handover. During the analysis, the revealed discriminant functions detected that to which group the enterprises belong with 60.7% confidence. I managed to distinguish marital businesses most clearly, here the success of classification was 85%.

The results strengthen the validity of the cluster analysis defining the types of family businesses. It revealed that in the case of particular family businesses the features of the succession process are different. The further important message of the hypothesis verification is that during the examination of family business succession features we have to pay attention on the features of particular typed family businesses. We cannot say that family businesses are homogene with same challenges and needs. It is essential for the correct interpretation of their behaviour and decisions to examine them separately considering their unique characteristics.

H4 Hypothesis – Succession content – What does the predecessor give to the successor?

The relevant question of succession content is what is given to the successor by the predecessor. In the literature there are plenty of examples for how it is difficult for the predecessor – especially when he is the founder as well – to give up and give on the enterprise (Poza [2007]), (Westhead [2003b]), (Leach [2007]).³⁰ During the handover, the predecessor may pass on the operative tasks, the decision-making power and the enterprise ownership. Related to this the question arises: whether are handing over the decision-making power and especially giving up the enterprise ownership less difficult in the case when the company is kept within the family? I performed the examination of this question based on the following hypothesis:

H4 hypothesis: In those family businesses where during the handover they are planning to keep the close family ownership and management, it is rather typical that the predecessor hands over the enterprise ownership to the successor.

I performed the examination of the hypothesis based on question 20³¹ of the questionnaire (Appendix 7) with cross table analysis, applying 5% confidence level. In the case of question 20, respondents had more options at once, thus might have occurred the case where they marked all the three answers: they wished to hand over the operative tasks, the decision-making power and also the enterprise ownership. For being able to perform the analysis, I encoded the answers, so that I left the "highest" answer category for every respondent, therefore if someone chose all the three options, he got to the category "enterprise ownership handover". I received 149 valuable answers for this question, the encoded results are presented in the following figure:

³⁰ In the 3.2 chapter, predecessors' features are discussed in details.

³¹ The "other" category was excluded from the analysis due to low number of answers (6).

**What do you wish to hand over to the successor?
(N=149)**

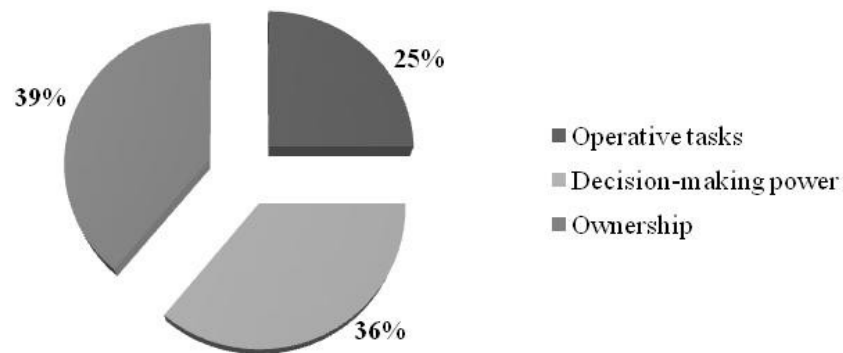


FIGURE 37: CONTENT OF SUCCESSION (own compilation)

Despite the fact that in sample there are family businesses, the number is relatively low of those enterprises where the successor gets the ownership as well in the succession process (39%). The underlying reason may be that for predecessors it is hard to give up and leave the enterprise, they wish to provide their influence with keeping the ownership for themselves. It can be also an explanation that they delay the tensions and conflict situations of sharing the ownership.

During the examination of the hypothesis, I was seeking for the answer to the question that whether there is a difference in the intention of giving on the ownership according to the types of family businesses (kinship businesses, marital businesses, nuclear family businesses). I assumed that in nuclear family businesses where it is typical that parents hand over the enterprise to their children, it is more obvious that they make decisions about ownership than in kinship businesses where the process is more complicated by the sharing of it among more participants, wider family circle, or in marital businesses where it is more typical that succession within the family is not likely.

The cross table which serves as a base for the examination is presented in the following chart (in brackets, there are the values without related condition):

What do you wish to hand over to the successor?	Kinship businesses	Marital businesses	Nuclear family businesses	Total
Operative tasks	14 [11.9]	8 [10.4]	15 [14.7]	37
Decision making power	15 [17.4]	17 [15.2]	22 [21.4]	54
Ownership	19 [18.7]	17 [16.4]	22 [22.9]	58
Total	48	42	59	149

TABLE 21: CROSS TABLE – CONTENT OF SUCCESSION IN DIFFERENT TYPE OF FAMILY BUSINESSES
(own compilation)

Pearson's Chi square index value is 1.565, bilateral significance level is 0.815 (the SPSS output is presented in Appendix 22), it is much higher than the significance level 0.05 (5%) chosen for the analysis. Thus the null-hypothesis of the analysis – according to which there is no connection between the two variables – cannot be rejected. I did not manage to verify the H4 hypothesis, it cannot be detected significantly that in those family businesses where during the handover they are planning to keep the close family ownership and management, it is rather typical that the predecessor hands over the enterprise ownership to the successor.

There can be more underlying reasons for this. By the result, the measure of the close relationship between predecessor, founder entrepreneurs and their businesses was confirmed. It also shows in the strong affection for enterprise ownership in the case of internal family succession. In many families, ownership settlement is relegated to the background not just because of this affection but also due to the delicateness of the topic. The involved feel that talking about ownership is like speaking of the death of the predecessor. Having a kick against ownership handover can be also written on the account of inexperience in the succession process. Without a good example and proficiency, predecessors do not recognize the significance of reorganization, handing over (at least a part of) the ownership structure. As Gersick and his colleagues [1997] and also Leach [2007] revealed that settling ownership structure is the base of the succession process.

Naturally, handing over ownership share does not necessarily mean the full handover of the ownership to the successor. The predecessor can keep a reasonable share of ownership, while he passes on the rest of it to his appointed successor/successors. The transfer of ownership is not necessarily an early succession. It cannot be it actually, as during succession such family members also get shares who have not participated actively in the enterprise operation, thus they are not directly involved in succession. In my opinion, however, it is an essential inherent feature of succession that the appointed successor who has proved his suitability, and who has been working in the enterprise, gets a share, if even a symbolic one.

The given share proves the engagement and trust of the predecessor for the successor. For the successor it provides reinforcement and motivation that can help him to face with difficulties in the succession process.

The fact that 61% of the respondents are not planning to hand over the enterprise ownership to the successor, calls the attention on a relevant danger. If these entrepreneurs do not recognize the importance of ownership handover, dealing with succession more and more, there will be several of such family businesses where second generation ownership structure forms only after the death of the founder, planned or unplanned. In the shadow of shock caused by death, the involved family members must make essential decisions, negotiate about ownership structure formation, these basically determine the future of the enterprise and also of the family.

Summary

The goal of the performed research related to my dissertation was to provide deeper insight into family business succession. To achieve this goal, it was essential to identify family businesses in the research matter. The distinction of family and non-family businesses happened with cluster analysis, with it I managed to identify family businesses, and also to distinguish their three types: nuclear family businesses, kinship businesses and marital businesses. Identifying the three different types of family businesses with different features was quite relevant result of this research, as it reveals that family businesses are not homogeneous, they have different features depending on their different nature. It influences their behaviour in the succession process, their needs and the challenges they face with.

To have deeper knowledge about the succession process, based on national and international family business literature, I composed hypotheses, their validity was examined with quantitative methods. The hypotheses and the result of testing are presented in the following chart.

Results of hypotheses testing

Hypotheses	Result of testing
<i>H1/a hypotheses:</i> In making of succession plans, there are no gender specific features.	Accepted
<i>H1/b hypotheses:</i> Those entrepreneurs who have a potential successor more likely make succession plans than those who do not have one.	Accepted
<i>H1/c hypotheses:</i> In those family businesses where the enterprise has debts, they more likely make succession plans than in those where they manage without debts.	Rejected
<i>H2 hypotheses:</i> In those family businesses where the entrepreneurs want to hand over the enterprise to their children, the expectations against them are lower.	Rejected
<i>H3 hypotheses:</i> Family businesses with different basic features can be distinguished based on challenges of succession process, expectations against the successor and their financial needs during handover.	Accepted
<i>H4 hypotheses:</i> In those family businesses where during the handover they are planning to keep the close family ownership and management, it is rather typical that the predecessor hands over the enterprise ownership to the successor.	Rejected

TABLE 22: RESULTS OF HYPOTHESES TESTING (own compilation)

There were four topics of the hypotheses: succession planning propensity, expectations against the successor, succession features of different types of family businesses and succession content.

Regarding succession planning propensity, based on international surveys, Hungarian family businesses are negative. Neither gender nor indebtedness have influence on succession planning propensity. Only the presence of the successor is the effective motivator of planning.

Regarding expectations against the successor, the research had interesting results, contrary to the assumptions, in family businesses, the expectations against internal successors are higher than against successors without family ties. For the time being, the reasons of the results can be just guessed, however it can be an exciting question for a survey concerning second generation enterprises which have already got through the succession process, to reveal whether just the expectations are higher against the internal successor or their higher leveled preparedness is also shown by measurable factors (education, language skills, professional orientation, other achievements).

Examining succession features of different types of family businesses revealed that in particular typed enterprises, challenges, expectations against the successor and succession financing needs differ. The result has an important message: family businesses are heterogene, and one has to keep it in mind during examinations, support and development programs. A possible future research direction related to family businesses are to map the further, significantly distinctive features of enterprises in the defined groups and to reveal other well-segmentating perspectives of family businesses.

The examination of the hypothesis concerning succession content reveals that it is not guaranteed that the successor gets shares in the succession process, even when he has family relations. To execute the succession process without settling ownership issues carries remarkable risk. In this case I think one can decrease the risk with preparing, giving information, outlining various options.

The research results of the dissertation fulfill the goal of this thesis, they provide deeper insight into family business succession. However the topic cannot be considered nearly fully processed and exhausted, sith every result raises at least one new question of research. Beyond further quantitative researches, qualitative surveys also promise exciting possible discoveries. An either quantitative or qualitative longitudinal research database would be a real treasure for those who are interested in the subject.

6. SUMMARY, FURTHER RESEARCH DIRECTIONS

While writing my dissertation, my goal was to call the attention on a very unique segment of the colourful world of enterprises: the family businesses. In Hungary, the research of family business, despite their ratio and significance, is still in its infancy. Beyond the topics in this thesis, the international family business literature is quite wide, I could not undertake its full elaboration. I tried to concentrate on the bases: the results of definition, typology and theorizing so far, so the sum of this knowledge could serve as a reliable starting point for further researches. I provided an outlook at the mostly discussed topics of family businesses, from them I chose succession for deep elaboration. The reason for this is that I thought that from all the countless questions related to family businesses, in our country, succession, generation change is most critical. Due to specific historical development, Hungarian family entrepreneurs will face with the challenge of succession in mass and bursts without former experiences. The reason for this is that entrepreneurs who founded their enterprises in their thirties or forties after the political changeover, will soon reach the retirement age, and they will have to decide about the future of the company. For many Hungarian enterprises this period is fateful, sith it will be decided that enterprises runned by family members so far whether will be able to become multi-generational family businesses or not.

Related to succession, I overviewed the general information and statistic data in literature. I discussed in details the characterizations of predecessor and successor, the succession process and I presented the succession models available in literature. The last chapters of the dissertation were dedicated to the presentation of Hungarian family business succession features. During the research, I identified family businesses in sample, I examined their succession planning tendencies, expectations against the successor, succession features of different types of family businesses and succession content.

The dissertation excluded several important topics related to family businesses. An example for this is the examination of the distribution of family businesses according to size and the features of particular sized enterprises. We can find family businesses in every size category, many family enterprises operate from micro enterprises to

large businesses. Family businesses in different size categories, due to their family nature, are similar to one another in many features but also they are quite diverse in other respects. Problems may occur in different ways in small enterprises and large ones. The stake of the succession process – the main topic of this thesis – is also different in a large enterprise. Obviously, succession is really burning and interesting where one must make decision about significant asset distribution. However I think that we must keep in mind also the succession problems of smaller enterprises, sith significant asset means different amounts for different people. In its own context, a small enterprise can mean remarkable wealth, its fate could influence largely the life of a smaller community. As much as different are succession processes in a small and a large enterprise, the following principle moments are the same, differences only occur in their solutions: appointing the successor, decision about ownership and management and definition of the predecessor's future role. In my dissertation I concentrated on SME sector, it was also in the center of the empirical research. I believe that the number and economic weight of SMEs clearly explain why I focused on these enterprises. I think it is important to call the attention on that even in this circle of enterprises, succession process has relevant challenges, every possible support must be provided for these businesses to take successfully the obstacles in front of them.

It is an interesting question that who has to help the succession-involved enterprises. In my dissertation I did not deal with the possible role of the state in the facilitation of succession process. In my opinion this topic leads far away, and it is so multiple and complex that not even its overview discussion fits in the frame of this thesis. Succession process support from the state can happen directly and indirectly with wide range of assets.

Creating an economic-business environment for helping family business operation is a highlighted task for the European Union. An expert group examined the most important questions related to family businesses, they revealed that international legislators are not often aware of the family business features, their role in economy, burdens represented by inheritance and gift taxes, the relevance of tax benefits supporting the re-investment of profits and financing while keeping the enterprise management. The expert group highlights in their report that national governments must strive to create an economic environment which supports family businesses, the

main areas are taxation, companies act and education (European Commission [2009]). Succession and the significance of its financing are also emphasized topics in the EU and development of banking product facilitating the transfer is urged. As an example they set France, Germany, Finland, Portugal where state-owned organizations offer financing for enterprise foundation (European Commission [2011]).

I hope that political decision-makers will put more emphasis on supporting family businesses regarding research results of this nation and the European Union related to family businesses.³² I think it is specially important to support family business education which I discuss in details later on.

In my dissertation, I did not discuss in details the effects of recession on family businesses. The financial and economic crisis in 2008 is a quite exciting topic alone. These all are worth examining: nature of crisis, its causes, winners and losers, edifications, effects of recession on family businesses. There are two reasons why I decided not to undertake the deeper examination of this topic. One of the reasons is that I would have greatly exceeded the space limitations of this dissertation if I make a profound progress of this topic, the other reason is that I thought it was essential to perform an empirical research to conclude established statements, and it is more than the goal of this dissertation, it exceeds its frames. However I believe it is important to map in detail the effects of the crisis on family businesses, to analyze the reactions of family businesses. I think it is a hypothesis worth testing related to the relationship between the crisis and family businesses that whether family businesses actually take the obstacles of the crisis more successfully and they are more able to make a good thing out of the recession than non-family businesses. In my opinion, in family businesses there is a segment which is not only able to resist successfully the difficulties of the crisis but also is able to take the occasional opportunities due to its long-term perspective, persistence and additional resources provided by the family. However I do not think that it is true for every family business, thus it is a further interesting question of research that what features those family businesses have which are able to cope and develop in hard time of recession.

³² In the domestic legal system, the positive change of the tax law in 2011 is a significant step, based on this, inheritance and donation between lineal relatives are duty free.

I consider it as a further research direction to do surveys among appointed and potential successors of family businesses. In international and national researches, those surveys which focus on predecessors, current leaders of enterprises while examining the succession process are much emphasized. We know relatively less about how the successors live through this special situation. What are those factors which influence their intention to join the family enterprise? According to them, what is the greatest difficulty of the process? What kind of support would help them the most? What do they think? What preparedness do they need for the successful takeover?

Certainly a qualitative research would provide interesting results which examines the relationship between predecessor and successor in the succession process in a longitudinal manner.

We could get useful pieces of information with a survey that would focus on family business performance before, during and after the succession process.

Researches related to succession in family businesses more exactly family enterprises have a wide range. I think either quantitative or qualitative longitudinal researches would give interesting results. These would provide not just particular snapshots about family businesses, but also they would allow long-term analyses, comparisons, providing insight into the background of particular decisions and long-term consequences.

The primary possibility of utilization of the knowledge related to these researches is in education, I have already mentioned its remarkable importance. It has also significant importance regarding the future of family businesses that the involved would learn about family business features, their unique challenges, their operational mechanisms. Knowing all about this, the members of family businesses would defeat the challenges of the market and of the intertwining of family and business systems.

Family business education must happen on more levels and in more forms. On one hand it is essential to install it into the higher educational curriculum, it would be obligatory in the economic faculty and optional in other faculties. The transfer of this knowledge about family businesses could happen within the frames of existing subjects or as an independent subject or as a series of consecutive subjects. Beyond non-formal education, it is important to create opportunities for gaining this knowledge about family businesses in a practice-orientated training form for family

business experts and family business advisers. In our country, the newly founded Family Business Academy took over the non-formal family business education.

I hope that family business importance, features, special challenges and succession features will be known more widely soon, encouraging the further research of this topic, creating a base for it in higher education, all these together provide remarkable long-term support for the successful family business operation through generations.

APPENDICES

Appendix 1: The most important family business-related organizations

NAME	CONTACT	NOTE
Family Business Album	www.csva.hu	Album of nano-, micro-, and small enterprises.
Responsible Family Businesses Association	www.fbn-h.eu	This association supports, helps and integrates those responsible family businesses in which the goal is social engagement, creating jobs and maintaining them, advancing social integration, domestication, maintenance and development of the family business model for the next generations.
Family Business Academy	www.csava.hu	The research and educational basis institute of FBN-H.
SEED Foundation	www.seed.hu	The goal of the foundation is to develop the business culture in Hungary, to extend the professional knowledge of entrepreneurs, to increase the competitiveness of small enterprises, to help the economic engagement of disadvantaged and minority groups. Target Groups: <ul style="list-style-type: none"> ▪ Family Businesses ▪ Women's Businesses or Women who are about to undertake businesses ▪ Individual Planning Business ▪ Micro-enterprises with the intention to grow ▪ We offer professional services to those big enterprises which have micro-enterprise target groups.
Family Business School	www.fbschool.eu	The Family Business School is specialized in unique challenges of family businesses. This company and its expert group are the first supporters of business and family process management in Hungary. It works for the introduction and operation of methods of the West in the involved circles.
Family Business Institute	www.familybusinessinstitute.com	The Family Business Institute provides high level professional support to family businesses.
Fambiz.com	www.fambiz.com	It provides writings related to family businesses to family business managers and owners by the most noted advisers, experts and researchers of the field.
The Family Business Consulting Group Inc.	www.efamilybusiness.com	Consulting company focusing on family businesses.
Family Business Experts	www.family-business-experts.com	Family Business Experts is the online organization of Family Business Institute, it solves the problems of family businesses with multidisciplinary approach.

The Family Business Network	www.fbn-i.org	The Family Business Network is a non-profit international network, runned by family businesses to advance the successful operation of family enterprises through generations.
Family Business Succession Strategies	www.familybusinessstrategies.com	Providing strategic consulting for succession-involved family businesses.
Family Firm Institute	www.ffi.org	The organization was founded in 1986, this is the first international community which performs consulting, researches related to family businesses. Its founders are outstanding experts of the field and family business leaders. The main activities of the organization are: <ul style="list-style-type: none"> • organizing conferences, • making regional studies, organizing workshops, • publishing periodicals.
Family Business Management Services	www.familybusinessmgt.com	Providing consulting in family business management, growth and succession.
Family Business Wiki	www.familybusinesswiki.org	The goal of Family Business Wiki is to become the "Wikipedia" and "LinkedIn" of family businesses. It wishes to be global link, knowledge and connection database for those who are interested in family businesses.
Family Business Battleground	www.familybusinessbattleground.com	The goal of Family Business Battleground is to provide interesting information and forum for family business members, here they share their challenges, experiences, joy and failures with other family business owners and employees.
European Group of Owner Managed and Family Enterprises	www.geef.org	The GEEF is a pan-European umbrella organization, its members have been family-owned family businesses for a long time.
International Family Enterprise Research Academy	www.ifera.org	The IFERA, founded in 2011, is the network of researchers, scientific experts, family entrepreneurs, who are engaged in advancing family business research.
Institute for Family Businesses	www.ifb.org.uk	The Institute for Family Business is an independent, non-profit organization, its goal is to support English family businesses by representation, education and research.
Family Business Institute of East Tennessee	familybusinessinstitute.org	The Family Business Institute of East Tennessee is a non-profit organization, it is engaged in supporting family businesses. Its main activities: organizing training programs, workshops, seminars.

TABLE 23: NATIONAL AND INTERNATIONAL FAMILY BUSINESS-RELATED ORGANIZATIONS
(own compilation)

Appendix 2: Summary of the developmental model of Gersick et al.

[1997]

The ownership developmental dimension

Stage	Characteristics/Challenges	Explanation
Controlling owner	<i>Characteristics</i>	
	The ownership is controlled by one owner or a married couple	Most of the controlling owner family businesses are modest in scale, but some achieve high revenues and profit. Family employees are often limited to the nuclear family of the owner.
	Other owners, if any, have only token holdings and do not exercise	-
	<i>Challenges</i>	
Capitalization	In first-generation firms, where the owner-manager is the founder, the principal sources of capital are usually the savings and “sweet equity” invested by the majority owner, family, friends. The most common nonfamily source of capital for controlling owner firms is banks. Banks may have relatively stringent credit requirements and be conservative in their assessment of risk, but they rarely seek to interfere in business operations once they have made a loan.	

	Balancing unitary control with input from key stakeholders	<p>Owner businesses can exploit the advantages of clarity and efficiency that come from having a clearly identified single leader. Internal stakeholders appreciate the lack of confusion about the owner's directives and there is less risk of missing an opportunity while disagreeing owners struggle for dominance. A single leader can also make life easier for the organizational environment who prefer "looking into one pair of eyes" when they need a decision.</p> <p>The risk of this stage are that the controlling owner companies often succeed or fail on the competence, energy, versatility, and luck of a single individual. The business can be paralyzed if the controlling owner experiences illness, depression, distractions or fatigue.</p>
	Choosing an ownership structure for the next generation	A decision must be made about whether to continue to invest ownership control in one individual or to divide it among a group of heirs. In forming an estate plan, the controlling owner has to weight many financial considerations regarding ownership shares: tax minimization, financial needs for retirement, responsibilities to provide to the spouse and other dependents, indebtedness, and so forth.
Sibling partnership	Characteristics	
	Two or more siblings with ownership control	-
	Effective control in the hands of one sibling generation	-
	Challenges	
	Developing a process for shared control among owners	-
	Defining the role of nonemployed owners	-

	Retaining capital	Sibling partnership tend to have an easier time funding growth through debt than first-generation controlling owner companies. However, because the sibling partnership stage usually brings an increase in the number of people who are owners but not employees the balance of priorities between reinvestment and dividends may shift. The employed siblings may feel obligated to respond to the needs of their siblings who are not employed in the company. Sometimes sibling partnerships draw excessive fund out of the company, unwittingly dampening its growth prospects. Educating all the stakeholders about the company's capital needs is one of the most important tasks of the leader.
	Controlling the factional orientation of family branches	As their children grow siblings start to interact as mothers and fathers and as heads of family branches. Siblings may begin to act as if their responsibility is to represent their own family branch, as opposed to the company as a whole.
Cousin consortium	Characteristics	
	Many cousin shareholders	No single family branch has enough voting shares to control decisions.
	Mixture of employed and nonemployed owners	
	Challenges	
Managing the complexity of the family and the shareholder group	In cousin consortiums, there is often a board range of ages, family relationships, wealth, and places of residence. Shareholders may be a mix of first cousins, aunt and uncles, second cousins, and even more distant relatives, some of whom may never have met. The personal connections that have been so powerful in the first two ownership stages are almost certainly diluted here.	

TABLE 24: DEVELOPMENTAL MODEL – OWNERSHIP DIMENSION (Own compilation based on Gersick et al [1997] p. 32-53.

The family developmental dimension

Stage	Characteristics/Challenges	Explanation
Young business family	<i>Characteristics</i>	
	Adult generation under forty	-
	Children, if any, under eighteen	-
	<i>Challenges</i>	
	Creating a workable marriage enterprise	<p>The first key challenge of the young business family stage is establishing a relationship with a spouse or intimate partner, and the early years into the children's lives.</p> <p>Some couples build the business together and the spouses work as equal partner-managers, in some cases one spouse is more senior than the other. When a couple works together, their power relationship is part of all aspects of their lives – they cannot get away from it either by going to work or by going home. This magnifies the satisfaction of an arrangement that both spouses like and equally magnifies the conflict and resentment in a relationship that is not comfortable for one or both of them. Despite the intense demands in both the work setting and the home, most couples feel that developing business together has strengthened their marriage.</p>

	<p>Making initial decisions about the relationship between work and family</p>	<p>In business families there are special pressures. These often include late hours, seven-day work weeks, and the takeover of family social events by business discussion. There may be social obligations with customers and suppliers. The business may use up all of the family financial reserves and even require personally collateralized debt.</p> <p>If the young business family is part of a larger family business, then dynamics with the extended family may frequently intrude on the couple's private efforts to form their own marriage enterprise. When children are born the spouses have to cope with new set of conflicts: work-parenting dilemmas, and the expectations of the extended family, who are simultaneously employer/colleagues and grandparents/uncles/aunts/in-laws. To avoid conflict and confusion at this stage, the couple needs a strong sense of its own identity as a separate young family and focus on its own concept of the marriage enterprise and the role of work in it.</p>
	<p>Working out relationships with the extended family</p>	<p>The business-owning extended family may try to envelop the new marriage as if nothing had changed. This can create tension over the amount of time spent at quasi-business gatherings of the family of origin, such as Sunday barbecues, evening meetings, family vacations, or business trips. The young business couple then has to make a conscious effort to avoid spending all of its time with the business side of the extended family.</p>

	Raising children	<p>It is often the birth of children that causes a founder or founding copreneurial couple to consider for the very first time that their company might become a family business. Their timetable for planning and dreaming stretches beyond the next year or the next milestone to include their children's growing up, becoming adults, and continuing the family in further generations.</p> <p>Children will internalize their parents' attitudes and values about the firm, a sense of the quality of life it provides, and impressions of the business's impact on their parents' marriage and family relations. Lessons learned at this stage, intentionally or unintentionally, will not be easily changed by the lectures that parents may give later in life, and they will determine in large part the potential for the business's continuity into the future.</p>
Entering the business	Characteristics	
	Senior generation between thirty-five and fifty-five	-
	Junior generation in teens and twenties	-
	Challenges	
	Managing the midlife transition	<p>The term of midlife transition is one of the most significant contributions of Levinson's work on adult development, is a more complex elaboration of the midlife crisis. It refers to period of several years, usually the early forties, when it is common for adults to experience a time of self-assessment.</p>

	Separation and individuation of the younger generation	The departure of the offspring generation from the parental home changes the family structure and the marriage. For the children staying in the business means keeping first-class status in the family, choosing another path means becoming peripheral to family interaction.
	Facilitating a good process for initial career decisions	All parents confront the challenge of preparing their children to have the best opportunity for successes as adults. What is different for parents in business families is that, in the midst of all the alternatives that young adults face, there is one specific opportunity that must be either accepted or rejected: the family firm.
Working together	Characteristics	
	Senior generation between fifty and sixty-five	-
	Junior generation between twenty and forty-five	-
	Challenges	
	Fostering cross-generational cooperation and communication	For family businesses at the stage of working together the characteristics of the effective communication are: - honesty, - openness, - consistency.
	Encouraging productive conflict management	Application of three-circle model makes it apparent that conflict is built into the structure of the family business system. Individuals, operating with the best of intentions, still have different agendas and perspectives on events because of their different roles. Sons or daughters, in trying to establish competence, may resent their parents' authority, parents may be hurt or angered by the disrespect they feel in the challenges of their children. Children who are not working in the business may feel that, in comparison with their working siblings, they are not receiving adequate benefits from the business or equal attention from their parents.

	Managing the three-generation working together family	Because of increased average life expectancy, families in general are more vertically diverse than ever before.
Passing the baton	Characteristics	
	Senior generation age sixty and above	-
	Challenges	
	Senior generation disengagement from the business	The most common story about succession is the clash of two opposing forces: the senior generation's difficulty leaving, and the junior generation's difficulty waiting. It seems that if there were a formula for determining precisely the optimal moment, the best meeting point of senior and junior readiness, a high percentage of family business dilemmas would be resolved.
	Generational transfer of family leadership	-

TABLE 25: DEVELOPMENTAL MODEL – FAMILY DIMENSION (Own compilation based on Gersick et al [1997] p. 62-99.)

The business developmental dimension

Stage	Characteristics/Challenges	Explanation
Start-up	Characteristics	
	Informal organizational structure, with owner-manager at center	The owner-manager is the center of everything, investing a great deal of time, energy and often most of his/her resources. Organizational structures are minimal and informal, procedures are usually worked out as they are needed, and often modified.
	One product	The company is focused on one product or service. It is hoping to find a niche where it can hang on long enough to get established for the long run.

	Challenges	
	Survival (market entry, business planning, financing)	Children of any age can conclude that the star-up business is really the most-loved child. Jealousy of the business can persist for decades and can cause difficulty in the succession process.
	Rational analysis versus the dream	-
Expansion / Formalization	Characteristics	
	Increasingly functional structure	-
	Multiple products or business lines	-
	Challenges	
	Evolving the owner-manager role and professionalizing the business	In the expansion/formalization stage, business typically evolves from a founder-centered structure to a more formal hierarchy with differentiated functions. At some point in phase, the pressure builds to hire professionals to fill key managerial and specialist roles, and for the owner-manager to start delegating significant authority to nonfamily members.
	Strategic planning	-
	Organizational systems and policies	-
	Cash management	-
Maturity	Characteristics	
	Organizational structure supporting stability	-
	Stable (or declining) customer base, with modest growth	-
	Divisional structure run by senior management team	-
	Well established organizational routines	-
	Challenges	
	Strategic refocus	-
	Management and ownership commitment	-
	Reinvestment	-

TABLE 26: DEVELOPMENTAL MODEL – BUSINESS DIMENSION (Own compilation based on Gersick et al [1997] p. 108-131.)

Appendix 3: Factors influencing the succession process

Factor	Explanation	References
Successor's personal relationship with the predecessor	It is believed that a smooth succession requires the cooperation of the incumbent (predecessor) and the successor.	Handler, W. C. [1992]: Succession experience of the next generation, <i>Family Business Review</i> , 5(3), 283-307. Hollander, B. S. Elman, N. S. [1988]: Family owned businesses: An emerging field of inquiry, <i>Family Business Review</i> , 1(2), 145-164. Venter, E. Boshoff, C Maas, G. [2005] The influence of successor-related factors on the succession process in small and medium-sized family businesses, <i>Family Business Review</i> , 18(4), 283-303.
Successor's personal relationship with the family	Family relationships have multiple dimensions, including relationships among heirs, between heirs and the family business head, between heirs and the spouse of the family business head and so forth.	Auken, V. H. Werbel, J. [2006]: Family dynamic and family business financial performance: Spousal commitment, <i>Family Business Review</i> , 19(1), 49-63. Horton, T. P. [1982]: The baton of succession, <i>Management Review</i> , 71, 2-3. Morris, M. H. Williams, L. O. Allen, J. A. Avila, R. A. [1997]: Correlates of success in family business transitions, <i>Journal of Business Venturing</i> , 12(5), 385-401.
Shared values	The family business's unique features (commitment, shared values, culture, trust, reputation, and so on) give it certain strategic resources and capabilities that account for its long-term success.	Cabrera - Suárez, K. Saá-Pérez, P. García-Almeida, D. [2001]: The succession process from a resource –and knowledge-based view of the family firm, <i>Family Business Review</i> , 16(2), 165-177.
Shared vision	Sharing views about the objectives and the goals of the family business is considered essential to effective succession.	Barnes, L. B. Hershon, S. A. [1976]: Transferring power into the family business, <i>Harvard Business Review</i> , 54(4), 105-114. Barach, J. A. Gantisky, J. B. [1995]: Successful succession in family business, <i>Family Business Review</i> , 8(2), 131-155. Chrisman, J. Chua, J. Sharma, P. [1998]: Important attributes of successors in family businesses: An explanatory study, <i>Family Business Review</i> , 11(1), 19-34. Dyck, B. Mauws, M. Starke, F. A. Mischke, G. A. [2002]: Passing the baton: The importance of sequence, timing, technique and communication in executive succession, <i>Journal of Business Venturing</i> , 17, 143-162.

		<p>Lansberg I. [1999]: Succeeding generations: Realizing the dream of families in business, Boston: Harvard Business School Press</p> <p>Potts, T. L. Scoen, J. E. Engel-Loeb, M Hulme, F. S. [2001]: Effective retirement for family business owner-managers: Perspective of financial planner – Part 2. Journal of Financial Planning, 14(7), 86-96.</p> <p>Ward, J. L. [1987]: Keeping the family business healthy: How to plan for continuing growth, profitability, and family leadership, San Francisco: Jossey-Bass.</p>
Strategic planning	<p>Succession planning means making the preparations necessary to ensure the harmony of the family and the continuity of the enterprise through the next generation.</p>	<p>Lambrech, J. [2005]: Multigenerational transition in family business: A new explanatory model, Family Business Review, 18 (4), 267-282.</p> <p>Lansberg, I. [1988]: The succession conspiracy. Family Business Review, 1(2), 119-143.</p> <p>Zaudtke, D. Ammerman, D. [1997]: Family Business: The next generation, Management Review 86, 54-57.</p>
Education	<p>The education of a successor is positively correlated with a smooth transition and postsuccession performance.</p>	<p>Morris, M. H. Williams, L. O. Allen, J. A. Avila, R. A. [1997]: Correlates of success in family business transitions, Journal of Business Venturing, 12(5), 385-401.</p>
Working experience inside the family business	<p>Experience in the family business enables the successor to develop relationships within the company and understand the culture and intricacies of the business.</p>	<p>Chrisman, J. Chua, J. Sharma, P. [1998]: Important attributes of successors in family businesses: An explanatory study, Family Business Review, 11(1), 19-34.</p> <p>Danco, L. A. [1982]: Beyond survival: A business owner's guide for success, Cleveland, OH: University Press</p> <p>Lansberg, I. Astrachan, J. H. [1994]: Influence of family relationships on succession planning and training: The importance of mediating factors. Family Business Review, 7(1), 39-59.</p> <p>Morris, M. H. Williams, L. O. Allen, J. A. Avila, R. A. [1997]: Correlates of success in family business transitions, Journal of Business Venturing, 12(5), 385-401.</p>
Working experience outside of the company	<p>Many thriving successors had rich experiences at other companies and jobs.</p>	<p>Barach, J. A. Gantisky, J. B. [1995]: Successful succession in family business, Family Business Review, 8(2), 131-155.</p>

Personal traits	Competence without integrity or commitment does not provide assurance.	Chrisman, J. Chua, J. Sharma, P. [1998]: Important attributes of successors in family businesses: An explanatory study, Family Business Review, 11(1), 19-34.
Successors motivation	A willing and fully committed successor is vital.	Le Breton-Miler, I. Miler, D. Steier L. [2004]: Toward an integrative model of effective fob succession, Entrepreneurship Theory and practice, 28(4), 305-328.
Rules / policies inside the FOB	To achieve this convergence, successors should accept certain policies of the parents, even if they disagree.	Cabrera - Suárez, K. Saá-Pérez, P. García-Almeida, D. [2001]: The succession process from a resource –and knowledge-based view of the family firm, Family Business Review, 16(2), 165-177.
Collaboration	The qualities of relationships inside the family collaboration, accomodation, team approaches, harmony and sibling relationships are critical.	Le Breton-Miler, I. Miler, D. Steier L. [2004]: Toward an integrative model of effective fob succession, Entrepreneurship Theory and practice, 28(4), 305-328.
Organizational structure and past	The culture and governance structure of an organization may influence the succession patterns that occur.	Miller, D. Steier, L. Le Breton Miller, I. [2003]: Lost in time: intergenerational succession, change and failure in family business, Journal of Business Venturing, 18(4) 513-531.
Market context	The level of competitiveness, change and uncertainty in the environment may influence which succession pattern is more likely.	Miller, D. Steier, L. Le Breton Miller, I. [2003]: Lost in time: intergenerational succession, change and failure in family business, Journal of Business Venturing, 18(4) 513-531.

TABLE 27: FACTORS AFFECTING SUCCESSION BASED ON LITERATURE
(Own compilation based on Singalas et al [2008] p. 236.)

Annex 4: Business – family value category pairs

BUSINESS	FAMILY
Producer unit	Consumer unit
No free lunch	Only free lunch
Main value: profit	Main value: love (togetherness)
Organizational hierarchy	Congenital hierarchy
Organizational culture	Ethical culture
Consumer orientated roles	Partner orientated roles
Relations on contract	Relations on confidence
Succession by profession and contracts	Succession by congenital privilege
Stress on tasks	Stress on the relations between the members of the family

TABLE 28: BUSINESS-FAMILY VALUE CATEGORY PAIRS (Szirmai – Mihalkovné [2009], p. 49.)

Appendix 5: Statements of consent

BUDAPESTI
CORVINUS
EGYETEM

Gazdálkodástudományi Kar
Vállalkozásfejlesztési Intézet
Kisvállalkozás-fejlesztési Központ
telefon: 482-5116
fax: 482-5408
e-mail: kfk@uni-corvinus.hu
web: <http://kfk.uni-corvinus.hu>
kt. sz.: KFK-K- /2011

NYILATKOZAT

Alulírott Dr. Szirmai Péter, mint a BCE Kisvállalkozás-fejlesztési Központ akkori igazgatója, a Budapest Bank NyRt. megbízásából készült „Utódlás, generációváltás a magyar vállalkozói szektorban és ennek finánciális következményei” című kutatás szakmai témavezetője nyilatkozom az alábbiakról:

- A kutatás tervezése és végrehajtása során fontos szempont volt, hogy az Csákné Filep Judit (továbbiakban Jelölt) doktori disszertációjában felhasználható legyen.
- A kutatás lebonyolítása során a Jelölt önálló kutató és elemző munkát végzett.
- Jelen doktori disszertációban megfogalmazott hipotéziseket a fent említett kutatás nem vizsgálta, azok a Jelölt önálló, újdonságértékkel bíró eredményei.
- A doktori disszertációban szereplő hipotézisek, megállapítások és tudományos eredmények a Jelölt önálló kutatómunkáját tükrözi, ezekhez a kutatás kollektív munkája csak háttér információkat adott.

Mindezek alapján hozzájárulunk, hogy a Jelölt a kutatás adatbázisát doktori disszertációjához felhasználja.

Budapest, 2011 május 4.



Dr. Szirmai Péter

témavezető

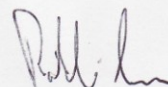
NYILATKOZAT

Alulírott Pákozdi Imre nyilatkozom, hogy a Budapest Bank NyRt. megbízásából készült „Utódlás, generációváltás a magyar vállalkozói szektorban és ennek finansziális következményei” című kutatás tervezése és végrehajtása során szempont volt, hogy az Csákné Filep Judit (továbbiakban Jelölt) doktori disszertációjában felhasználható legyen. Hozzájárulunk, hogy a Jelölt a kutatás adatbázisát doktori disszertációjához felhasználja.

A kutatás lebonyolítása során a Jelölt önálló kutató és elemző munkát végzett.

Jelen doktori disszertációban megfogalmazott hipotéziseket a fent említett kutatás nem vizsgálta, azok a Jelölt önálló, újdonságértékkel bíró eredményei.

Budapest, 2010. május 4.



Pákozdi Imre
projektvezető

Appendix 6: Requesting Letter for Participation in Research

Dear ... ,

We kindly invite You to be a participant of the research of Corvinus University Budapest and Budapest Bank. Our goal is to reveal the pitfalls of generation change in Hungarian family businesses. We hope that as a result of our research, such loan schemes and banking standards will be created which help enterprises to successfully survive the period of manager-owner change.

Please, answer shortly to the following four questions and join our helpers. If You send back to us this sheet by return in the enclosed envelope, our interviewer – by appointment – will contact You personally to make a 30-35 minute interview with You. We will inform You about the result of this survey, and we kindly welcome those who have participated in the interview to participate also at the closing event in the Corvinus University, Budapest, January, 2008. Here, we will raffle a weekend for 2 in perhaps the most beautiful castle hotel in Hungary, the Szidónia.

The research participants guarantee jointly and severally that the data provided by the enterprise is used for only research purposes and anonymously. Unique information will not be out of the hands of researchers in identifiable form.

Please, mark Your answer with underlining or circling!

1. Are You involved in succession, generation change?

- a) Yes, I was in the past five years.
- b) Yes, I am right now.
- c) Yes, I will be in the following five years.
- d) No, I am not.

2. According to You, among the following statements, which are challenges in generation change, succession process? Please, evaluate them 1-5! (1 – no challenge, 5 – serious challenge)

a) the entrepreneur's decision about retirement	1	2	3	4	5
b) finding the proper successor	1	2	3	4	5
c) handling conflicts within the family	1	2	3	4	5
d) the training of the successor	1	2	3	4	5
e) creating the resource of financing needs related to succession	1	2	3	4	5

3. How old are You? a) 21-30 b) 31-40 c) 41-50 d) 51-60 e) 61-70 f) more than 70

Your phone number and/or email address for making our appointment:

Thank You for Your Time and Attention!

13 September 2007, Budapest.

Ph.D. Péter Szirmai associate professor

If You have any questions, please, contact us: imre.pakozdi@uni-corvinus.hu

Appendix 7: Personal Questionnaire

The challenges of succession and generation change in Hungarian enterprises

Personal Questionnaire

REGISTRATION NUMBER	
SERIAL NUMBER	
THE NAME OF THE INTERVIEWER	
DATE	
PLACE	

The research participants guarantee jointly and severally that the data provided by the enterprise is used for only research purposes and anonymously. Unique information will not be out of the hands of researchers in identifiable form. The participation in the research is voluntary. Thank You for Your Help!

1. What is the legal form of the enterprise?

1. Deposit Partnership
2. Ltd.
3. General Partnership
4. Joint-Stock Company
5. Other: _____

2. What is the sectoral classification of the enterprise?

1. Agriculture, forestry
2. Mining
3. Manufacturing
4. Electricity, gas, steam and water supply
5. Building industry
6. Trade, services
7. Accommodation services, catering
8. Transport, post and telecommunication
9. Financial activities
10. Real estate, renting and economic activities
11. Education
12. Healthcare
13. Other community and personal services
14. Other

3. In which county can be found the base of the enterprise?

4. In what kind of town can be found the base of the enterprise?

1. Capital
2. Shire town
3. Other city
4. Town

5. The gender of the respondent:

1. Man
2. Woman

6. How old are You?

7. What is the highest level of Your education?

1. Elementary school
2. Vocational school
3. Secondary school
4. Grammar school
5. College
6. University

8. The year of foundation: _____

9. Did You found the enterprise? (Are You one of the founders?)

1. Yes → **jump to question 11!**
2. No

10. When did You take it over? (year) _____

11. How many shares do You have in the enterprise (how many percent)?

12. Apart from You, who have shares in the enterprise? You can mark more options.

1. Spouse
2. Child / Children
3. Spouse of child / children
4. Parents, parents-in-law
5. Sibling / siblings, sibling / siblings-in-law
6. Other relative (sibling's spouse, uncle, aunt, cousin, nephew, etc...)
7. Friend
8. Acquaintance
9. Former colleague
10. Professional investors
11. Other, non-professional investor
12. Other: _____

13. Whom do You employ in Your enterprise as employees? You can mark more options.

1. Spouse
2. Child / children
3. Spouse of child / children
4. Parents, parents-in-law
5. Sibling / siblings, sibling / siblings-in-law
6. Other relative (sibling's spouse, uncle, aunt, cousin, nephew, etc...)
7. Friends
8. Such employees with whom there is no family relationship or friendship
9. Other: _____

14. Interviewer instruction: This question must be asked only if in question 13, the respondent chose the option 7 and / or 8 and / or 9.

If You do not employ Your family in the enterprise, does it occur that they help You in the operation?

1. Yes, regularly
2. Yes, rarely
3. No, never

15. After Your retirement, which of the following outcomes do You consider likely (if You took over the enterprise, in which category is it)?

Interviewer instruction: The respondent belongs to the category "took over the enterprise" if in question 9 he/she marked option 2 "No" and in question 10 he/she gave a date after 2002 or 2003. Please, keep this in mind later on!

1. I keep ownership and management within the family.
2. I keep enterprise ownership within the family, and I appoint an external professional for the management.
3. I sell the enterprise to the co-owner(s).
4. I sell the enterprise to the employees.
5. I sell the enterprise to an external party (non-family member, not employee).
6. I do not know, I have not thought of it.
7. I close down the enterprise. **Jump to question 32!**
8. Other: _____

16. Do You have a potential successor, to whom You would hand over the enterprise, (if You took over the enterprise, in which category is it)?

1. Yes, within the family
2. Yes, outside the family
3. I have not found a proper successor yet
4. I do not think it would be necessary, not yet
5. Other: _____

17. After succession, generation change, after the handover of management, what role do You have in mind for Yourself in decision-making? (Choose only one!) (If You took over the enterprise, what is/was typical for the predecessor?) You can choose only one!

1. I want to reserve all the decision-making rights for myself
2. I want to reserve most of the decision-making rights for myself
3. I want to reserve only those decisions for myself which are relevant for the future of the enterprise, the strategic decisions
4. I want to hand over the decision-making rights to my successor but as an adviser I keep on participating in decision-making
5. I want to hand over all the decision-making rights to my successor and if he/she wishes I participate in decision-making
6. I retire completely from decision-making
7. Other: _____

18. After succession, generation change, after the handover of management, what participation do You have in mind for Yourself in the everyday enterprise operation, in the daily work? (If You took over the enterprise, what is/was typical for the predecessor?) You can choose only one!

1. Full-time
2. Part-time
3. I do not want to participate in work regularly but I would not like to be completely detached from everyday operation
4. After the handover, I do not want to participate in daily work at all
5. Other: _____

19. Do You have a succession plan? (If You took over the enterprise, what was typical in Your case?)

1. No
2. No, this is a natural process, things are going almost in their own ways
3. I have my visions about it but I did not write them down
4. Yes, I have a written succession plan

<p>20. In succession, what do You wish to hand over to Your successor from the following? You can mark more options. (If You took over the enterprise, what was typical in Your case?)</p> <p>1. The operative tasks in enterprise management</p> <p>2. The decision-making rights</p> <p>3. The enterprise ownership</p> <p>4. Other: _____</p>	
<p>21. According to You, among the following statements, which are challenges in generation change, succession process? Please, evaluate them 1-10! (1 – no challenge, 10 – serious challenge) <i>CARD!</i></p>	
1. The entrepreneur's decision about retirement	
2. Finding the proper successor	
3. Handling conflicts within the family	
4. The training of the successor	
5. Differences due to the successor's nature, features	
6. Difficulties of the transition period	
7. The acceptance of the successor by the employees	
8. The acceptance of the successor by the partners of the enterprise (customers, suppliers)	
9. Creating the resource of financing needs related to succession, financial management of succession	
10. The maintenance of financial stability of the enterprise after the handover	
11. The execution of enterprise handover without a succession plan	
12. Problems between predecessor and successor due to dishonest communication	
13. The excessive complexity and diversity of the succession process	
14. Besides the operative everyday tasks, performing also the tasks related to the successful execution of the succession process	
15. The time-consuming nature of the succession process	
16. Performing tasks of taxation and other administration related to succession	
17. Resistance within the enterprise	
18. Other: _____	

22. Do/did You get advices, help from someone for the succession planning? If yes, from whom?

1. Yes: _____
2. No

23. According to You, what are those features which Your future successor must have? Evaluate the listed features 1-10. (If You took over the interprise, what was typical in Your case?) (1 – no importance, 10 – greatest importance) *CARD!*

1. Has to have family relations with me	
2. Has to be a man	
3. Has to be a woman	
4. Has to be more than 30 years old	
5. Has to have proper level of professional knowledge	
6. Has to have a degree	
7. Has to be a professional in financial issues	
8. Has to have good organizational skills	
9. Has to have leader experience	
10. Has to know the enterprise	
11. Has to know the industry, the concurrence, the main competition factors	
12. Has to have wide relation capital	
13. Has to know the main customers, suppliers of the enterprise	
14. Has to have a good relationship with the employees in the enterprise	
15. Has to have good communication skills	
16. Has to have former external working experience	
17. Has to be able to deal with money, he/she does not waste it in vain	
18. Other: _____	

24. In most of Hungarian enterprises, the entrepreneur's personal relationships have important role. What is Your opinion? In the case of Your enterprise, can changes in leadership cause that these personal relationships are relegated into the background? Will the successor be able to take and maintain them? Why? (If You took over the enterprise, what is Your experience about it?)

25. In Your opinion, what is right, what the successor must do after taking over the enterprise? Please, evaluate them 1-10! (1 – not right at all, 10 – best thing to do) *CARD!*

In Your opinion, how right it is if the successor...

1. extends the market	
2. extends production, services	
3. switches to new product, service	
4. modernizes the buildings	
5. rejuvenates the staff	
6. exercises power	
7. performs individual changes in the case of more important officials in the enterprise	
8. Other: _____	

26. In Your opinion, in what areas does it cause the most troubles in enterprise operation if the fresh leader is inexperienced? (Please, do not evaluate Your own successor, (if You took over the enterprise, do not evaluate Yourself!) Please, evaluate them 1-10! (1 – no trouble at all, 10 – gives much trouble) *CARD!*

In enterprise operation, it gives trouble if the successor is inexperienced in...

1. dealing with customers	
2. financial issues	
3. production	
4. sales, marketing and advertising	
5. decision-making process	
6. acceptance of the leader's decisions	
7. performance evaluation	

8. accountability	
9. rewards and punishment	
10. forming good relationships with colleagues	
11. industrial knowledge (about concurrence, competition factors)	
12. good maintenance of business relationships	
13. Other: _____	
<p>27. What do You think, what are those critical areas where the successor would need some help? (If You took over the enterprise, in which areas would you need / would you have needed some help?) Why?</p> <p>_____</p>	
<p>28. How much do You agree with these statements about succession financing needs? Please, evaluate them 1-10! (1 – disagree, 10 – completely agree)</p>	
1. There are no additional costs, financing need related to enterprise handover	
2. Additional costs, financing need related to enterprise handover are exploited by enterprise operation	
3. There are such additional costs, financing need related to enterprise handover for which the enterprise must prepare, must accumulate reserves	
4. To cover additional costs, financing need related to enterprise handover it is necessary to involve external financing (for example: bank loan, friend loan)	
<p>29. How much do You agree with the following statements? Please, evaluate them 1-10! (1 – disagree, 10 – completely agree)</p> <p><i>During succession, generation change, it would be good...</i></p>	
1. if the bank refinanced the existing loan debt	
2. if the bank offered special loan for outbuying the predecessor	
3. if the bank offered special loan for outbuying the other owners	
4. if the bank offered special loan for the severance pay of the "ancient" employees to be replaced	
5. if the bank offered special loan for bypassing the temporary decline in traffic	
6. if the bank gave advices related to the financial management of succession, generation change	

30. Would You mind if Your bank asked You some questions about enterprise succession, generation change?

1. No

30.1. In this case, would You share Your problems related to succession with Your bank contact?

1.1) yes

1.2) no

2. Yes

If yes, why?

31. Can You mention other areas where the bank would act in a supportive way?

32. According to You, how typical are these statements for You? Please, evaluate them 1-10! (1 – not typical at all, 10 – totally typical) *CARD*

1. For me, the enterprise is a kind of career.	
2. For me, the enterprise means mainly source of income.	
3. For me, the enterprise is a kind of inescapable path.	
4. For me, the enterprise is a kind of self-realization.	
5. I know how to manage the enterprise in a way that its operation is stable.	
6. To my success as an entrepreneur, my relations contributed a lot.	
7. I believe in continuous modernization, innovation.	
8. It occurs that I strive for visible success without thinking.	
9. It have occurred more times that I was reckless in making business decisions.	
10. I am dynamic leader of the enterprise.	
11. I am daring in making business decisions.	

12. I am open for the foreign markets.	
<p>33. Your bank as an individual and the bank of Your enterprise are the same?</p> <p>1. Yes</p> <p>2. No</p>	
<p>34. Please, choose from the listed bank products, which of these Your enterprise has. (You can mark more options.):</p> <p>1. HUF Account Management</p> <p>2. Forex Account Management</p> <p>3. Forex Transactions</p> <p>4. Electronic (Internet) Banking, Business Terminal</p> <p>5. Mobile Banking</p> <p>6. Business Card</p> <p>7. Bank Guarantee</p> <p>8. Investment Loan</p> <p>9. Working Capital Loan</p> <p>10. Overdraft</p> <p>11. Lombard Loan</p> <p>12. Asset Leasing</p> <p>13. Factoring</p> <p>14. Long-Term HUF Deposits</p> <p>15. Long-Term Forex Deposits</p> <p>16. Unit Trust</p> <p>17. Treasury Products (e.g.: Forward Transactions, Quotation of Rates)</p>	
<p>35. Please, choose from the listed bank products, which of these You have. (You can mark more options.):</p> <p>1. HUF Account</p> <p>2. Forex Account</p> <p>3. Credit Card</p> <p>4. Personal Loan</p> <p>5. Commercial Credit</p> <p>6. Mortgage Loan</p>	

7. Auto Financing
8. Overdraft
9. Mortgage Equity Withdrawal
10. Investment Units
11. Time Deposits
12. Retirement Savings Account
13. Treasury Bills
14. Other: _____

36. In Your enterprise, mostly who deals with banking issues? You can choose only one!

1. I deal with it myself
2. A family member
3. A non-family member employee
4. Co-owner
5. Accountant
6. Other: _____

37. Is there anybody else who deals with banking issues except of those already mentioned? You can mark more options. *CARD!*

1. There is nobody else, only that person deals with banking issues who was marked in the previous question
2. I often deal with it myself
3. A family member
4. A non-family member employee
5. Co-owner
6. Accountant
7. Other: _____

38. How often do You or does Your representative communicate with Your bank contact?

1. Daily
2. More times a week
3. Weekly
4. Biweekly
5. Monthly
6. Quarterly
7. Semi-annually
8. Annually
9. Other: _____

39. Are You interested in a brochure dealing with questions of succession? If yes, with what topics? You can mark more options.

1. No
2. Yes:
 1. The legal framework
 2. Tax questions
 3. Cases of those enterprises which have already gone through the succession process
 4. Writings related to succession planning
 5. Writings related to the financing management of succession
 6. Other: _____

40. What do / did You consider(ed) (if You took over the enterprise then Your predecessor) the most important in leadership in five years before the succession? Please, evaluate them 1-10! (1 – not important at all, 10 – very much important) *CARD!*

1. To develop the level of engineering, technology and services	
2. To create financial stability	
3. To satisfy the employees	
4. To extend the market	
5. To grow	
6. To win over the concurrence	

7. Other: _____	
<p>41. What is Your goal with Your enterprise? (You can choose only two options! Please, do not mark more than two options but if You wish to mark just one, You can do that.)</p> <ol style="list-style-type: none"> 1. To provide stable, sustainable income 2. To grow continuously, in balance 3. To realize my visions related to some product or service 4. To create stand-alone, independent way of life 5. To break into the forefront of the industry with a growth bigger than average 6. To realize my own ambitions 7. Other: _____ 	
<p>42. How many full-time employees did you have in the enterprise in 2004, 2005 and 2006?</p> <ol style="list-style-type: none"> 1. 2004: 2. 2005: 3. 2006: 	
<p>43. How much was the net income of the enterprise in 2004, 2005 and 2006? (million HUF)</p> <ol style="list-style-type: none"> 1. 2004: 2. 2005: 3. 2006: 	

Thank You for Your Participation!

Annex 8: Number of cluster elements of hierarchical cluster analysis

Hierarchical cluster analysis - Within group linkage - Euclidean distance												
Nr. of clusters	7 clusters solution		6 clusters solution		5 clusters solution		4 clusters solution		3 clusters solution		2 clusters solution	
	Frequency	Frequency %	Frequency	Frequency %	Frequency	Frequency %	Frequency	Frequency %	Frequency	Frequency %	Frequency	Frequency %
1	49	22%	86	39%	86	39%	115	52%	115	52%	115	52%
2	21	9%	21	9%	50	22%	50	22%	50	22%	108	48%
3	27	12%	27	12%	27	12%	27	12%	58	26%		
4	29	13%	29	13%	31	14%	31	14%				
5	37	17%	31	14%	29	13%						
6	31	14%	29	13%								
7	29	13%										
Total	223	100%	223	100%	223	100%	223	100%	223	100%	223	100%

Annex 9: Number of cluster elements of non-hierarchical cluster analysis

Non-hierarchical cluster analysis - K-Means Cluster												
Nr. of clusters	7 clusters solution		6 clusters solution		5 clusters solution		4 clusters solution		3 clusters solution		2 clusters solution	
	Frequency	Frequency %	Frequency	Frequency %	Frequency	Frequency %	Frequency	Frequency %	Frequency	Frequency %	Frequency	Frequency %
1	32	14%	20	9%	26	12%	34	15%	67	30%	112	50%
2	24	11%	58	26%	51	23%	76	34%	68	30%	111	50%
3	70	31%	31	14%	34	15%	72	32%	88	39%		
4	40	18%	45	20%	51	23%	41	18%				
5	4	2%	17	8%	61	27%						
6	27	12%	52	23%								
7	26	12%										
Total	223	100%	223	100%	223	100%	223	100%	223	100%	223	100%

Annex 10: ANOVA table of K-Means Cluster method (5 clusters)

ANOVA						
	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
A cég tulajdonjogát és a vezetését is családon belül tartom	12,989	4	,017	218	757,598	,000
A cég tulajdonjogát családon belül tartom, a vezetéssel pedig külső szakértő személyt bízok meg	1,772	4	,100	218	17,777	,000
A tulajdonostársamnak/társaimnak eladom a céget	1,595	4	,039	218	41,058	,000
Külső (családon kívüli, alkalmazott) félnek eladom a céget	,519	4	,081	218	6,368	,000
Nem tudom, nem gondolkodtam rajta	4,356	4	,049	218	88,804	,000
Bezárom a vállalkozást	,213	4	,040	218	5,339	,000
Házastárs - tulajdonrész	4,740	4	,164	218	28,933	,000
Gyermek - tulajdonrész	3,302	4	,129	218	25,506	,000
Rokon - tulajdonrész (gyermek házastársa, szülő, testvér, egyéb rokon)	,799	4	,111	218	7,196	,000
Korábbi munkatárs - tulajdonrész	6,635	4	,071	218	93,929	,000
Nem rokon - tulajdonrész (barát, ismerős, szakmai befektető, egyéb befektető)	1,516	4	,162	218	9,345	,000
Házastárs - kit alkalmaz	1,347	4	,181	218	7,459	,000
Gyermek - kit alkalmaz	5,635	4	,120	218	46,859	,000
Rokon - kit alkalmaz (gyermek házastársa, szülő, testvér, egyéb rokon)	1,009	4	,149	218	6,773	,000

The F Tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

Annex 11: Chi-square tests of crosstab examining female and male entrepreneurs succession planning tendencies

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1,530 ^a	3	,675
Likelihood Ratio	1,521	3	,677
Linear-by-Linear Association	1,007	1	,316
McNemar-Bowker Test	.	.	. ^b
N of Valid Cases	154		

a. 2 cells (25,0%) have expected count less than 5. The minimum expected count is 1,17.

b. Computed only for a PxP table, where P must be greater than 1.

Appendix 12: Chi-square test of crosstab examining succession planning tendencies of entrepreneurs with and without dedicated successor

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36,476 ^a	6	,000
Likelihood Ratio	36,129	6	,000
Linear-by-Linear Association	21,254	1	,000
McNemar-Bowker Test	.	.	. ^b
N of Valid Cases	151		

a. 4 cells (33,3%) have expected count less than 5. The minimum expected count is ,75.

b. Computed only for a PxP table, where P must be greater than 1.

Appendix 13: Symmetric measures of of crosstab examining succession planning tendencies of entrepreneurs with and without dedicated successor

Symmetric Measures

	Value	Approx. Sig.
Nominal by Phi	,491	,000
Nominal Cramer's V	,348	,000
Contingency Coefficient	,441	,000
N of Valid Cases	151	

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

Annex 14: Chi-square test of crosstab examining succession planning tendencies of family entrepreneurs with and without debt

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	,291 ^a	3	,962
Likelihood Ratio	,289	3	,962
Linear-by-Linear Association	,126	1	,723
McNemar-Bowker Test	.	.	. ^b
N of Valid Cases	154		

a. 2 cells (25,0%) have expected count less than 5. The minimum expected count is 1,75.

b. Computed only for a PxP table, where P must be greater than 1.

Appendix 15: KMO and Bartlett's test of principal component analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,828
Bartlett's Test of Sphericity	Approx. Chi-Square	430,404
	df	21
	Sig.	,000

Appendix 16: Principal component analysis – Total variance explained

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3,794	54,202	54,202	3,794	54,202	54,202
2	,860	12,293	66,495			
3	,670	9,572	76,067			
4	,578	8,264	84,331			
5	,507	7,248	91,579			
6	,316	4,520	96,099			
7	,273	3,901	100,000			

Extraction Method: Principal Component Analysis.

Appendix 17: Principal component analysis - Communalities

Communalities		
	Initial	Extraction
Jó szervezőkészséggel rendelkezzen-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	1,000	,606
Ismerje a vállalkozást-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	1,000	,488
Ismerje az iparágat-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	1,000	,548
Ismerje a vállalkozás fő vevőit és beszállítóit-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	1,000	,517
Jó viszonyban legyen a vállalkozás alkalmazottaival-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	1,000	,549
Jó kommunikációs készséggel rendelkezzen-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	1,000	,636
Tudjon bánni a pénzzel, ne költségesen-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	1,000	,450

Extraction Method: Principal Component Analysis.

Appendix 18: Principal Component analysis – Component matrix

Component Matrix^a

	Component
	1
Jó szervezőkészséggel rendelkezzen-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	,778
Ismerje a vállalkozást-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	,698
Ismerje az iparágat-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	,740
Ismerje a vállalkozás fő vevőit és beszállítóit-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	,719
Jó viszonyban legyen a vállalkozás alkalmazottaival-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	,741
Jó kommunikációs készséggel rendelkezzen-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	,797
Tudjon bánni a pénzzel, ne költsékezzen feleslegesen-Mely tulajdonságokkal kell rendelkeznie a leendő utódnak?	,671

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Appendix 19: SPSS output – Effect of variables to discriminant function (ANOVA table)

Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig.
A megfelelő utód megtalálása okozta kihívás	,806	17,676	2	147	,000
Az előd és az utód közötti, a nem őszinte kommunikációból adódó problémák okozta kihívás	,927	5,788	2	147	,004
Az utódom rokoni kapcsolatban álljon velem	,757	23,569	2	147	,000
Az utódom 30 évesnél idősebb legyen	,951	3,794	2	147	,025
Az utódomnak legyen korábban szerzett munkatapasztalata más cégnél	,946	4,193	2	147	,017
A cégátadás kapcsán nem merül fel többlet kiadás, finanszírozási igény	,946	4,229	2	147	,016

Annex 20: SPSS output – Significance of discriminant functions, Wilk's Lambda

Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1 through 2	,578	79,182	12	,000
2	,901	15,024	5	,010

Appendix 21: Discriminant analysis – Classification results

Classification Results^a

		Tipus	Predicted Group Membership			Total
			Rokoni vállalkozások	Házastársak vállalkozásai	Nukleáris családi vállalkozások	
Original	Count	Rokoni vállalkozások	27	7	16	50
		Házastársak vállalkozásai	4	34	2	40
		Nukleáris családi vállalkozások	15	15	30	60
%		Rokoni vállalkozások	54,0	14,0	32,0	100,0
		Házastársak vállalkozásai	10,0	85,0	5,0	100,0
		Nukleáris családi vállalkozások	25,0	25,0	50,0	100,0

a. 60,7% of original grouped cases correctly classified.

Appendix 22: Chi-square test of crosstab examining content of succession

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1,565 ^a	4	,815
Likelihood Ratio	1,604	4	,808
Linear-by-Linear Association	,033	1	,857
N of Valid Cases	149		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10,43.

PUBLICATIONS

HUNGARIAN LANGUAGE PUBLICATIONS

Referred journals

- 1) Filep Judit – Szirmai Péter (2006): A generációváltás kihívásai a magyar KKV szektorban, *Vezetéstudomány* XXXVII. évf. 2006. 6. szám, p. 16-24.
- 2) Csákné Filep Judit (2012): A családi vállalkozások pénzügyeinek sajátosságai, *Vezetéstudomány*, under publication
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- 7) Filep Judit – Pákozdi Imre – Szirmai Péter (2007): Utódlás, generációváltás a magyar vállalkozói szektorban és ennek finansziális következményei, *Kutatási jelentés a Budapest Bank NyRt megbízásából*
- 8) Filep Judit – Szirmai Péter (2008): Családi vállalkozások demográfiai megközelítésben – speciális magyar fejlődési út, *SEED Alapítvány, Családi vállalkozás konferencia 2008*

- 9) Filep Judit (2007): Generációváltás a magyarországi vállalkozásokban – Első kutatási eredmények, Magyar Tudomány Ünnepe, Általános Vállalkozási Főiskola
- 10) Csákné Filep Judit (2011): Családi vállalkozások, avagy az érzelmek diadala az üzleti racionalitás felett, Döntéshozatal a családi vállalatokban konferencia, Budapesti Corvinus Egyetem

ENGLISH LANGUAGE PUBLICATIONS

Other journals

- 11) Filep Judit (2006): The Possible Scenarios: The Generational Changeover in the Hungarian SME Sector, National Council for Graduate Entrepreneurship Working Paper 037/2006, p. 1-10.

Other papers

- 12) Petheő Attila – Filep Judit (2008): Overview of Family Businesses Relevant Issues, Country Fiche Hungary, Kutatási jelentés a KMU Forschung Austria megbízásából

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