

Generational transfer among family businesses on the fields of reputation and organizational culture – research plan

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Abstract. Aim: The aim of this paper is to generally introduce the topic, themes and relevance of the research on which my PhD thesis will be based. The research will focus on change of generations among Hungarian family businesses and deals with changes of leadership, organizational culture and core values, related to the management/owner succession. The research needs to apply knowledge from four disciplines – PR, organizational culture, economic (family businesses) and leadership – so it is multidisciplinary in nature. Following a current step of the research-process will be presented.

Methodology: The Family Business Barometer results were applied for gaining information about the plans related to the future, generations, and so on of European Family Businesses. Then three Hungarian family businesses were interviewed in the frame of a panel-discussion organized by the Commercial and Industry Chamber in Győr-Moson-Sopron County. These three family businesses were the Borsodi Műhely, the Biotextima and the Leier.

Findings: All in all between 2013 and 2016 most of the family businesses seemed to be confident about the future. In this aspect just a few family businesses were neutral in this time period. Unfortunately, there were family businesses who had a negative attitude for the future. The deliberate and detailed planning of the handover, the selection of a determined date for handover, the determination of the older generation to really do not interfere in affairs, the cohesive role of the family, family activities, the support from the family could lead to the effective change of generations.

Introduction

My chosen topic had a determining role in the past, is dominating in the present and will be important in the future.

I chose leading change as a main topic of an essay when I wrote my master's essay about the management succession within the Erasmus Student Network. The ESN deals with foreign scholarship students.

Currently as a PhD student I would like to write my thesis about generation change among Hungarian family businesses.

It is a hot-topic in Hungary because most of the founders of Hungarian family businesses are around retirement and is facing with succession and also with generation change.

I need to apply knowledge from four disciplines, so it is multidisciplinary in nature: PR, organizational culture, economic (family businesses) and leadership.

1. Objective, methodology, research questions

1.1. Objective

The aim of my research is to get an answer to the question how generation change happens in family businesses. I would like to deal with leadership, reputation, organizational culture, generation change and change management.

1.2. Methodology

First, I would like to read the professional literature about management succession, leadership, generation, family business, organizational culture, reputation and generation change. After that, I would make interviews with those family businesses in the region where generation change is an actual task. I also plan to make questionnaires with those possible heirs who study at the main universities of Hungary.

1.3. Research questions

Could be the reputation and the values inheritable? Could be the web of relationships inheritable? Is it good if they are inheritable?

Is the transfer of the values and the social capital planned? What roles have the ancestors, the successors and other persons in this process?

Are there any differences in these aspects when the successor is positioned within or outside the family?

Does the ancestor and the successor have the same concept in connection with the inheritance of the family business?

Could be generated reputation- and cultural inheritance models among the generation changing of family businesses?

2. Modelling the process

The research consist of six steps. Step 1: collection, reading, analysis and application of literature about reputation (image, brand and corporate identity), organizational culture and leadership. Step 2: Qualitative research: conducting interviews with 50 businesses successors and predecessors. Purpose: to collect information on the generation and change of ownership process, the characteristics of this

process, of the influencing factors. Step 3: qualitative research: measuring reputation: organizing focus group interviews among 10 stakeholders of the businesses. The goal of the research phase is to uncover the consequences of generational change among the reputation of the business. Step 4: Qualitative research: questionnaire survey among university heirs. Objective: to explore their attitudes, their plans, their vision concerning the pursuit of business. Step 5: I could find the possibility of modelling of the transmission of culture and reputation with the help of these interviews and questionnaire surveys among family businesses facing generation change. Continuously I will write my dissertation.

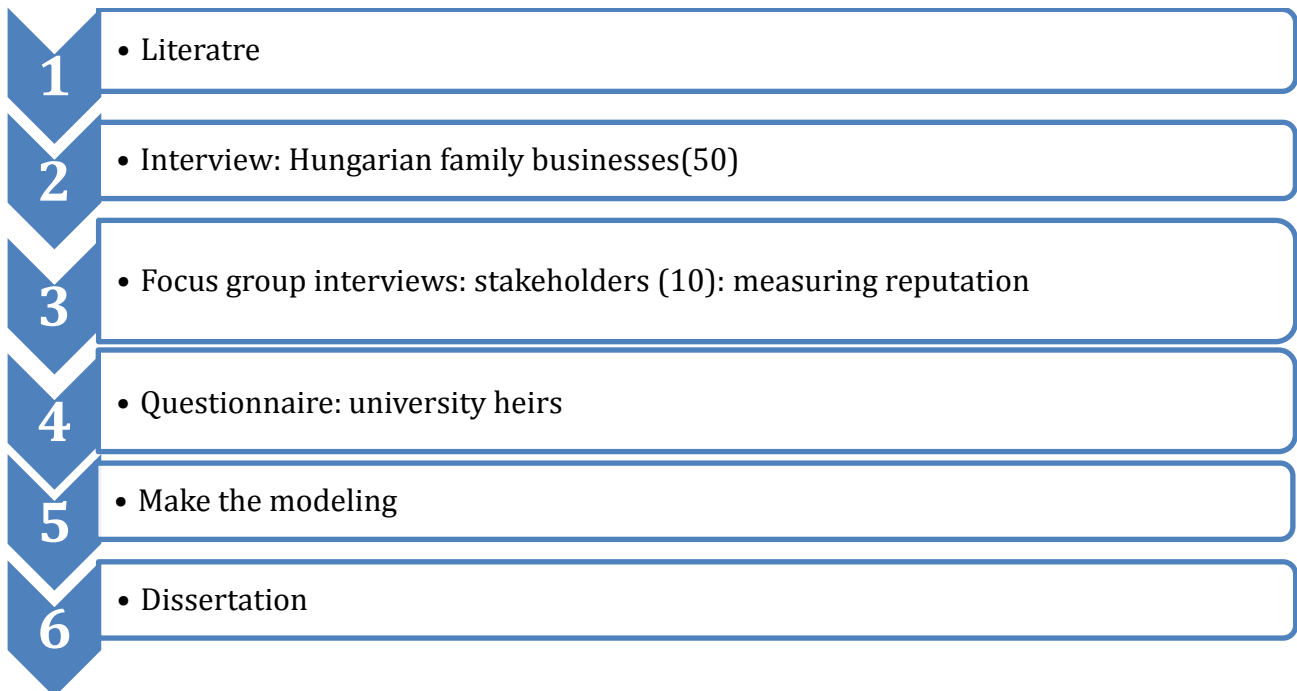


Figure 1: Modeling the process

3. Theoretical background

3.1. Family business

An enterprise, regardless of its size, could be considered as a family business, if:

- the founders, the persons who have stake in the venture, their spouses, parents, children or direct descendants of the children have the majority of the decision-making rights,
- at least one representative of the family or kinship formally is involved in the management of the company,
- companies listed on the stock exchange are also family enterprises if the person who founded or purchased the company or his family or descendants have at least 25% of the shares of decision rights. [5]

3.2. Bull Eye Model

Anderson' Bull's Eye model can provide a conceptual basis for formulate different definitions of family business and for modelling family-firm interactions in a wider sense.

Three types of family-business cluster were identified. One group, "Family Rules" saw the family and business as a single unit, while for the "Family Out" cluster the two should be kept as far apart as possible. In case of the third group, in case of the "Family-Business Jugglers" the participation of the family is also only informal. The "Family Rules" group contains the first (narrow definition), the second (medium definition), and the third (broad definition) circles of the model. To the broad definition belong those businesses in which the family role only covers the strategic issues. The medium definition includes those businesses that are planning to transfer the company to the next generation. To the narrow definition belong those businesses where several generations work together. [1]

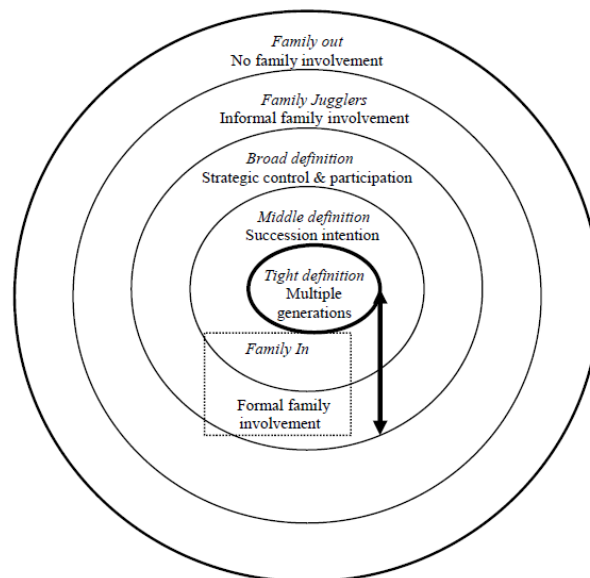


Figure 2: A Continuum of Family – Enterprise Interactions. Extending Astrachan and Shanker's Bull's Eye Model

(Source: [1, 5])

3.3. Reputation

Reputation is not separate from employee or customer satisfaction, financial performance or other indicators. It is a sum of all things.

Broomley (2000) defines reputation as an index of a company's worth or value. Chernatony and Harris (2000) agree that the opinion of all stakeholders must be considered. Schweizer and Wijnberg (1999) state, that reputation has been classified as an intangible component of a firm's pool of resources.

Reputation matters – it can explain why customers choose the particular product or service in preference to somebody else's and can make the difference between success and failure.

3.4. Organizational culture

For one of our focus is on the inheritable organizational culture, the culture is one of the central categories of our research as well as of modern social sciences. It is interpreted in many different ways. For our research we accept the Hofstede'-concept. Organizational Culture can be defined as "the collective programming of the mind that distinguishes the members of one organization from others" [9]. The research of Geert Hofstede has shown that cultural differences between nations are particularly found at the deepest level, the level of values. In comparison, cultural differences among organizations are principally identified at the level of practices. Practices are more tangible than values. National culture is one of the many factors shaping organizational culture next to such factors as personality of founder, feelings of insecurity, expectations of stakeholders and type of technology in use. Thus, organizations in the same country are normally shaped by the same national culture, unless regional cultural differences are very big. The Organizational Cultural model consists of six autonomous dimensions (variables) and two semi-autonomous dimensions. Means-oriented vs. Goal-oriented, Internally driven vs. Externally driven; Easy-going work discipline vs. Strict work discipline; Local vs. Professional; Open system vs. Closed system; Employee-oriented vs. Work-oriented; Degree of acceptance of leadership style; Degree of identification with the organization. The model is called "The Hofstede Model - on strategy, culture and change". The word "strategy" implies that culture and strategy ought to be linked together. We will take into consideration many international and national results, among others Konczos-Szombathelyi 2008, Hidasi 2004, Falkné 2001, Borgulya – Barakonyi 2004, and so.

4. Results so far

First, I was dealing with Family Business Barometer. The latest report from 2016 indicates that family businesses in Europe continue to demonstrate a high level of confidence in their future views and business performance and they are optimistic, determined and skilful at getting through challenges and conforming to the market changes.

Second, I examined the prerequisites of effective change of generations among Hungarian family businesses: on the one hand the succession and on the other hand the retreat was examined. Both predecessors' and successors' viewpoints was surveyed. The study was based on the interviews making on a conference organized by the Chamber of Commerce and Industry of Győr-Moson-Sopron County. The method of the research was the observation of the mentioned public interviews with the representatives of three Hungarian family businesses: the Borsodi Műhely, the Biotextima and the Leier. The prerequisites of effective change of generations according to the interviews are the deliberate and detailed planning of the handover, the selection of a determined date for handover, the determination of the older generation to really do not interfere in affairs, the cohesive role of the family, family activities, the support from the family and the agreement that they do not always talk about the company. [11]

5. Hungarian family businesses

Family businesses play a crucial role in the Hungarian economy, 70% of the companies in Hungary are family owned.

According to an article in 2013, by more than 30% of the Hungarian family businesses generation change in 5 years is expected. But most of them are not prepared for the changes. According to their plans the business would be family-owned and it will be managed by a family member.

Experience shows that around 15-20% of the Hungarian family businesses can handle with generation change, the majority falls apart, becomes bankrupt or sold.

But there are some examples that there are successful generation changes (Borsodi Múhely second generation, Biotextima second generation, Zwack Unicum sixth generation).

An average Hungarian family business is now experiencing the first generation change. (www.uzletresz.hu)

Summary

As a next step, I will make interviews with three Hungarian family businesses running on the metal industry field. These three family businesses are the Fém-Forg-NC Ltd., the Rother Metal Ltd. and the Ferenczi Fémipari Ltd. The purpose is to get an image about the leadership succession and change in leadership of these three Hungarian family businesses. Findings: As a result of the research we could gain experiences on the edifications of change in leadership and on the importance of leadership succession and its impact. Another result is to raise awareness of importance of strategic planning of succession within the families.

Now, I am at the first stage and I plan to make a literature review about generation, generation change and family businesses. Meanwhile I would like to make interviews with Hungarian family businesses.

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