A Theoretical Approach Exploring Knowledge Transmission Across Generations in Family SMEs

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INTRODUCTION

Although family business is a well-developed field of research, scholars are not unanimous in defining a family firm. This chapter follows Chua et al. (1999, p25), by defining a family business as: “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is *potentially sustainable across generations* of the family or families” (italics added for emphasis).

However, regarding such sustainability, family firms show a long-term survival problem: approximately 40% make a positive transition to the second generation and only 12% to the third (Bridge et al., 2003). De Massis et al (2008), in their review, summarized the main causes preventing intra-family succession, identifying individual, relational, contextual, financial and even process factors. Thus business transmission seems, without doubt, to be the most critical event in a family firm’s life. This event is a process, rather than a moment: the founder slowly hands over the management of the business to the successor, who gradually becomes an entrepreneur (Chirico, 2008). Transferring, sharing and creating knowledge between people who are involved in succession plays a fundamental role in this delicate and uncertain process (Cabrera-Suarez, 2001; Cope, 2005; Koiranen, Chirico, 2006; Le Breton-Miller, 2004), but this knowledge transfer does not occur automatically (Boyd et al. 2015; Del Giudice, 2011; Konopaski et al., 2015). Indeed, an important reason for the failure of organizational processes to facilitate knowledge sharing is the lack of consideration for how the organizational and interpersonal context influences knowledge sharing (Carter & Scarbrough, 2001; Voelpel, Dous, & Davenport, 2005). Organizational Learning Theories applied to family business (Moores, 2009) assert that knowledge is a fundamental asset in ensuring a firm’s development and survival (Durst & Edvardsson, 2012; Grant, 1996; for a review see Wang & Noe, 2010). however, although business transmission is maybe the most investigated issue by family business scholars, to date the process through which knowledge is created, shared and transferred across generations has not been comprehensively examined (Chirico, 2008). A little research has focused on specific factors (e.g. leadership style: Cunningham et al., 2016), but current research is far from being completed. Therefore, the main purpose of this chapter is to suggest a theoretical framework for addressing investigation of family firm heterogeneity in knowledge sharing.

Literature suggests that succession is largely in the control of the incumbent leader of the family firm (Lansberg, 1988; Malone, 1989; Rubenson & Gupta, 1996) and in SMEs in particular seniors, (often tacitly), share their knowledge and expertise with juniors day-by-day. Although literature acknowledges the relevance of knowledge sharing to organizational performance (for a review see Wang & Noe, 2010), research shows that one of the main causes, that occurs recursively, of firm failure is the successor’s

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business incompetence (Carter, Van Auken, 2006; Gibb, Webb, 1980), thus suggesting that knowledge is not always properly transferred between generations. In particular, current literature has not until now fully investigated individual and organizational factors which affect knowledge sharing during business transmission, both formally and tacitly. Hence, drawing on Organizational Learning Theories (Argote, 1999; Kogut & Zander, 1992, 1996; Spender, 1996), this chapter highlights how knowledge sharing and transferring processes should be not properly implemented during business transmission.

Structural, (i.e. permanent and ongoing), processes aimed at sharing and managing organizational knowledge are however not enough to ensure successor's business competence. In this sense planned and specific training processes play a fundamental role in junior's firm-specific skills development, especially if the next generation does not have a 'proper' or well-rounded CV and/or shows a lack of motivation for their (future) entrepreneurial role. Indeed, literature shows that training is a key component in leadership development (e.g. Collins & Holton, 2004), and another factor (that is) integral to corporate success. The organizational process aimed at increasing the available knowledge is not in the control of the incumbent leader exclusively, but also involves the next generation and non-family members. Literature (Lave, 1993; Gherardi & Nicolini, 2004) suggests that the 'peripheral legitimated participation' of the junior ensures the best outcomes in terms of knowledge sharing and development, due to the Situated Learning process (Boyd et al. 2015; Hamilton, 2011; Lave, 1993). From this point of view, it is maybe more appropriate to consider the next generation's skill development as a learning rather than a training process. SMEs usually present informal training processes (Cardon, Stevens, 2004), hence for overcoming the limitations of the traditional on-the-job-training, (poor methodology, lack of strategic vision), it is necessary that the next generation plays an active role in developing entrepreneurial skills. However, little research (Murphy, Lambrechts, 2015; Stavrou, 1999) has investigated the role played by the offspring during the business transmission process until now. Thus, learning and training processes should be properly implemented and carried out actively by the involved generations, also with the involvement of non-family members. However, drawing on a situated learning approach to knowledge sharing and development, this chapter highlights both organizational and individual factors undermining next generation's skills development.

THEORETICAL BACKGROUND

In the field of organizational literature, *knowledge* is defined as information processed by individuals including ideas, facts, expertise, and judgements relevant for individual, team, and organizational performance (e.g., Alavi & Leidner, 2001; Bartol & Srivastava, 2002; Durst & Edvardsson, 2012). For instance, Alavi & Leiner define knowledge as "information possessed in the mind of individuals (2001, 109). *Knowledge sharing* refers to the provision of task information and know-how to help others and to collaborate with others to solve problems, develop new ideas, or implement policies or procedures (Cummings, 2004; Pulakos, Dorsey, & Borman, 2003). Family Capital Theory (Moores, 2009; Hoffman et al., 2006; Danes et al., 2009), and the Knowledge-Based View (Càbrera-Suarez et al., 2001; Hatak, Roessl, 2015) offer copious suggestions regarding how to share and transmit firm-specific knowledge in organizations. Both approaches provide useful insights into assessing and explaining strengths and weaknesses of the knowledge sharing process, and are very suitable for investigating business transmission processes. In this sense, in the context of family firms, succession planning refers to the deliberate and formal process that facilitates the transfer of management control from one family member to another (Sharma, 1997). However in order to ensure a positive outcome of business transmission, succession planning should provide indications of the specific knowledge and expertise areas which should be transferred