

Chapter 12

The Enhancement of HR Systems Through Entrepreneurial Succession in Family SMEs

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ABSTRACT

This chapter aims at shedding light on the “hidden relationship” between the process of entrepreneurial succession in family SMEs and the development of the HR management system in such firms. Starting from a literature review, the authors develop a reflection based on evidence from a sample of Italian family SMEs, collected through a longitudinal qualitative inquiry. They question if and how the change at the helm of the family firm may constitute an opportunity to develop or strengthen the HR management system. The ultimate goal of the chapter is to lay the foundation for building a conceptual framework in which some possible relationships between the variables involved are outlined.

INTRODUCTION

The aim of this chapter is to shed light on the impacts that the processes of entrepreneurial succession within family SMEs may have on the development of human resources (from now on HR) culture, practices, and skills. This study is part of a broader research project, that we launched in 2009 and that have been conducted on a sample of family SMEs. The aim of this project was to investigate how the generational shift impacts on the transfer of knowledge and skills, on governance structures, on the orientation towards innovation, and on the HR management.

DOI: 10.4018/978-1-7998-4814-1.ch012

We question if and how the change at the top of the family firm, from the preparatory phase until its completion, may constitute an opportunity to develop or strengthen the HR management system of a family SME. In light of the literature on the succession process and the evidence gathered in the field, we propose to lay the foundation for building a conceptual model in which a set of items are included and some links between them are outlined.

We start from an awareness that the extant literature on generational transition and that on the HR management in family firms has generally proceeded along parallel tracks that have crossed only on rare occasions. In other words, the literature review highlights the strong shortage, if not the absolute lack, of studies on the possible impact of the “passage of the baton” at the helm of the family firm on the HR management systems. On the contrary, the evidences that emerged during our research project have progressively confirmed the existence of hidden relationships between the two phenomena: that of entrepreneurial succession, extensively studied in managerial and organizational literature, and that of the development of the HR system in family businesses, object of this volume precisely because of the need to strengthen the theoretical basis. Hence the evidence of a gap in the literature, which our study aims first of all to highlight, and secondly to help fill, by proposing a conceptual model.

Our intention is twofold: on a theoretical level we believe that our research may contribute to bridging the abovementioned gap in the literature; on an operational level, we argue that our research can improve entrepreneurs’ and managers’ awareness of the opportunities the entrepreneurial succession process might present, in terms of the evolution and consolidation of the HR management systems. For the purpose of this work, we define ‘entrepreneurial succession’ as a process that opens up opportunities for a firm’s development, innovation, and change (Bonti & Cori, 2011; Dyck et al., 2002).

In this perspective, we are interested in exploring how the management of people in a family business can be developed, innovated, and changed as a result of the entrepreneurial succession process. In this regard, it seems noteworthy that some peculiar features of the generational transition may facilitate or hinder the pursuit of a mature vision of HR management, through some specific outcome(s) of the succession itself. Among these outcomes, we refer, in particular, to a re-balancing of entrepreneurial and managerial skills, in favor of the latter; a more pronounced propensity to develop a wider variety of skills, not confined to the production and commercial areas, that are traditionally overseen by the entrepreneur; a higher propensity for inter-organizational collaboration, both through the intertwining of interpersonal relationships and through the establishment of formalized networks; and finally, a deeper awareness of the role of organizational and personnel management choices in pursuing the firm’s objectives effectively.

The chapter is structured as follows. The next section proposes a literature review concerning the outcomes of the entrepreneurial succession process and the scarce conceptual links between research on HR management systems and studies dealing with the succession process within family firms. In the third paragraph, based on evidence gathered through multi-case, qualitative research, we suggest how the entrepreneurial succession processes can enhance the HR system in SMEs. In the fourth section we identify some key-factors which, in our opinion, can facilitate the development of the HR management system in family SMEs. The paragraph ends with a proposal to incorporate these factors in a possible conceptual model. Finally, in the fifth paragraph, after highlighting some limitations of the study, we point out the importance of this area of research for practical and theoretical development and suggest some further research questions on this topic.

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