

## Chapter 13

# Managing Generational Handover in Family Business: A Multistakeholders' Perspective Focusing on HR Role

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### ABSTRACT

*The aim of this chapter is to highlight the peculiarities of the succession in family-owned businesses and to discuss the main difficulties encountered by second and third-generation entrepreneurs during the succession process. By the use of direct interviews, the authors collected information about the specific role played by the multiplicity of stakeholders involved, first of all the HR function and the relationship with non family employees. The case studies analysed consider family firms that are managing their succession process. Two generations coexist in two cases with family members belonging to different branches of the same family. Non-family managers and employees represents a fundamental stakeholder that influence the success and sustainability of the succession process. One aim of the chapter is to analyse how the HR practices have changed during the succession process considering how the successors entered and integrated with non-family managers and employees according to the management for stakeholders approach.*

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## **INTRODUCTION**

It is soon after the 1990s that family studies have been academically recognized as a separate field of research (Bird, Welsch, Astrachan Pisturi, 2002; Porfírio, Felício, Carrilho, 2019). A specific body of knowledge of family business have been requested by the peculiarity of family business and by its importance for economic progress (Nordqvist & Melin, 2010). In fact, the family involvement and the aptitude and vision of family members support the family business development in a unique and specific way (Chua, Chrisman, Sharma, 1999).

Demographic trends indicate an inversion of the age pyramid with individuals 65 years and over constituting the fastest growing sector of the population (22.8% in 2019 and is projected to rise 51.2% in 2070, European Commission, 2017). With this greying of the population, the number of family business leaders confronting succession and retirement will accelerate in the coming decades. A large majority of these family firm leaders (70% in Italy) wish to have their businesses controlled by their families in the future. Evidence indicates, however, that probability of fulfilling the wish is reducing overtime; most family businesses barely outlive the tenure of their founders (Stamm, Lubinski, 2011) Estimates show that only 25% of Italian family firms survive the transition to the second generation and only 15% make it to the third generation (Barbaresco, 2019). Only about 3% of family businesses survive to the fourth generation and beyond (Mokhber, Rasid, Vakilbashi, Zamil & Seng, 2017). For these factors and results succession appears as one of the biggest challenges faced by family businesses (Le Breton-Miller, Miller & Steier, 2004; Bocatto, Gispert, & Rialp, 2010).

## **THE PECULIARITIES OF SUCCESSION IN FAMILY-OWNED BUSINESSES**

Succession planning in family-owned businesses is defined as *‘the explicit process by which the management control is transferred from one family member to another’* (Sharma et al., 2000, pg. 233). As stated by Porfírio, Felício, Carrilho (2019) *“we are interested in considering that succession is not a moment but rather a process”*. To understand this process Nordqvist, Wennberg, Bau, & Hellerstedt, 2013 underly the demand for a closer integration of entrepreneurship theories and family business theories. *“Succession can be understood if considered from an entrepreneurial process perspective* (Habbershon & Pistrucci, 2002; Nordqvist & Melin, 2010) *where both the entry of new owners and exit of old owners are associated with the pursuit of new business opportunities”* (Nordqvist, Wennberg, Bau, & Hellerstedt, 2013, p.1087; Porfírio, Carrilho, & Mónico, 2016). Succession is either the entry and exit of the entrepreneurial process. Moreover, the literature on family firm research views succession as a complex process, due to the personal goals of the owners, family structure, ability and ambitions of potential successors and legal and financial issues (De Massis et al. 2008; Le Breton-Miller et al., 2004; Sharma et al., 2003). In fact, one of the main characteristics of family business succession is that the process is not primarily governed by market values but by the relationships within the business and the family (Churchill & Hatten, 1997).

Dealing with relational factors in the succession process is crucial, since it involves different groups of stakeholders inside and outside the family. In this context, the management for stakeholders approach could represent a useful option enabling the course of the process minimizing the risk of conflicts. This approach requires to govern and shape relationships among the various actors involved, directly and

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