Chapter 14
Organizing Human Resources in Family Firms During Generational Succession

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ABSTRACT

HRM in family firm (FF) research has moved from its narrow focus on selection and succession planning towards studying the broader antecedents, content and outcomes of HRM. Today, HRM is acknowledged as a crucial factor for attracting new talent, improving employee attitude and behavior, enhancing performance, and fostering the long-term competitive advantages. The aim of this study is to identify which tools and practices FFs adopt with HR during succession planning. For example, do they use the replacement table with the aim of providing the firm and its management with a map that allows them to make the most appropriate decisions to replace a person who is no longer available to fill a certain position? Or is it possible to identify other tools? Similar questions help the authors to investigate around the importance regarding people in firms during generational succession.

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INTRODUCTION

The uniqueness of a family firm is the overlaps between the two different social institutions: family and business. Opinions vary on the impact of such overlap on HRM in family firms. Some researchers are concerned about the contradictions between the norms and principles that operate in the family and those in the business, and worried that such contradictions may interfere with and compromise effective HRM (Lansberg, 1983). Human resource management (HRM) research in the context of family firms is still relatively scarce (Combs et al, 2018; Flamini et al, 2017; Reid et al., 2002) in fact how families' diverse structures, family member relationships, family goals and emotions affect HR practices remains a black box (Hoon et al, 2019). Researchers have commonly assumed that family firms are less sophisticated in the use of HR practices compared to their corporate counterparts (Hornsby et al, 1990). Astrachan and Kolenko (1994) have pointed out that the proper implementation and use of human resources practices can have a positive impact on the performance of family firms; in fact they found in their studies significant positive relationships between HRM practices and family firms and CEO revenues personal income levels. The few existing studies claim that family firms differ substantially from non-family firms, as well as from each other, in their human capital management, compensation systems, performance evaluation, knowledge transfer (Combs et al, 2018). Therefore it is not known how relationships with family members influence the management of human resources practices (Jam et al, 2012). The family firms literature on HRM mainly focuses on the formality and informality of specific practices, exploring the potential benefit of implementing different practices (Reid et al, 2002; Delaney et al, 1996). Family firms share common characteristics and face common problems, including generational change, understood as the transfer of leadership from one generation to the next, that is a critical process in family firms (Ibrahim et al, 2001). To successfully conclude the succession process, family firms need to plan this process. Although there are clear advantages to succession planning, family firms frequently postpone the succession planning and this may be harmful for the survival of the firm (Breton - Mille et al, 2004; Sharm et al, 2003). The planning for succession is a "deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future and encourage individual advancement" (Phikiso et al, 2017). In addition to succession planning, the most commonly used HRM practices are formal employee reviews, compensation plans, written employee handbooks and the use of written job descriptions (Cater et al, 2019). Succession planning is an essential component of any strategy to ensure the survival of family-owned businesses. Planning for succession entails a process in which firms plan the transferring of their ownership. It is embarked upon in instances in which although the owner of a firm wishes to terminate own involvement in it, nevertheless desires the firm to continue operating. According to Le Breton-Miller, Miller and Steier (2004), maintaining leadership from one generation to the next is one of the greatest challenges to the longevity of family firms. A succession plan for a family-owned firm entails the transferring of both ownership and control of management from one generation to the other (Sonfield et al, 2004). Although succession planning is one of the success factors of the generational change, many companies arrive unprepared for that moment. This happens both because of the reticence of the founder to give way to his heirs and because of objective difficulties in managing the context in which the passage can take place. It is necessary to plan generational succession in the appropriate times and ways. First and foremost, planning must precede the time of the predecessor's withdrawal and start before the potential heir enters the firm and is integrated into strategic and operational planning (Davis 1986; Chiesa et al, 2007). Planning is considered by most literature to be one of the most significant tools available to the family firm for

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