

Knowing me, knowing you: A study of the types of knowledge transferred during the succession process in intra-family takeover of family businesses in Hungary*

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Abstract

This study aims to examine the role of knowledge in ensuring the successor's readiness for intra-family succession in Hungarian family businesses. The study investigates the research question: which types of knowledge shape the successor's readiness for succession from both the founder and successor perspectives? A dyadic approach is employed, examining both the founders' and successors' perspectives through semi-structured interviews.

Based upon the findings, propositions are set out for further research directions. For practitioners, the findings uncover the key types of knowledge when preparing for succession and the order in which these should take place. Practitioners can thus develop strategies for improving the development of successor's knowledge capital, increasing the chances of a successful succession process.

Keywords: family business, succession, successor, founder, knowledge capital, dyadic

JEL Codes: D21, D83, L26,

Introduction

Along with the rest of Central-Eastern Europe (CEE), the majority of Hungarian family businesses (FBs) were launched after the regime change in 1989. As the founders of these family businesses approach retirement age, they are faced with the need to find a successor, and overcome the challenges associated with transferring the business to the next generation.

Research in this area has focussed on factors that influence the success of succession (e.g., Venter/Boshoff/Maas 2005; Nordqvist/Wennberg/Bau/Hellerstedt 2012; Chaimahawong/ Sakulsriprasert 2012). Studies of the successor centre upon knowledge elements, such as professional education, experience, mentorship

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and internal knowledge transfer (Barach 1995; Short/Sharma/Lumpkin/Pearson 2016; Mosolygó-Kiss/Csákné Filep/Heidrich 2018). In a similar vein, this study will examine knowledge elements during succession. However, existing studies only consider either the successor or founder. This study will explore perspectives of both the founder and successor as they prepare for succession, through employing a dyadic approach, with the aim of uncovering the types of knowledge that are transferred as a means of ensuring the successor's readiness for family business succession in Hungary. Through this novel approach, it is intended to uncover deeper issues at play between founder and successor, and thereby posit several propositions that will provide directions for further research in this field.

In essence, building upon the findings of previous research during the INSIST project¹ and empirical data of ongoing research in the Family Business Research Programme,² the following research question is addressed: which types of knowledge shape the successor's readiness for succession from both the founder and successor perspectives?

In this paper, first the nature and idiosyncrasies of family firms in Hungary are presented. Then the conceptual framework is considered, followed by an examination of the literature of the types of knowledge prevalent in family businesses in general, and in relation to the succession process in particular. Following a presentation of the findings, the propositions are postulated and implications for researchers and practitioners are highlighted.

Background of the study: Hungarian family firms

This study examines the knowledge capital of founders and successors of family firms in Hungary. Modern family businesses (FBs) have quite a short history in Central-Eastern Europe (CEE), as after WWII family businesses were disbanded in Hungary, and in some cases the founders were forced to flee abroad, or risk being falsely charged and even ending up in jail, or being deported (Szabó 2012). Thus, most FBs were launched after the regime change in 1989 and the founders of these FBs are about to reach retirement age. The context of the post-socialist CEE countries is specific in the sense that a mass of family business founders need to face the challenge of succession without prior examples and experience (Mosolygó-Kiss et al. 2018).

From a knowledge perspective, founders have had very little examples to follow in family firms and have been forced to find their own way through building

1 Intergenerational Succession in SME Transition, INSIST, Erasmus+ KA2 Strategic Partnership, 2014 – 1 – HU01 – KA200 – 002307, <http://www.insist-project.eu/index.php/>

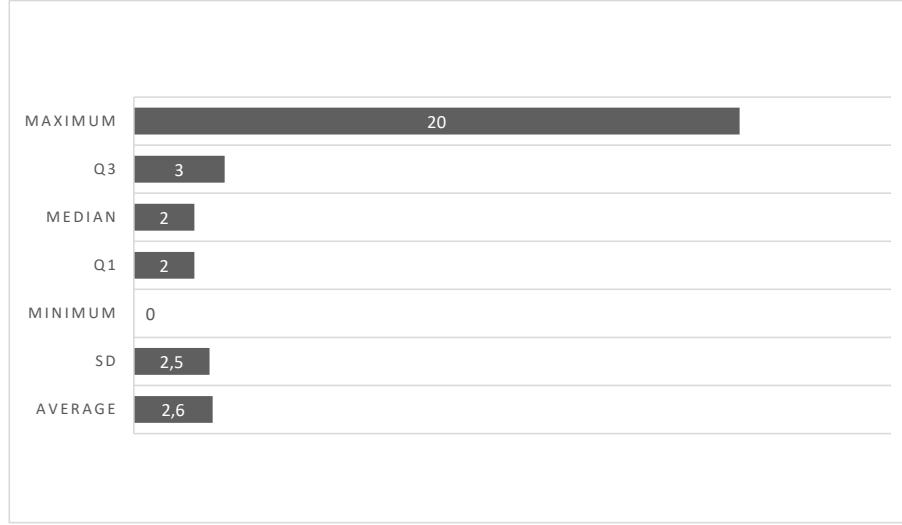
2 Budapest LAB, Family Business Research Programme, <https://budapestlab.hu/index.php/category/kutatas-tudas>.

a business and surviving against national and, sometimes, international competition. As such, these countries are likely to have characteristics different to those countries without this shared history and may provide us with insights and best practices that have not been covered in current literature on human capital's role in preparing the successor to take over the family firm, as well as the issue of family heritage.

In Hungary, two thirds of the micro-, small and medium sized companies are family businesses, but this proportion shrinks according to the number of employees (Kása/Radácsi/Csákné Filep 2019). Although two fifths of family businesses are affected by succession, 61 % of the affected incumbents do not have a succession plan in mind and a quarter of them do not even have a possible successor in mind (based on the research of Budapest LAB, Family Business Research Programme, 2017).

If the succession process requires the successor to gain experience in the family business prior to taking over from the incumbent (see later section), then the following figure (Figure 1) gives an indication of the succession processes based on the number of family members serving as employees of family businesses in Hungary.

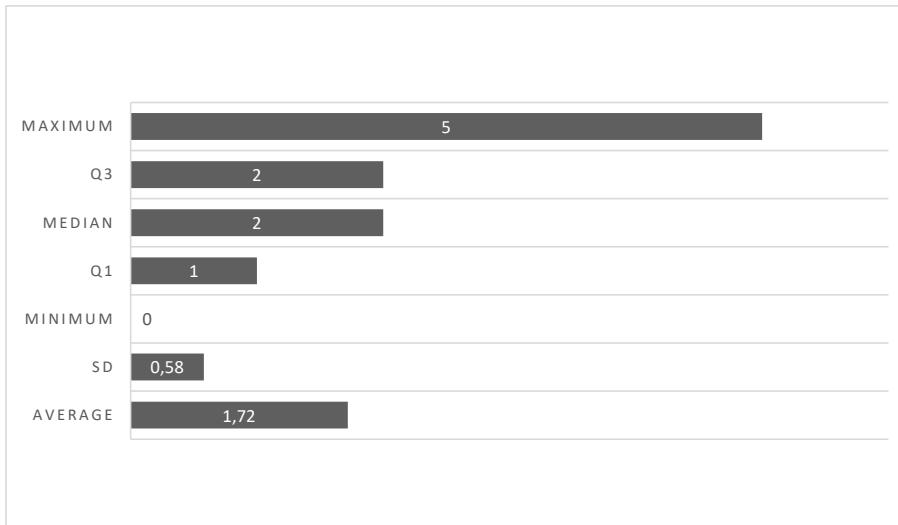
Figure 1. Number of family members as employees in family businesses in Hungary



Source: Drótos/Wieszt/Meretei/Vajda 2018

As it is seen in the following figure (Figure 2), there is an overlap of the generations involved in the operation and/or control of family businesses.

Figure 2. Number of generations involved in operation/ control of family businesses in Hungary



Source: Drótos et al. 2018

While four-fifths of family business owners and managers plan to keep control within the family on the long run, a quarter of founders still function as heads of the family businesses despite being close to retirement age (Mosolygó-Kiss/ Szennay 2019) and are expected to remain in that role longer than would be justified by their health status or age (Noszkay 2017).

Bogdány et al. (2019) found that, among the possible difficulties experienced during the succession process, the greatest challenge was the emotional release of the business on behalf of the founder. The presumption of this research is that founders could let go of their company more easily when the human capital of the successor is considered to be appropriately developed and the readiness of the successors is considered to be ‘acceptable enough’ by the founder.

Conceptual framework

Following the formulation of the research question, the key terms were identified. The researchers scrutinised the most cited papers and identified the terms mostly referred to in articles that studied the family business succession process (Nordqvist et al. 2012).

A ‘Family business’ is defined as being owned and managed by family members (Sharma/ Chrisman/Chua 1997), and ‘succession’ as the transfer of business to a successor in its broadest sense, and that ‘all forms of the transfer of leadership

and financial responsibilities are included' (Goydke 2016: 51). In the scope of this study, solely the types of knowledge transferred are considered.

The term 'readiness' describes the potential of individuals to perform well, which is in contrast to 'effectiveness', which is the summative evaluation of the performance of an individual (see Morrison/Fletcher, 2002). In the context of this study, this refers to the successor having the necessary elements of human capital in order to potentially perform well in managing and leading a family business.

The resource-based framework (Barney 1991; Peteraf 1993) has been employed in recent empirical studies to assess knowledge aspects of the succession process through comparing a range of cases (see Boyd/Royer/Pei/Zhang 2015). Within this framework, family businesses achieve competitive advantage through the use of valuable resources, which may be viewed from the perspectives of demand, scarcity and appropriability (Collis/Montgomery 1996).

In the context of this study, value creation is achieved by family firms during succession in the form of knowledge (the resource) being transferred from incumbent to successor. Black and Boal (1994) confirm this view of knowledge as an intangible resource that may be the means towards achieving competitive advantage. However, some of types of knowledge are easier to transfer to successors than others, and this topic will be considered further in the following section.

A further part of this study's framework involves the view that succession is a continuous process that may start from an early age for the successor and continue beyond the actual handing over of the family business from incumbent to successor. Cater and Kidwell (2014:1) define succession as a "dynamic process involving the transfer of both the management and ownership of a family firm to the next generation". The passing of knowledge from incumbent to successor also involves more than these two actors, such as other family members, the type of business, and the stakeholders (Csizmadia/Makó/Heidrich 2016).

Types of knowledge in family business succession

Royer et al. (2008) suggest, based upon a study into succession in family businesses, that there are several types of knowledge such as general, technical and experiential. General knowledge, such as basic arithmetic, is cheap to communicate and transfer. In contrast, the transfer of technical knowledge necessitates a basic technical foundation on the part of the successor, i.e., the need for relevant technical knowledge prior to transfer of further technical knowledge (e.g., Huang 1999). Experiential knowledge is defined by Williamson (1975) as something intuitive that is formed from a combination of training and experience.

For some family businesses, such as those in the agricultural sector, idiosyncratic knowledge has a role to play, which relates to certain conditions and time, such as the best time to harvest grapes (Dietl 1993) or the best way to handle certain customers (e.g., Williamson/ Wachter/Harris 1975). Pavel (2013), in a study of family businesses involved in winemaking, claimed that idiosyncratic knowledge was a subset of experiential knowledge, alongside subject / context-based knowledge and networking knowledge. According to Royer et al. (2008) the success of a family firm in terms of its profitability often depends on the extent of idiosyncratic knowledge of the managing family members. Lundvall and Johnson (1994) also put forward four types of knowledge: know-what (business specific knowledge); know-why (technical knowledge); know-how (skills and routines); and know-who (person specific).

In a study involving 23 participants from 13 family firms, Indarti and Kusuma (2016) found the majority of knowledge transferred by predecessors to successors is tacit knowledge, such as knowledge of the product, knowledge of company management, technical knowledge, and philosophical knowledge. Knowledge of company management was found to contain both business specific and technical elements, such as financial and employee management, alongside choice of business partners, trends and the business cycle (Indarti/Kusuma, 2016). Technical knowledge was limited to negotiating deals and dealing with customers. Philosophical knowledge involves elements that may be classified under 'responsible management' such as work ethic, discipline, honesty, religious values and intuition (see also Chandler/Mosolygó-Kiss/Heidrich 2019). Elements in this category could also be argued as belonging to socio-emotional capital, rather than knowledge capital.

In summary, it has been found that existing studies indicate a wide range of types of knowledge employed in family businesses and during the knowledge transfer in a succession process. However, this does not suggest the findings of this study will be simply following these trends, due to the uncharacteristic growth and development of Hungarian family businesses.

There is some debate as to whether idiosyncratic knowledge is an independent element or a subset of experiential knowledge. In the interests of highlighting any potential characteristics relating to idiosyncratic knowledge, it will be treated as a separate element in this study, and in addition to this, the study will follow the framework of Royer et al. (2008), thereby focussing on four types of knowledge: general, technical, experiential and idiosyncratic. These four types will form the basis for analysis and structure the presentation of findings.

Methodology

In family business research, there is rich literature of founders' succession and retirement strategies over the past decade (e.g., Garcia-Álvarez/López-Sintas

2001; Poutziouris/Hudson/Andrews 2002; Westhead 2003; Chung Yuen 2003; Poza 2007; Leach 2007; Cisneros 2010; Filser/Kraus/Märk 2013; Collins/Worthington/Schoe 2016; Klenke 2018). There is a dyadic relationship in the succession process and, indicating a need to focus research on both the successor and founder.

A qualitative research design in the form of semi-structured interviews is used to gain deeper insights into the succession process of family-owned businesses. Each interview lasted for 60 to 120 minutes. After the completion of the narrative inquiries, the interviews were transcribed and structured using content analysis. The analysis of the data provides a useful way to structure the text (Weber 1990). The texts were read several times and reorganised, by using codes and themes to restructure the data. The coding structure was guided by respectful considerations from the literature. However, openness and flexibility were maintained as a means towards finding new perceptions and contexts in the data. Concerning triangulation, besides dyadic interviewing with different generations at the same firm, observation and document analysis were used to raise the reliability of data.

Sample

22 intra-family leaders/managers (in all cases: the transferor and the successor, in some of the cases supplemented by other family members, such as pre-founders, spouses, future possible successors) were interviewed from 7 family firms, in a narrative setting. By analysing different cases, the goal is to gain a deep and detailed understanding of the topic under study. For participants to be included in the sample, companies had to meet some basic requirements:

1. To be a Hungarian family business (Chua/Chrisman/Sharma 1999).
- 2a. To be characterized by a transgenerational approach, with control deliberately handed down from one generation to another within the family (Chua et al. 1999; Zellweger 2017).
- 2b. As with many first-generation Hungarian family businesses (Mosolygó-Kiss/Szennay 2019), the transfer of both ownership and management should take place within the family, between different generations.
3. The transfer has either been completed, is in progress or is due in the next 3 years.

By building the sample, a conscious focus was put on the above-mentioned criteria, as well as an intention to show heterogeneous examples from varying backgrounds. Thus, the sample included family businesses of different sizes, from different industries and regions. By using the snowball method, following contact with the first few members of the target population, other companies were reached based on their recommendation. Detailed data concerning participants of the study is displayed in the following table:

Table 1. Main Characteristics of the investigated firms and interviewees

	case1	case2	case3	case4	case5	case6	case7
Main industry	motor (retail)	food	industrial cleaning	furniture production and wholesale	rear-view mirror production	gastronomy	wine making
Markets	local	global	local	regional	international	local	international
Year founded	1992	1997	1999	1984	1998	2004	1987
Size	small	large	small	middle	middle	micro	small
Generations of the same profession	2	5	2	3	5	3	16
Generations actively involved	2	2	2	2	2	2	2
No. of adult (18+) children	2	2	2	2	4	3	3
Children involved	2	2	2	2	1	2	3
Management (among generations)	shared	shared	shared	shared	not shared	not shared	shared
Ownership (among generations)	shared	shared	shared	shared	not shared	not shared	shared
Interviewees (M: male F: female)	founder (M, 68), successors (M, 33; M, 31)	founder (M, 65), successors (M, 40; M, 38)	founder (M, 75), successors (M, 48)	founder (M, 72), successors (M, 46; M, 42)	founder (M, 80), successor (F, 48), spouse (M, 50) future successors (M, 25; F, 23; F, 19)	pre-founder (F, 70) founder (F, 49), successor (F, 21)	founder (M, 67), successor (M, 40)

	case1	case2	case3	case4	case5	case6	case7
Profession of the founder	agricultural engineer (univ.)	agricultural engineer (univ.)	mechanical technician (professional training)	upholsterer master (professional training)	glazier master (professional training)	catering manager, store manager (professional training)	winemaker/ viticulturist (univ.)
Profession of the successor	S1. financial economist, tax consultant, auditor (univ.) S2. transport engineer, forensic expert (univ.)	S1. agricultural engineer (univ.) S2. agricultural economist (univ.)	telecommunications technician (professional training)	S1. no profession (secondary school); S2. financial economist (univ.)	economist, (international trade) (univ), next gen: engineer (univ) vacuum technician (no school)	entrepreneurial economist (univ.)	

A multidimensional perspective was applied, aiming at family businesses where at least two members from two different generations had the ability and willingness to participate in the research. Originally, there were 10 cases, but in 3 cases the founders withdrew, so these cases were excluded from the sample. As a unit of analysis, the family was considered as the smallest coherent unit. Constructed realities within the family were examined as well, since the lived reality varies in case of each and every member of the family.

Interpretation

The study was conducted in the specific context of the family business, where research is best conducted by “understanding the interaction between the firm, the family and individual family members and their influence on the business” (Nordqvist/Hall/Melin 2009: 95).

The chosen interpretative approach suggests that ‘reality is socially constructed’ (Mertens 2005: 12), where the researcher tends to rely upon the participants’ views of the situation being studied (Creswell 2003). The perspective is taken of a ‘passionate participant’ (Denzin/Lincoln 2011), as a facilitator of understanding and reconstruction of the world as it is. A deductive approach is employed in this study with the intent of developing propositions for testing in further research studies.

Findings

This study examines the types of knowledge transferred during succession. Although a huge amount of data was provided with 60–120-minute interviews and a wide range of questions (see Appendix), due to limitations on the scope of this study, requirements on the length of this paper, and in an attempt to avoid the reader being inundated with a plethora of data, the authors have highlighted only the key findings upon which the propositions have been built.

The findings section has been split based upon the types of knowledge found in the literature: general, technical, experiential and idiosyncratic. Where distinct patterns have arisen, propositions have been suggested as directions for future research.

General knowledge

General knowledge was characterised in the literature as relatively cheap and easy to transfer. A list of the comments made by participants relating to general knowledge can be seen in the following table:

Table 2. Examples of general knowledge transfer from interviews

	General knowledge explicit
case 1	<p>"work wasn't brought home...there was only a thin wall between our home and the service. So everything was naturally around us..." (successor 1)</p> <p>"by playing football, we had to take care of the cars around...well, that's how we grew up"(successor 1)</p> <p>"we just saw that there were such tasks to be done to drain the oil. Done. Remove the oil filter. Ready. But we didn't see the system at that time, we were still young (successor 1)</p> <p>"...we had the illusion that we could do other things if we wanted to. But since we haven't seen anything else, what the hell should we do while letting all this to be lost?" (successor 1)</p>
case 2	<p>"we travelled a lot since, we were on study tours throughout whole Western-Europe, than the world, and we still do travel to constantly refresh our knowledge" (successor, case 2) "</p> <p>"we pay a lot to foreign advisors and we travel a lot for up-to date knowledge. Modern knowledge does not come to us." (founder)</p> <p>"It takes energy to go for the knowledge and to bring it in to the company and to be brave enough to just get rid of the old-fashioned knowledge" (founder)</p>
case 3	"I came here in 1999...I had to join a completely different thing here. I did not really know about it...it took half a year to learn what is going on here." (successor)
case 4	"We were also part of the team. After high school, as I started working, somewhere in the first few years I also belonged to the working community. And that changed when I had to take responsibility as the owner, and then I had a completely different relationship with the people who worked here than before." (successor 1)
case 5	" I prepared to take over the company one day....that is our lifestyle, source of living, everything. But we did not work a day beside each other during succession with my father...He was the obstacle of change...My husband worked at this industry for a decade and he joined the company with me....this was a hard, long way to get here where we are now. (successor)
case 6	" we started everything like this. That we did not know what we jumped in... later I went to school. Also for the business licence, I needed the shopkeeper and the catering management training." (founder)
case 7	<p>"I studied winery at the Horticulture university....when I went abroad, it was already connected to our activity. Because I went to places where our wine already was marked" (successor)</p> <p>"this was our lifestyle...we were involved from the very beginning...to the active work...and we knew about difficulties and the good things." (successor)</p>

In the sample, a common pattern was found that, for most of the founders, management and development of business had to be learned by practice. Being engaged in building their company, there was no chance of returning to formal education. Only the founder in case 6 needed to gain a certain education in order

to officially start running their gastronomy business. All other founders got a profession-specific education long before starting the business and all of them worked at that profession for some time before starting the business. (In case 1, the family has another business leg that is connected to the original profession of the founder). Less than half of the founders (3 out of 7) had a university education. In the case of the successors, most of them (8 out of 10) went to university. In contrast, in the case of adult next gens above 18, everyone went to university.

A slight psychological pressure was put on the children, emphasising that ‘one day, this all will belong to you’ – most founders in the sample admitted that they always expected their incumbents to take over the firm. This led to the educational path of the children being somewhat guided by the parents. Both profession-oriented and management studies were identified among the choices, consciously and invisibly divided among the children in order to avoid rivalry. Although in most cases they had free choice regarding their profession and career, it turned out that most of them did not see other realistic options besides being strongly connected to the activity of the company. The real freedom of choice appeared in larger families where at least one child had already taken on the responsibility of securing continuity. In the cases of more than two descendants in the family, there seemed to be always one who was not interested in joining the company and was allowed to find fulfilment in another career. Furthermore, they often distinguished themselves as being independent individuals with different personalities and different skills, strengths, and interests. They perceived the given path of education as a natural process. From the founders’ narrative, however, it seems a ‘benevolent hand’ was directing their path in order to cover all the crucial areas of business operations.

Compared to the first generation, the second was consciously trained for certain professions that the company needed with a clear aim of filling several managerial positions. In many cases the successors had to take on a role at the company right after, during or even instead of studying. They complemented their knowledge within the family business and later at a range of specialized training courses. ‘He didn’t want to go to university at all. I told him to come and gain experience at the firm. He accompanied me on all business trips – exhibitions and negotiations. For him, this was the university’ (Founder, case 5).

Propositions

P1. There are two sides to paternalism: Successors feel pressure from the founder (e.g., to get a professional / managerial education) whereas founders see themselves as the ‘benevolent hand’, steering the successor in the right direction.

P2. *Specific knowledge capital increases through generations: Founders had no managerial education (learning on the job). The first generation had some kind of professional education, and second-generation successors were trained for a specific professional and managerial need or needs in the company.*

Technical knowledge

Technical knowledge was found in the literature to necessitate a basic technical foundation on the part of the successor. Findings for each of the cases can be seen in the following table.

Table 3. Examples of technical knowledge transfer from interviews

Technical knowledge (professional education, mentorship, networking / socializing)	
	explicit/implicit knowledge
case 1	<p>"I move to the agriculture and real estate division now; my brother tries not just the service but the commerce department of the salon." (successor 1)</p> <p>"we made a decision to join the company. Then we followed the route that was the most suitable. I studied finance at the University of Economics and my brother went to the Technical University to study engineering. Then my bypass was at Munich, Mercedes Benz. That was amazing for the language." (successor 1)</p> <p>"at the last years of the university, I started the certified Accountant course. And of course, I needed the practice, so I set to the Accounting for years. My father took a big risk to give this territory to me with 0 experience." (successor 1)</p> <p>"Our ex-chief accountant, who is our auditor now, helped a lot in these years. Since then, I am a tax advisor and I am going to be a certified accountant this year. I learnt this but with a lot of manual work. And I know the Group by heart back and forth. I can identify the route of a simple screw through the company, how much did it cost, where did it disappear" (successor 1)</p>
case 2	<p>"they joined the company at an early age, and they came here right after graduation...the goal was to strengthen family leadership with as many legs as possible...they got this intense 4–5 years of training and professional development within the Group" (founder)</p> <p>"they learned this business. They have been around the world with poultry profile" "Our way was the early involvement and participation; the continuous indoctrination of our family values combined with professional knowledge and experience they obtained at the company" (founder)</p> <p>"at our profession, 10–30 years ago it took 6–7 years, now it takes 3–4 years for the 80 % of up-to-date knowledge to become obsolete. This recognition not just drives our dynamics but we act based on this." (founder)</p>

case 3	<p>"I am the quality and environmental manager of the company and the unit leader. To be so, I had to take part at a course at the quality certification company and I also went to the university to study technical management beside work. It wasn't easy." (successor)</p> <p>"none of the other family members wants to join this profession. I am 75...probably I am going to leave leadership to my son soon" (founder)</p>
case 4	<p>"we attended school, but from the beginning, at summer breaks, we were at the factory from 6 am." (successor 1)</p> <p>"at summer breaks, we went to the factory as workers did to learn each and every stage how the furniture gets ready." (successor 1)</p> <p>"first we just watched...than the master gave us a smaller piece to form. Of course, we could not do it perfectly at first, so we had to improve." (successor 1)</p> <p>"after secondary school, he joined the company and I went to university to study finance" (successor 2)</p>
case 5	<p>"this is a very unique area with unique, own developments. It must be preserved, and to be continued if possible." (next gen. 2)</p> <p>"at this industry, we do not need to climb stairs but to jump levels year by year. We thought we did everything. Now Industry 4.0. is the newest challenge. It is in front of us. It is the close future. To compare my father's time to mine is like comparing a Trabant to a Tesla. Industry 4.0 is different from cutting mirrors in bees, singing folk songs." (successor)</p> <p>"With my husband, we built up a new development team who believed in this story. We built up TQM, step by step of course. This was a long, long way... I want to step off in the right time. This is why we transfer to our son some parts of the company, as we cannot keep up with the computer technology. "(successor)</p> <p>"There is no school for this. This is exactly the raft of it all. This can only be done through experience. You can read about it, there are such basic seminars where one can go at all, you can listen, but how to actually practice what and how, this can only be done through experience. Which is a lot of time, money for a person to realize..." (next gen.1)</p>
case 6	<p>"we started with poor ingredients, powder ice-cream and low-capacity machines" (founder)</p> <p>"now we have special machines and we use very good ingredients" (next gen)</p> <p>"my daughter mixes ice cream that it is the best handmade ice-cream ever...and it is everything-free" (successor)</p> <p>"I am the one who is here all the time. And I do the orders. I am the accounting. I am the HR." (successor)</p>

case 7	<p>"we need to get those lands that are essential for our success, based on our geological experience and 20 years of research" (founder)</p> <p>"It was important to see and learn that a wine could be sold for 5000 euros...not ours, but the wine of someone else. I was lucky to see this at an early age. We had an agent, I followed him as his shadow everywhere to London, Paris..." (successor)</p> <p>"we talk a lot. Just as in our childhood, it is lifestyle. It is not a feeling like bringing homework, but to talk about our hobby...everyone knows a little about everything, but is an expert of something" (successor)</p> <p>"I was just thinking about him to continue at specific higher education, but my other children also did." (founder)</p> <p>"then this has just happened. He was adroit. Not the best student, but he brought results over expectations. His problem-solving ability, human connections, deep understanding of foods is extraordinary. The others also, but he was the first to unfold his potential and to create a system." (founder)</p> <p>"at the end of university, I wanted to be much closer to work. At that time in Tokaj, in 2001–2002, there was great dynamics at the system. I wanted to sit with those who formed history, not at the school desk" (successor)</p>
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There were two key aspects that emerged both in the literature and in interviews in relation to technical knowledge: mentorship and socializing / networking. These aspects will be covered separately in the following sections.

Technical: Mentorship

During the succession process, the role of mentors in knowledge transfer seems to be significant. Dyer (1986) emphasized the role of mentors in the development of successors. The dependence on a mentor across generations can be seen in the following example:

'After finishing university, he came to my office, asking what his job was now. I told him to go into accountancy. For four years, he did not leave accountancy. He learned everything: payroll, account assignments, etc. He studied again and got a professional certification as an accountant / tax advisor, auditor. He used to have a great mentor, who was esteemed at the company. She had been the Chief Accountant for 7 years. Even today, we can call her if we need to consult on specific terms. After four years, he moved into retail.' (Founder, case 1).

Technical: socializing and networking

It came up in the interviews that travelling and learning from the examples of foreign companies in- or outside of the same industry were also beneficial. There appeared to be a need to socialize and gain knowledge. Although this knowledge could be considered as experiential, in most cases the knowledge gained was related to studying in a specific technical area, such as in seeing how similar firms operate abroad, 'We made study tours around Europe, later around

the whole world' (successor, case 2), or in the quest of keeping up to date with technical developments: 'Modern knowledge does not come to your door. You have to buy it, travel for it or learn it – this takes longer and costs even more.' (Founder, case 2).

The perceived importance of this quest for technical knowledge for long-term growth was seen in the following: 'A high proportion of their competence is the value they synthetize from the knowledge they collected in the world. The firm grows and builds continuously from this value.' (Founder, case 2).

Most of the investigated company owners emphasised the role of professional and non-professional institutions, alliances: 'Then we joined Family Business Network Hungary. There we encountered an incredibly strong form of education, and all the firms joined, they shared the same challenges.' (Founder, case 2).

In contrast to this, most of them lacked the involvement of external supporters in the succession process itself. It was something they had to discover and learn by themselves. 'Succession takes 4–5 years – even if there is a potent successor. We learnt everything by ourselves. The inclusion of lawyers and coaches would have shortened this process by 1.5 years.' (Founder, case 2.).

Propositions

P3. *Cognitive dissonance: participants stressed the importance of seeking external technical knowledge and depending on foreign firms and professional organisations, but did not seek technical knowledge or guidance in the succession process, stressing the need to learn everything themselves.*

P4. *Need for affiliation: Participants emphasised the need to join professional networks and alliances.*

For P3, the dyadic approach uncovered some differences in the basis for this apparent cognitive dissonance. The founders did not have the means, i.e., opportunity, for experience abroad, whereas, in contrast, the oldest successors expressed that they did not have the time to gain external experience before joining the company. As a result, they are keen to bring in rapidly the best practices and know-how from foreign companies. Despite these different perspectives, both founders and successors stress simultaneously the importance of learning by doing things themselves whilst at the same time needing to get extensive external experience, often from abroad.

Experiential knowledge

Experiential knowledge was found in the literature to be something intuitive that is based upon a combination of training and experience. The findings for this type of knowledge can be seen in the following table:

Table 4. Examples of experiential knowledge transfer from interviews

Experiential knowledge	
implicit/tacit	
case 1	"we learnt many things in an autodidact way" (successor 2)
case 2	"it was part of their training to leave them alone at the market at the age of 10 and 12 with 4000 chicken eggs telling them I come back in 3 hours" (founder) "You have your horses prepared. You just need to sit on and ride. It is not easy either, but you have been riding horses for years. " (founder)
case 3	"when we started to build our total quality system, we were the first in the region " (successor)
case 4	"after twenty some years of operation...we realized that we need a whole new concept." (successor 2) "I told him his brother will be the successor. His experience is higher and do sales better. (founder)
case 5	"hard to relax, hard to spend one day without work. But still, man can create, building a new machine or a new product. Somewhere it is a good feeling but needs a lot of energy." (next gen 1) "99 % of my experience is coming from here, from our mistakes, our trials, and my book experience. The rest is from partners, we talked, I listened or how to say... observed. A lot of knowledge. (next gen 1) "It is not a problem, that our children study something else. Let's try other things, get some experience elsewhere, look around the world. It is not a problem I guess. It wouldn't be good to immobilize them." (spouse of the successor)
case 6	" I serve 3000 people a day. I do not get bored – we always have chocolate, lemon, vanilla and strawberry but I attend ice-cream exhibitions and experiment all the time" (next gen) "with our investments we intended to open franchise bakeries. We were among the first ones" (successor) "ice-cream was Mama's business. We came after. None of us was in the catering industry before. We did this restaurant at the thermal bath. ...we started at very basic level...we developed it further and put all of our money into it." (successor)

case 7	<p>"there was nowhere to learn geology from, because this type is not taught, communicated, there is only technical geology, and mining. None of this is right for us because small special layers need to be explored and evaluated. We did it and I think it works. In the MÁD area, we created, for the time being only an association regulation, we created a four-level protection of origin, such as the wine region – given to everyone – but also for the village, the vineyard, and the plot." (founder) "now every development connected to winemaking technologies is on my shoulder" (successor)</p> <p>"I have enough space for self-fulfilment... this billion HUF investment is based on market consideration...I want to make all mistakes under this brand and not the family brand. Every good action raises the family brand higher and higher...We actually had to create our competitor at a controlled surface" (successor)</p>
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Experience outside of the family business is very limited in case of the Hungarian second-generation managers, as their involvement happened very early on, and some of them finished their studies while working at the FB. 'I received my diploma on Friday and started working on Monday. I was already working at the firm on my own before graduation. I did not really like studying, I was eager to start working' (successor, case 2).

In many other cases, successors were sent to international schools and universities to gain up-to-date knowledge and to learn from the best professionals in their industry. Others spent a semester during school or university abroad, or did work to gain experience at a foreign company before committing themselves 100 % to the family company.

Propositions

P5. Experiential knowledge is valued over technical knowledge: Second generation successors had limited external experience and were in the process of gaining technical knowledge when they would prefer to work at the family firm. This may be an indicator of an inhibitor of readiness to take over the family firm.

P6. Successors as (international) knowledge collectors: Many participants indicated the importance of successors gaining international experience and best practices abroad before committing to the company.

P7. Impatient to succeed: the keenness to start work at the family firm may also be a sign of impatience, as seen in another finding: 'I had the chance to try every stage of work at the lowest level and to understand what is happening there...when I asked, why it was not possible to give me a position of a boss suitable for me, my father told me that right now it was time to learn this.' (Successor, case 2.). This potential may hinder the successor's readiness as steps in knowledge capital development are missed or incomplete, in the attempt to start working for the family firm at the earliest opportunity.

Idiosyncratic knowledge

Idiosyncratic knowledge (relates to certain conditions and time) is a subset of experiential knowledge, alongside subject / context-based knowledge and networking knowledge. Some examples of these findings by case can be seen in table five.

Table 5. Examples of idiosyncratic knowledge transfer from interviews

	idiosyncratic knowledge tacit
case 1	"There was a big crisis when we arrived in 2010. We realized that knowledge is the only thing that cannot be taken away from us " (successor 2) "Automobile industry is in front of bigger changes in the next 5-10 years than in the last 100...but agriculture is improving, we should keep the lands" (founder) "...martial arts teach you for this. It is a way of life. That you will succeed sooner or later. You have to practice until you succeed. And this can be transferred to both entrepreneurial and private life. To pay attention to the other, not to be selfish...I hope both boys will raise up their children the same way." (founder)
case 2	"this is a very good feeling to have a lot wiser and more experienced man, my father, who I could trust totally....My brother also ask the family board when he is insecure about a decision." (successor)
case 3	" we are participating at the most important professional associations. This helps a lot to have a deep knowledge of the industry and to see future trends and visions" (successor)
case 4	"then came the Swiss evolution....now we have our margin, we use quality materials and produce beautiful products" (successor 1)
case 5	"in our genes, we probably bear the love and respect toward glass, coming from my grand-grandpa. Because You need to love the material to work with it" (founder, case 6) "This is a 120 year old company...but my father stayed in the 70's-80's thinking that it going to be like this forever... When we took over the company with my husband, we renewed the machinery, improved quality, took care of clients, introduced ISO, we moved to a new direction." (successor)
case 6	"this is not the place with a high margin. I can't pay the students as much as the Austrian farmers do. So, we need to appreciate those who apply here. But most of the students are not able to do this work. And when we teach them everything, they are already gone." (successor)
case 7	"our family lives here doing this for 400 years... but this is a totally new height...and still there is space to fly" (founder) "if me, or we want to reach our vision, to be the best Serrano ham of wines, we need to step over times. We need to form the whole wine region, while its legislation and communication is not good. Re-branding and additional investments are needed." (successor)

In relation to business-specific experience (internal knowledge transfer), there were daily or weekly rituals of knowledge-sharing, feedback and common deci-

sion making. Whether it was drinking tea at a certain time (case 8), having breakfast before opening hours (case 1) or over Sunday lunch (case 2), founders and successors spent time discussing relevant issues: 'At the weekends or at the table, work comes up. But it is our passion, it is not demanding. I love, what I do. This is our life. If business is part of your life, you cannot separate it' (successor, case 2).

In family firms, the next generation not only receives knowledge from the senior generation, but is also the source of new knowledge which, shared with the senior generation, can be applied to organizational ends (Woodfield/Husted 2017):

'Creativity, openness, going for the change and eagerness to learn, bring modern knowledge in the family business. This is also supported by customers. Satisfying the most rigorous customer with the highest requirements drives the company toward improvement' (Founder, case 2).

From these results it also seems that there is a certain degree of cognitive dissonance as our participants seemed keen to point out that they had learned things themselves, by necessity, and had to forge their own way forward. This may be due to the Hungarian family businesses having a rather short history compared to other family businesses around the world. However, there is also a heavy reliance on non-family members both inside and external to the business, as a means of knowledge transfer.

Contributions

For researchers, the propositions in this paper serve as directions for future research as they raise issues needing further investigation in general, and especially in Central Eastern Europe.

Although there were only 2 cases out of 7 interviews where 3rd generations participated in the study, in other cases the perspectives of second generations about their successors (i.e., the third generation) arose during interviews, despite these successors being young. As such, our study makes a distinction between second and third generation successors (figure 1), prompting the need for further studies and comparisons between these two generations.

In our conceptual framework, we found that the term 'readiness' meant having the necessary human capital to perform well in a family business, especially in terms of management and leadership. From the findings, it seems that there are certain knowledge requirements that a founder perceives as steps towards 'readiness' for the successor, such as experience gained in other companies, as well as learning best practices abroad, and gaining a professional / managerial education elsewhere. This also reinforces the mindset of the founder within the scope of the resource-based framework, in so much as the founder seeks

to achieve competitive advantage through instilling valuable resources to the successor prior to the succession itself. However, this ‘value creation’ extends beyond the knowledge transferred directly from incumbent to successor.

The conceptual framework also considered the perspective that succession is a continuous process and highlighted that in many cases the process begins in childhood. Further research from a knowledge perspective could reveal the stages of the successor’s development, and which types of knowledge are deemed transferable to the successor. From a practitioner’s perspective an understanding of this process and types of knowledge would not only aid in understanding their role and what steps to be taken and when but may also offer sources from which knowledge could be best attained, such as taking an international perspective rather than a domestic one, in the development and education of the successors.

Most importantly, when Hungarian, and other Central European founders, are faced with or will soon face the need to retire and embark upon the succession process, these cases and their findings may serve as indicators of ways forward and practices under circumstances where there is currently no example to follow in Hungary due to the late emergence of family businesses in the 90s, beyond those founders who have recently faced the same challenges.

Conclusions and future directions

This study aims to answer the research question: which types of knowledge shape the successor’s readiness for succession from both the founder and successor perspectives. The findings confirm existing empirical findings in the literature regarding the types of knowledge emerging during the succession process and add to them in several ways. Firstly, the Hungarian context highlights additional considerations, such as how experience outside the family firm is somewhat limited in the sample, and how, in contrast, the lack of family businesses prior to the regime change, seems to have necessitated a quest for knowledge, summed up in the mindset that ‘modern knowledge doesn’t come to your door’. Secondly, although our study was focussed on knowledge, the cultural aspect was often intertwined, such as the ritualistic aspect of knowledge-sharing and feedback in the family. Third, it was also found that the Hungarian context has caused a certain cognitive dissonance in family business owners as they are both proud of having been pioneers and independently forged a path for themselves, whilst also conceding the necessity for a quest for knowledge from outsiders. Many of these nuances, as well as the propositions set out in this paper, provide important directions for further research in both the Central European and global context.

The explorative nature of the study and the qualitative approach employed required a small sample for this study. Therefore, generalizability in a statistical

sense is not relevant. Rather, the aim was to contribute to the understanding of the types of knowledge in the succession process as a part of shaping the readiness of successor to take over the family firm in a post-socialist country at a theoretical level. In order to raise theoretical generalizability, or to analyse the effects of contextual factors, further research could involve a broader sample, and, a longitudinal study before, during and after succession could give a better insight into the role and importance of Human Capital in the succession process. Another limitation regarding generalizability is that family firms in Hungary have a background in line with other post-socialist countries, and it is recommended that findings in this study are tested in non-post-socialist countries.

In this study, both the founders and successors were separately interviewed and the results of incumbent and successors compared and contrasted. However, investigating other perspectives, such as those of experts and other professionals involved in the nurturing of the human capital of the successor and the use of archival data could provide further important empirical evidence. Obtaining data directly from other stakeholders in the building of successor's knowledge capital could also illuminate their attitudes and motivations towards founders and successors, as 'preparers' for the readiness of the successor to take over the business. Also, building upon data from multiple resources could provide further insight into the succession processes of family businesses.

Finally, human capital is a topic which extends beyond knowledge to areas such as ideas, motivations, and skills. These are all potential areas for further research into how the range of variables each play a role in the succession process, and in the shaping of the successor's readiness for taking over the family firm.

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Appendix

Interview questions for the successors (S) and predecessors (P) of intra-family takeovers

Early stage

- How and with whom did you start the business, under what circumstances, with what market opportunities and ambitions? (P)
- Where did your company get to? Meanwhile, what were the key challenges, milestones, decision points that you had to face? (P)
- What qualities were necessary to build a successful business? (P)
- What are your first (childhood) memories of the family business? (S)
- How did you see your ancestor in your childhood as an entrepreneur, a company manager, a parent? Did you find being a (family) business leader a professional role model for yourself? (S)
- At a younger age, how did you see your future, what were your plans, what did you want to become? How did your parents relate to your future plans? (S)

Preparation

- When and how did the successor join the family business? (S,P)
- How did you involve your child? Was it clear that your child would join in the family business? Was his/her career plan controlled? What did it depend on, who decided to take it to the next level? (P)
- Could you recall when it became clear that joining the family business would be decisive in your future? Was it always clear, or is it the result of a long, almost invisible process, or is it related to a specific, well-defined moment? Did you take any roundabout way before joining the family business? (S)
- How did the successor prepare to join/found the family business and then take it over/transfer? What studies and trainings did the successor have, what type of work experience did he/she gain elsewhere and within the company? In the meantime, how has the role of the transferor changed? (S-P)
- To what extent consciousness appeared at the succession planning and transfer process? (S,P) Did you have a (written) succession plan? What kind of support did you have during the succession process (e.g. internal: family members, colleagues, mentors, external: consultants, lawyers, coaches, trustees, other professionals,) Were the rules for transfer and operation recorded e.g. at the family constitution?

Transfer

- When did you start thinking about transferring the business? What decision options and succession outcomes arose for the times after your retirement? (P)
- How did you make the decision? What were the criteria for the chosen successor? (P)
- When did the family business takeover happen, and what exactly was transferred and to whom at what price (is there a co-leadership and co-ownership)? Do you consider the transfer to be finished? Why? (S,P)
- What challenges did you and the company face at/after the transition of the business? Which ones have been solved and how? Which ones have not and why? (S,P)
- How do you measure the effectiveness and success of the takeover? What performance expectations have been set by whom if any? (S,P)
- How did the first 1–2 years at your new role take place? What choices, changes have you made? If you had to highlight some changes since you are making decisions for the company, what would they be? (S)
- How do you spend an average day since the transfer of the company? What role do you have at the family business now? Have you found other activities, challenges, old or new goals, hobbies that inspire you? (P)

- How would you describe your relationship and cooperation with your child/parent? Is there any generation gap at your family business? In what aspect? (S,P)
- Has the leadership style and role changed from the predecessor to the successor? How do you see yourself as a leader? (S,P)

Role of the family and other stakeholders

- How are decisions made? What formal and informal interest groups, institutions make decisions for the company? At which formal or informal platforms do these decisions take place? (Sunday lunch, Family Council, Board of directors, family retreat, etc.) (S,P)
- How do the wider family and key employees participate in the management, leadership, ownership of the company? (S,P)
- Could you recall how your family members, employees and business partners reacted to your changed role? Did they support in succession? Were there any disagreements, feuds? How were they treated? How is work and roles are shared between siblings and relatives work? (S,P)
- Which family wealth management guidelines do you apply for succession? How do you control the succession of ownership? To what extent is it important to maintain and increase wealth for generations to come? (S,P)

Values

- What does the family business mean to you? If the family business should be presented in one or two sentences, what would you highlight? (S, P)
- What are you the most proud of at your life? (S,P)
- What values define your life that you have received from your family and you find important to keep throughout generations? (S,P)
- Where do you get motivation and inspiration from? Who/what is your main source of energy? How could your spouse support you, what are the roles within the family? Do you have any hobbies or issues to stand for that you're willing to devote your energy to? (S,P)

Vision

- What challenges and opportunities do you see in front of yourself and the company in the upcoming 5–10 years? (Regarding industry competition, international expansion, profile change, portfolio expansion, profitability, etc) (S,P)
- What vision do you have for the family business? (S,P) (Where is it heading to? What will you transfer to your successor? Do you aim to create a multi-generation family business? Is there someone to pass the baton to in the future?) (S)