

# Transgenerational Views on the Success and the Future Development of Family Firms in Slovenia

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## Abstract

Family businesses represent 60-80% of small and medium sized enterprises (SMEs) in Slovenia and many of them are approaching the process of succession in the next 5-10 years. This process depends on the values of both founding and succeeding generations. The aim of our study is to investigate transgenerational differences in values, attitudes and behaviours of the founders and their successors (family members). Our study has revealed quite a different structure of life-oriented values, while business-oriented values are similar among generations. Also, the attitudes towards different aspects of family and business are quite similar, although the succeeding generation expresses desire for more freedom in its decision to join the family business or not. While generally the transgenerational differences in values, attitudes and behaviors do not seem to hinder the succession process seriously, these differences have to be taken into account by family business advisors in order to properly structure the succession process to the benefit of all stakeholders.

**Keywords:** family firm, values, attitudes, succession process, transgenerational views, performance measures

## 1. Introduction

Family businesses have really developed in Slovenia after 1990, with the end of the socialist system, although crafts and some other minor activities were allowed to act as private businesses, mainly as family businesses, before 1990. New family businesses do not have a tradition in managing the family-business relations and the succession process while a majority of them are approaching this process within the next 5-10 years. The founders spent most of their life in the former socialist system while their potential successors (their children) have been raised in the market economy, therefore we might expect different value systems and attitudes towards family and business among these two generations. These differences might have a strong impact on the succession and the future development of family businesses. We aim to identify differences in values, attitudes and behaviours and in the perception of the success of family enterprising in order to provide some recommendations to families and small business advisors on how to manage the succession in view of these differences within the families.

### *1.1 Relevant Concepts in Family Business Theory*

For our research, it is important to apply a proper definition of the family business and family enterprising. We prefer definitions that stress the family intentions to keep the ownership and the management in the family as well as the provision of employment and incomes for family members (Handler, 1989; Vadnjal, 2005). Chua, Chrisman and Sharma (1999) imply intention and vision of a particular company as a means of determining whether it can be defined as a family business.

The discussion of the impact of transgenerational views tackles several issues of the family business and entrepreneurship literature:

- 1) The influence of values, national culture and family involvement on entrepreneurial perceptions and performance (Chrisman, Chua, & Steier, 2002; Siu & Lo, 2013);
- 2) The pervasive effects of family on entrepreneurship across the generations, the concept of family

embeddedness (Aldrich & Cliff, 2003; Cruz, Justo, & De Castro, 2012);

3) Next-generation entrepreneurial attitudes and succession (Bell, 2015; Steier, 2001; Dunemann & Barrett, 2004; Zellweger, Nason, & Nordqvist, 2012);

4) Entrepreneurial management and governance in family firms (Cruz & Nordqvist, 2012; Steier, Chrisman, & Chua, 2004), in relation to the transfer of these elements into the next generation; etc.

While the unique setting of family firms, with family life and occupation with family business(es) intertwined, is influencing the values, attitudes and behaviours of both/all generations involved in family business (or expected to get involved), there are certainly some differences between generations. Namely, values, attitudes and behaviours are created also outside the family therefore the families are not the only environments influencing the values of the succession generation. Values, attitudes and behaviours also tend to change over time with generations not being ready to change to some extent. Family-specific behavioural and psychological issues are easily identified within family firms making them different from non-family ones (Handler, 1991; Kets de Vries, 1996). However, it is important for the unity of the family and its enterprising behaviour how far family members share codes, narratives, vision and values as the cognitive dimension of family's social capital and how much they are willing to subordinate individual desire to family and family business(es) (Stewart & Hitt, 2012).

The differences in values and attitudes can have a negative impact on the smooth succession process since larger differences might instil some mistrust in the founding members about the successors' capabilities and willingness to continue the family business with the same determination and loyalty specific to founders. Dunemann and Barrett (2004) distinguish several factors and processes that define the ability of younger generation to adopt entrepreneurial orientation: communication among stakeholders, psychological factors, business and individual life stages, preparedness of younger generation, values and culture in business and family, management systems, financial issues, the business environment and business history. Values and attitudes also influence the possibility of conflicts between the interests of family and business (Hoy & Verser, 1994) as well as conflicts among family members. Large differences in values, attitudes and behaviour could easily undermine their mutual respect making communication more difficult. Members of the succeeding generation have many circumstances working in their favour, among them that they have inherited an established business and that they are usually better educated and have more business skills. However, these strengths could, in case of dominant parents with different values, cause opposing views on the family business and its future development, and could postpone the decision about succession or make it psychologically much more difficult for both generations.

In transition countries, evolving from the former socialist system, the situation is further complicated by the fact that founding and succeeding generations generally come from radically different economic and social systems that have created different values that influence generations' entrepreneurial intentions. These intentions play role of the key factors in their attitudes towards the family enterprising and the future strategies concerning the objectives, measures of performance and the growth of the firm. International research has shown that family firms in the first generation in Poland and Slovenia exert strong pressure on the young generation to continue with the business, while youngsters would like to have more freedom (Birley & Godfrey, 1999; Vadjal & Glas, 2005). These differences could play an important role in the dynamics of family businesses since the environment and markets have changed and the former values have eroded over time. New generations need to introduce new more proactive entrepreneurial strategies in order to develop further the business, and they are able to do so (Habbershon & Pistrui, 2005).

### *1.2 Conceptual Model*

In this analysis we are interested in the impact of the complex relationship between values, attitudes and behaviours and their inter-generational differences on the long-term performance of family enterprising.

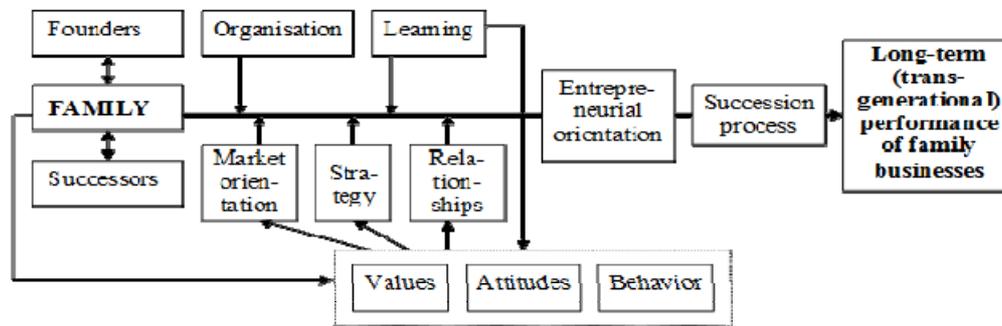


Figure 1. The conceptual model of relationships

While the performance is primarily measured by the wealth created (even with short-term measures as revenue growth or profit), for the family (and other stakeholders) it is increasingly recognized that other, non-financial measures, mostly related to personal satisfaction, are important to family business owners (Habbershon & Pistrui, 2005; Vadnjal, 2005). However, for the successful transgenerational development families have to respect market-based realities and financial outcomes as the key to the further development of the firm (Gorgievski, Ascalon, & Stephan, 2011).

In the model, the family with founders and successors (but also other family members) is the key unit of the investigation since the family members make the crucial decisions that determine the transgenerational performance. We also stick with the concept of family enterprising, not single family firm, since many families, at least in later generations, control through ownership and/or management several firms. The corporate venturing process in family firms has brought about the creation of clusters of (possibly inter-related) businesses (Kellermanns & Eddleston, 2005), and that is already the case with some Slovenian enterprising families. Families that have embedded entrepreneurial culture are possibly stronger in the development of entrepreneurial orientation in their members, which is important in order to groom successor(s) and to maintain the entrepreneurial spirit over the generations. Even though the intensity of entrepreneurial orientation might differ between generations, stronger with founders that have proven their entrepreneurial spirit through the creation of the family firm and maybe less pronounced or different with successors that have to prove the sustained spirit by introducing changes, growing the business or create further ventures around the first one, it is important that the entrepreneurial orientation is sustained over the succession and into further development of family businesses.

The grooming of the entrepreneurial orientation is mediated through a number of factors. We have grouped them, according to Habbershon and Pistrui (2005), into five areas (orientations):

- 1) Organization—the development of the family businesses and their management;
- 2) Learning process that encompasses both formal education (also related to the needs of the family firms in many cases) and training (learning-by-doing), either within the family firm or, as literature strongly recommends, somewhere else;
- 3) Market orientation that is crucial for the family; to focus on customers and continuously develop business according to the market changes;
- 4) Strategy orientation that should support the growth of the family businesses;
- 5) Relationships orientation which is important for intra-family relations, communication, networking and building of the family's social capital.

We base the complex of values—attitudes—behaviours mainly on the relationships orientation, as one of antecedents of the entrepreneurial orientation although we hypothesize some other impacts (to a lesser extent) on other groups of antecedents.

The analysis in this paper is limited to the analysis of differences in values, attitudes and behaviours towards different aspects of family involvement in business, the succession process and the analysis of measures of business performance. On the basis of management literature, we divided values of respondents into life-related and business-related (Andersson, Carlsen, & Getz, 2002; Eikhof & Haunschild, 2006; Peters & Schuckert, 2014), with the goal of finding differences among generations in their views on basic dimensions of family and business.

## 2. Method

In Slovenia, the real wave of SMEs started after 1990. The most comprehensive study found that 58.6% of SMEs are family businesses (Vadnjak, 2005), while another study (Kozina, 2005) found a large share of these businesses facing the generation change in the next years. The Slovene Observatory of Entrepreneurship 2004 (Rebernik, Močnik, Rus, & Dajcman, 2005) found that 92.913 out of 93.233 firms active during the year 2004 were SMEs (99.7%), and that they employ 63.3% of Slovenian work force. Therefore, as the first approximation, there are close to 54.000 family firms in Slovenia.

However, to study the transgenerational values, attitudes and behaviours, we had to limit our analysis to family businesses where both the founding and succeeding generations are old enough to have developed their own views. Participants were selected purposively, as is usually the case in qualitative research (Anderson, Jack, & Dodd, 2005). We therefore surveyed businesses where the successor has already been involved in the family business or he/she is a student at the level of higher education, already with some short-term practice in the family firms. We interviewed separately the founders (83.9% acting managers and further 13.6% on one of managing position) and the (potential) successors in each firm. The firm itself had to have identified the person which is an already designated or potential successor. The main method of data collection was a structured interview. We surveyed 122 family businesses, concentrated on the metropolitan region in Slovenia. The interviewing stopped when theoretical saturation was reached (Eisenhardt, 1989).

### 2.1 Research Objectives and Propositions

In Slovenia, there is no other study available on the values, attitudes and behaviours of different generations within family businesses except for a paper by Vadnjak and Glas (2005). However, that paper compares the attitudes of founders and successors from different family firms with quite a small number of successors already managing the firm. Another study, Vadnjak and Glas (2003), counted only 20% of family firms already run by the second generation. Both studies indicated only some significant differences between generations. On the other hand, our experience with family businesses shows that in a number of cases dominant founders try to transfer their values and expectations onto the next generation quite forcefully. We want to examine the differences between founding and succeeding generations in:

- Family-and work-related values (28 items);
- Attitudes about the relationships between and within generations (11 items);
- Attitudes about the succession process (12 items) and its planning (9 items);
- Satisfaction with different performance measures (18 items);
- Worries about different aspects of family business (11 items);
- Views on the future financing of family businesses (12 items) and
- Personal characteristics of founders and successors (13 items).

The aim of the study is to identify differences amongst the family members that might hinder the succession process in order to make family members and advisors aware of the danger of these differences and the need to foster communications among family members and other stakeholders on these aspects to prevent possible conflicts and frustrations.

We defined the following propositions:

P1: Some significant differences between generations in family-and work-related values exist; however, their incidence does generally not jeopardize the succession process.

P2: Generations differ in some views on the family, business and succession, mostly when they interfere with their perception of the personal freedom of choice.

P3: Successors are more open to the external financing of family businesses.

P4: Generations differ in their views on personal characteristics that should be important to manage the family business successfully.

### 2.2 Sample Characteristics

Most family firms in the survey are micro businesses, employing in the average 8.70 full-time employees (more than the Slovenian average of 6 employees), with 1.77 family members, mostly children, and 6.93 other employees, but employing also some part-timers. Owner-managers are very positive about the relative success of their businesses; although only few businesses grow fast, most of them are growing steadily: 50.9% have

increased employment during last five years, 68.6% increased revenues, 75.4% increased the number of products/services they offer and 42.9% have increased exports (however, 23% of businesses in the sample are not exporting at all).

The formal education of founders is quite low compared to other SMEs in Slovenia (Glas & Drnovsek, 2000); 62.8% have only secondary school. While we would expect much higher educational achievement among successors, there are still 53.3% with up to secondary school (although the difference is statistically significant: t-test = -2.088, significant at 3.8%). This fact confirms the finding of the former survey (Glas & Lovsin, 2000) that family businesses put highly value on on-the-job training but not the formal education.

Table 1. Some sample characteristics of the family businesses in Slovenia

<i>Characteristics of the firm</i>		<i>Comparison of generations</i>		
		<i>Education (in %)</i>	Founder	Successor
<i>Source of earnings (in %)</i>				
- manufacturing	22.1	- primary school	2.5	0
- services	52.5	- vocational / secondary	60.3	53.3
- mix: products and services	25.4	- college	16.5	13.1
<i>Founders of the firm (in %)</i>		- university	18.2	31.1
- husband	61.5	- post-graduate	2.5	2.5
- wife	8.2	<i>Involvement in the firm (%)</i>		
- both marital partners	23.8	- after secondary school	8.2	46.3
- others	6.6	- after college/university	3.3	21.5
<i>Number of children</i>		- after apprenticeship	1.6	5.0
- average number of children	2.13	- after working elsewhere	85.2	14.9
- potential successors	1.58	- not yet involved (students)	0.0	12.4
- active children	1.41	- others	1.0	-
<i>Number of employees</i>		<i>Status in the firm (in %)</i>		
<i>Family members in the firm</i>		- manager (CEO)	83.9	18.3
- children	1.33	- other managing positions	13.6	33.9
- brothers/sisters	0.12	- support (technical, administrative)	1.6	32.1
- grandchildren	0.02	- R&D	0.0	4.3
- other family members	0.30	- work in production	0.8	7.0
<i>Success compared to similar firms in the industry (in %)</i>		- other	0.8	4.3
- significantly less successful	0.8	<i>Satisfaction with the status (%)</i>		
- less successful	2.5	- very dissatisfied, dissatisfied	3.4	2.4
- equally successful	45.9	- neutral	13.4	10.9
- more successful	43.4	- satisfied	58.8	64.7
- significantly more successful	7.4	- highly satisfied	24.4	21.8

Significant differences exist concerning the entry of generations in the family firms. Due to the former socialist system most founders (85.2%) started their business only after a longer period of work in socially owned enterprises, while the younger generation mostly entered straight from the school and only few have some working experiences from elsewhere which might be very important in building their self-confidence and extending the knowledge of the business environment beyond that of the family firm.. As for now, potential successors express high satisfaction with their positions in the firm, giving them a good opportunity to enter the executive positions quite early in their careers.

### 3. Results

#### 3.1 Life-and Work/Business-Oriented Values

We checked the value orientations of family members with two sets of values. First was set of 12 values related to life values, with the 5-level Likert scale (1—not important, 2—less important, 3—important, 4—more important and 5—highly important), and the second was set of 16 values related to the world of work and business. Results are presented in Table 2 and 3.

Table 2. Results for the life-oriented values, founding and succession generations

Value	Resp.	Relative frequencies (%)					Mean	Equal value	t-test	$\chi^2$ -test
		1	2	3	4	5				
Work	F	0.0	0.8	14.8	43.4	41.0	4.25	53.3		26.686
	S	0.0	0.0	13.1	60.7	26.2	4.13			
Family	F	0.8	0.0	4.9	26.2	68.0	4.61	55.7	2.195	22.262
	S	0.0	1.6	9.8	34.4	54.1	4.41			
Health	F	1.6	0.8	3.3	18.9	75.4	4.66	74.6		84.495
	S	0.0	1.6	3.3	17.2	77.9	4.71			
Personal success	F	0.0	3.3	22.1	38.5	36.1	4.07	45.1	-2.763	
	S	0.8	0.0	9.8	41.8	47.5	4.35			
Childrearing	F	0.8	1.6	7.4	29.5	60.7	4.48	49.2		28.794
	S	3.3	4.2	14.2	17.5	60.8	4.28			
Social relationships	F	0.8	2.5	23.0	41.0	32.8	4.02	44.3		32.533
	S	0.8	5.7	19.7	47.5	26.5	3.93			
Love and sympathy	F	0.8	2.5	14.8	36.9	45.1	4.23	50.8		25.527
	S	0.8	0.0	16.4	41.8	41.0	4.22			
Salary / wage	F	0.8	4.1	32.8	41.0	21.3	3.78	41.8	-2.769	40.071
	S	0.8	0.8	18.0	51.6	28.7	4.07			
Free time (leisure)	F	6.6	10.7	27.0	28.7	27.0	3.59	34.4	-3.621	
	S	1.6	4.1	19.7	32.8	41.8	4.09			
Political influence	F	45.1	23.8	18.0	10.7	2.5	2.02	40.2		36.442
	S	35.2	29.5	25.4	8.2	1.6	2.11			
Religion	F	48.4	20.5	23.0	4.9	3.3	1.94	50.0	-1.826	60.952
	S	35.2	26.2	25.4	9.0	4.1	2.20			
Friendship	F	3.3	4.1	13.1	38.5	41.0	4.10	53.3	-1.706	35.381
	S	0.0	3.3	10.7	39.3	46.7	4.30			

Resp.: respondent: F—founder, S—successor. Mean: average value for the scores given. Equal: percentage of family firms with founders and successors given the same grade. t-test: test of equality of means for founders and successors (level of significance).  $\chi^2$ -test: Pearson coefficient for contingency analysis (level of significance).

We decided to present basic relative frequencies for both founders and successors, with the mean value, followed by the share of businesses where founders and successors gave identical score to the value concerned, t-test for the equality of means and  $\chi^2$ -test for the similarity of distributions of grades between both generations. Tests are provided at the 10% level of significance. This same scheme for presenting basic results is used for other tables as well.

Life-oriented values *differ quite substantially*, although a high share of respondents from both generations, from as high as 75% for health to 34% for leisure, encircled the same score. For half of the values listed t-test

indicated statistically significant mean values and the  $\chi^2$ -test indicated different shape of distribution of frequencies. We can conclude:

- Quite a large share of families have an equal score for life-oriented values;
- Younger generations have significantly higher scores on values related to their way of life, individualism (personal success, free time) and financial status (salary/wage);
- Older generations value highly family and childrearing, as well as work;
- While scores on most values are high (mean values mostly over 4), both generations do not value highly political power and religion.

The picture is quite different for work- and business-related values:

- Mean values are on average lower for work- and business-related values than for life-oriented values-family seems to be more important than business to respondents;
- The share of families with the same score on a particular value varies between 52% for work efficiency and 38% for participation in decision-making process;
- Again, younger generation perceives as more important the values related to personal or individual aspects—self-realisation is more important for it that for the founding generation since the latter has already proven itself by creating the new venture; younger generation is also more sensitive to equal rights and democratic decision-making;
- Diligence is the only value statistically significantly different among generations; in other traditional values, related to work ethics e.g. duty fulfilment, discipline, obedience and modesty mean values are higher for founding generation, however not statistically significant.

While young generation is showing greater interest in having its own views on life, in the matter of work and business values are quite balanced between generations. The values of creativity and personal autonomy could be expected to get a higher score, in particular with the younger generation, but these values seem to be underdeveloped in the Slovenian culture: an early research on the characteristics parents value highly with their children reported creativity far behind obedience and discipline (Slovenia—Human Development Report, 1998). Also, the education in Slovenia is not focused on creativity and innovativeness but rather on memorizing facts (Glas, 1998). Informed by the family business literature, we expected higher scores for family pride. Social safety is not highly important since the existing system of the social support provides quite a high level of benefits taken as granted by most Slovenians. Friendship as part of the business environment is quite less important compared to its score among life-oriented values. Friends are still chosen from other social groups and not prevalently from business partners.

Younger generations belong to a different value system than their parents, putting higher value of the personal aspects of life and business, the individualism and high quality of life. The founders might perceive these differences with some criticism but few statistically significant business-oriented values point to the similar concept of business across generations. Successors are more self-centred and individualistic but the founders should find this aspect as the sign that their children share the similar value orientation with younger generations and through a good communication these differences should be appreciated as a manifestation of the strife to create a strong personal concept of life.

Table 3. Results for the work- and business-related values, family firms

Value	Resp.	Relative frequencies (%)					Mean	Equal value	t-test	$\chi^2$ -test
		1	2	3	4	5				
Work efficiency	F	0.0	0.0	8.2	29.5	62.3	4.54	51.6		11.059
	S	0.0	0.8	5.7	36.1	57.4	4.50			
Creativity	F	1.6	0.0	13.1	36.1	49.2	4.31	48.4		
	S	0.0	2.5	7.4	50.8	39.3	4.27			
Duty fulfilment	F	0.0	1.6	6.6	36.1	55.7	4.46	46.7		14.844
	S	0.0	1.6	9.0	40.2	49.2	4.37			

Friendship and companionship	F	0.0	9.0	23.0	37.7	30.3	3.89	41.0	23.692
	S	0.0	4.9	23.8	40.2	31.3	3.98		(0.022)
Discipline	F	0.0	4.1	10.7	36.9	48.4	4.30	46.7	29.040
	S	0.0	2.5	10.7	50.8	36.1	4.20		(0.001)
Social safety	F	0.0	4.1	23.0	37.7	35.2	4.04	50.8	44.202
	S	0.0	4.1	23.0	45.1	27.9	3.97		(0.000)
Self-realisation	F	1.6	4.1	19.7	44.3	30.3	3.98	39.3	-1.865
	S	0.0	1.6	14.8	48.4	35.2	4.17		(0.063) (0.000)
Diligence	F	0.0	0.8	14.8	40.2	44.3	4.28	45.9	2.237
	S	0.0	1.6	19.7	49.2	29.5	4.07		(0.026) (0.055)
Participation in decision-making	F	2.5	5.7	27.9	36.9	27.0	3.80	37.7	-1.834
	S	0.8	4.1	15.6	51.6	27.9	4.02		(0.068) (0.008)
Equal rights, non-discrimination	F	2.5	4.1	25.6	38.8	28.9	3.88	45.1	-2.132
	S	0.0	3.3	19.7	38.5	38.5	4.12		(0.034) (0.001)
Personal autonomy	F	1.7	6.6	30.6	40.5	20.7	3.72	38.5	26.502
	S	0.8	4.9	31.1	43.4	19.7	3.76		(0.047)
Democracy	F	3.3	16.5	26.4	32.2	21.5	3.52	38.5	45.700
	S	3.3	8.2	32.0	35.2	21.3	3.63		(0.000)
Thrift	F	0.0	5.8	18.2	43.0	33.1	4.03	45.1	38.392
	S	0.0	3.3	30.3	39.3	27.0	3.90		(0.000)
Family pride, honor	F	5.8	4.1	24.0	30.6	35.5	3.86	41.8	85.525
	S	3.3	5.7	25.4	36.1	29.5	3.83		(0.000)
Obedience	F	2.5	5.0	28.1	35.5	28.9	3.83	38.5	34.744
	S	2.5	6.6	34.4	33.6	23.0	3.68		(0.004)
Modesty	F	3.3	9.1	40.5	24.8	22.3	3.54	50.8	61.265
	S	3.3	7.4	45.1	28.7	15.6	3.46		(0.000)

### 3.2 Attitudes towards the Family and Business

This set of values is shaping the attitudes towards the participation in the family business and the relationship between the family and its business. We checked these attitudes through a set of statements to be answered according to the 5-point Likert scale (from 1—fully agree to 5—completely disagree). Again, a high share of families provided the same score across generations (for 5 out of 11 statements over 50% giving the same score). However, the frequency distributions varied and there are different views across the generations on the issue of conflict resolution that is an important problem for family businesses.

Table 4. (Dis)agreement with some aspects of family involvement in business

Statement	Resp.	Relative frequencies (%)					Mean	Equal value	t-test	$\chi^2$ -test
		1	2	3	4	5				
Sibling rivalry is good for business	F	0.8	9.8	29.5	18.0	41.8	3.90	46.7	46.332	
	S	2.5	8.2	24.6	25.4	39.3	3.91		(0.000)	
Trust between the members of different generations is good	F	54.9	26.2	12.3	4.9	1.6	1.72	51.6	27.050	
	S	46.7	35.2	12.3	4.1	1.6	1.79		(0.041)	
Trust between the	F	60.7	18.0	14.8	5.7	0.8	1.68	55.7	44.026	

members of the same generation is good for firm	S	47.5	30.3	18.9	1.6	1.6	1.80			(0.000)
Communication between different generations is good for the firm	F	48.4	29.5	15.6	4.9	1.6	1.82	49.2		53.940
	S	41.0	38.5	14.8	4.9	0.8	1.86			(0.000)
Communication within the same generation is good for firm	F	53.3	27.9	11.5	6.6	0.8	1.74	50.0		47.153
	S	44.3	32.8	19.7	2.5	0.8	1.83			(0.000)
Harmony among the family members is on a high level	F	32.8	32.8	24.6	9.0	0.8	2.12	42.6		30.753
	S	32.0	32.8	27.9	7.4	0.0	2.11			(0.002)
Family members are open and honest among themselves	F	63.1	16.4	12.3	7.4	0.8	1.66	54.1		43.303
	S	45.1	34.4	14.8	5.7	0.0	1.81			(0.000)
In the time of crisis and problems there are no accusations. Family members behave as a team in solving evolving problems	F	47.5	25.4	15.6	8.2	3.3	1.94	45.1		45.285
	S	40.2	28.7	18.0	11.5	1.6	2.06			(0.000)
We solve business crisis in a way to maintain unity and family values	F	50.0	34.4	9.0	4.9	1.6	1.74	45.1	-1.771	42.130
	S	40.2	33.6	19.7	3.3	3.3	1.96		(0.078)	(0.000)
In the times of difficult crises family members support one another	F	61.5	18.0	12.3	6.6	1.6	1.69	56.6		62.413
	S	50.0	30.3	10.7	5.7	3.3	1.82			(0.000)
Next generation feels strong - they feel to have an appropriate decision-making power	F	39.3	24.6	24.6	7.4	4.1	2.12	39.3		42.530
	S	32.0	34.4	21.3	9.8	2.5	2.16			(0.000)

*Note.* Lower values indicate higher level of agreement with the statement.

While mean scores are statistically significantly different for only one statement, frequency distributions suggest some disagreements. Founders mostly display a more “rosy” picture of the relationships within firms and across generations, while successors suggest more tensions in the family and firm and less self-confidence. Founders tend to project their views as the “absolute truth” and successors admit for more differences in views among generations.

### 3.3 The Succession Process in Family Businesses

The process of succession offers more opportunities to develop different views. Here, we found stronger transgenerational differences in views and behaviours. In all statistically significantly different views the successors express their reservations about their position in the process dominated by parents.

Table 5. (Dis)agreement with some aspects of the succession process in family firms

Statement	Resp.	Relative frequencies (%)					Mean	Equal value	t-test	$\chi^2$ -test
		1	2	3	4	5				
Children should be introduced to the firm at an early age	F	38.5	31.1	20.5	8.2	1.6	2.03	34.4	-4.419	43.271
	S	19.7	23.8	35.2	13.9	7.4	2.66			
Children's education should be geared towards the firms needs	F	23.8	20.5	29.5	14.8	11.5	2.70	43.4	-2.430	58.594
	S	11.5	16.4	38.5	19.7	13.9	3.08			
Management successors should be chosen from the family	F	42.6	18.9	27.0	9.0	2.5	2.10	35.2	-3.030	39.888
	S	24.6	20.5	36.1	13.9	4.9	2.54			
Family members should be involved to the benefit of firm and not the member himself	F	32.0	32.0	25.4	4.1	6.6	2.21	34.4	-2.770	27.827
	S	18.0	31.1	30.3	11.5	9.0	2.62			
The founder / older generation should always have a formal role in the business	F	26.2	25.4	23.8	16.4	8.2	2.55	41.0		41.961
	S	18.0	22.1	37.7	14.8	7.4	2.71			
Children should receive some shares when they join the firm	F	28.7	30.3	19.7	12.3	9.0	2.43	41.8		39.868
	S	26.2	31.1	22.1	13.9	6.6	2.43			
Parents should retire when the children are ready to take over	F	33.9	20.7	21.5	13.2	10.7	2.46	28.7	-1.792	
	S	26.2	17.2	22.1	21.3	13.1	2.78			
Family and business affairs should be kept separate	F	66.9	23.1	5.8	2.5	1.7	1.49	56.6		29.296
	S	62.3	18.0	15.6	3.3	0.8	1.62			
Personality differences of family members are accepted	F	37.2	30.6	28.1	2.5	1.7	2.01	44.3		25.943
	S	38.5	32.8	25.4	2.5	0.8	1.94			
Family and business are well separated, family time together is mostly not used for business	F	30.6	28.1	28.1	5.8	7.4	2.31	36.9		
	S	27.0	23.8	33.6	11.5	4.1	2.42			
There should be criteria to decide how family members should join and leave	F	36.4	25.6	28.9	8.3	0.8	2.12	39.3	-1.888	24.309
	S	18.0	39.3	34.4	5.7	2.5	2.35			

*Note.* Lower values indicate higher level of agreement with the statement.

The findings indicate that the succeeding generation wants to retain more freedom to decide whether it will become part of the family business: this involves issues such as being early involved in the business and choosing the profession along the needs of the business; there is evidently some inherent pressure from the founding generation. Succeeding generation is also more open to the possibility of choosing a non-family manager and it is also keener to derive personal benefits from the firm and not to sacrifice for the interests of the business. However, at this stage it still thinks that parents could stay in the business after the transfer, always having a formal role (which is difficult to exercise when firms do not have formal governing bodies); this attitude could be an expression of the respect for the role of founders, recognition of their authority and the need for their support since the successors might have some doubts about their own capability to take on the responsibility for the firm. To our surprise, the successors do not consider it important to have criteria to decide about employing family members; partly, the fact is that due to the demographic situation in Slovenia, where a number of family businesses do not have an extended choice of successors—they have to be satisfied with one proper candidate.

On the other hand, we asked the respondents to indicate whether families were able to apply the concept they consider as appropriate. Founders were quite convinced that they applied the concepts in their businesses fully or

at least partly, while younger generation expressed more doubts about the application of concepts/rules. Successors consider the decision as more subjective than parents in most cases. As Lovsin (2000) found, in Slovenian family businesses the major decisions are still taken by the founders and later communicated to successors as a kind of *fait accompli*. These aspects of the succession should be managed differently in a number of family businesses, also assisted by family business advisors. Unfortunately, according to Lovsin (2000) founders mostly seek the assistance of lawyers that hardly understand the complexity of family businesses.

### 3.4 Performance Measures in Family Firms

We also checked whether different generations have significantly different views on the success of family businesses. While the economic theory asserts financial performance measures as the ultimate measures of success, family businesses consider the success quite differently. Herle (2003) found that the most important measure is the balancing of family and business functions, followed by the successful transfer of the family business into the next generation—the continuation of the business as a family concern is very important. Financial measures have only followed as the revenue growth at the fourth position. In our study, we collected responses on importance of 18 different measures (Table 6).

Interestingly enough, there are a few statistically significant differences between generations in rating performance measures. Again, family businesses prefer non-financial measures, with the quality of goods (basis for the family pride) and level of customer satisfaction ranked on first two places for both generations. Autonomy and freedom are also highly valued (most important motive for Slovenes to create own venture is the autonomy; Glas & Drnovsek, 2000), as well as the internal climate and morale of the employees. These measures correspond with what Leach (1991) identified as family business strengths. Founders also focus on providing the jobs for their children, while successors value highly the financial returns (rank 4-5) and growth potential (rank 6; for founders only rank 14).

We used the scores for values of performance measures, under the assumption that generations differ with the respect of financial/non-financial measures they prefer to consider as important, to perform the cluster analysis. We grouped these measures into three groups: financial, non-financial and other. However, the analysis provided no clear distinction between generations. Young generation is not significantly more oriented towards financial outcomes when compared to the founders.

Table 6. Satisfaction with different performance measures

Measures of business performance	R	Relative frequencies (%)					Mean	Equal value	t-test	$\chi^2$ -test
		1	2	3	4	5				
Revenue growth, last year	F	6.6	9.8	23.8	41.0	18.9	3.56	54.9		98.609
	S	6.6	9.8	32.0	35.2	16.4	3.45			
Profitability, last year	F	6.6	16.4	27.9	36.1	13.1	3.33	52.5		94.354
	S	4.9	11.5	32.0	36.9	14.8	3.45			
Future growth potential of the firm	F	2.5	10.7	39.3	36.9	10.7	3.43	49.2	-1.685	62.190
	S	2.5	7.4	36.9	31.1	22.1	3.63			
Growth in absolute market share, last year	F	6.6	14.8	43.4	25.4	9.8	3.17	48.4		69.905
	S	1.6	18.0	43.4	27.9	9.0	3.25			
Growth of the market share compared to competitors	F	5.7	11.5	37.7	37.7	7.4	3.30	46.7		74.134
	S	3.3	13.9	43.4	31.1	8.2	3.27			
Common climate, satisfaction and morale of employees	F	0.8	8.2	31.1	40.2	19.7	3.70	50.8		130.636
	S	1.6	8.2	26.2	44.3	19.7	3.72			
Capability of the firm to attract new professional staff	F	4.1	8.2	32.8	41.0	13.9	3.52	49.2		52.339
	S	2.5	11.5	35.2	35.2	15.6	3.50			
Quality of firms goods and	F	0.0	1.6	10.7	50.0	37.7	4.24	50.0		27.742

services	S	0.0	0.8	13.9	45.1	40.2	4.25			(0.001)
Level of customer satisfaction	F	0.0	1.6	9.0	56.6	32.8	4.20	57.4		16.975
	S	0.0	0.0	12.3	57.4	30.3	4.18			(0.009)
Realisation of my internal objectives	F	1.6	9.0	27.0	44.3	18.0	3.68	44.3		25.578
	S	0.8	6.6	29.5	55.7	7.4	3.62			(0.060)
Financial returns from the firm	F	3.3	5.7	37.7	40.2	13.1	3.54	50.8		98.891
	S	1.6	8.2	27.0	42.6	20.5	3.72			(0.000)
Autonomy and personal freedom provided by the firm	F	1.6	5.7	27.9	33.6	31.1	3.87	40.2		33.741
	S	1.6	8.2	25.4	39.3	25.4	3.79			(0.060)
Control over my future as ensured by the firm	F	2.5	5.7	34.4	38.5	18.9	3.66	49.2		70.443
	S	3.3	5.7	36.9	36.9	17.2	3.59			(0.000)
My firm is currently too small, I want it to grow in the future	F	4.9	5.7	54.1	24.6	10.7	3.30	35.2	-1.838	
	S	3.3	9.8	37.7	28.7	20.5	3.53			(0.067)
Future firm's growth is not important, it should stay as it is	F	18.0	19.7	40.2	15.6	6.6	2.73	37.7		37.053
	S	18.9	29.5	33.6	12.3	5.7	2.57			(0.002)
I have a strong desire to bring the firm up the harvesting	F	4.9	9.0	38.5	32.0	15.6	3.44	41.8		57.957
	S	3.3	9.8	44.3	24.6	18.0	3.44			(0.000)
One of my qualities is the development of high-tech products/services	F	4.1	6.6	36.1	34.4	18.9	3.57	42.6		36.606
	S	3.3	11.5	38.5	31.1	15.6	3.44			(0.002)
Through the firm I ensure jobs for children / next generation	F	1.6	6.6	15.6	34.4	41.8	4.08	30.3	5.605	24.838
	S	5.8	3.3	49.2	30.0	11.7	3.38		(0.000)	(0.073)

We checked the attitude towards succession planning by asking nine questions about the importance of the succession planning. Since planning is crucial in order to determine the transfer of power and influence to the young generation, we would expect that generation to be highly interested in the early planning. However, founders are more convinced in the need to plan ownership transfer in (proper) time. They also think more seriously about the early identification of potential new manager and also consider it important to ensure the training of the successor in some other firm. They are more aware of the danger of meddling with business and family values, and they also want to separate the family vision from the business vision.

Table 7. Attitudes towards succession planning

It is very important for the family business	Resp.	Relative frequencies (%)					Mean	Equal value	t-test	$\chi^2$ -test
		1	2	3	4	5				
Planning of ownership transfer in time	F	45.5	27.3	20.7	4.1	2.5	1.91	42.6	-1.748	60.480
	S	36.9	25.4	27.0	7.4	3.3	2.15		(0.082)	(0.000)
Part of the working time use to prepare succession plan	F	18.2	23.1	35.5	16.5	6.6	2.70	38.5		29.895
	S	17.2	25.4	41.8	12.3	3.3	2.59			(0.019)
Take into account that interests and values of generations differ	F	41.3	41.3	10.7	5.0	1.7	1.84	50.8		32.496
	S	39.3	41.0	16.4	1.6	1.6	1.85			(0.009)

To identify the member with the qualities to manage early	F	45.5	24.0	20.7	8.3	1.7	1.97	42.6	-1.843	42.194
	S	32.0	27.9	29.5	7.4	3.3	2.22			
To ensure training of potential successors in some other firm	F	39.7	24.8	24.8	5.0	5.8	2.12	41.0		41.146
	S	27.9	28.7	30.3	7.4	5.7	2.34			
To be aware of the danger to introduce family values into firm	F	31.4	31.4	34.7	0.8	1.7	2.10	45.9	-1.794	
	S	20.5	36.9	36.1	4.1	2.5	2.31			
Separate the family vision from the business vision	F	38.0	22.3	26.4	9.9	3.3	2.18	37.7		24.547
	S	31.1	35.2	27.0	4.9	1.6	2.11			
Adapt the family business to the market changes	F	61.2	24.0	9.9	1.7	3.3	1.62	55.7		46.979
	S	51.6	33.6	10.7	2.5	1.6	1.69			
To choose the leader according to qualities and abilities needed	F	62.0	28.1	6.6	2.5	0.8	1.52	51.6		30.991
	S	54.1	32.8	10.7	1.6	0.8	1.62			

*Note.* Lower values indicate higher level of agreement with the statement.

We also asked the respondents how far this awareness really determined the way the succession has really been planned. The answers showed that these views have been only partly turned into practice and the younger generation systematically feels that the views expressed have not been really applied. Nevertheless, the younger generation has not proven to be inclined towards planning and criteria to choose and groom the successor. There might be a lack of self-confidence with the young generation and the aversion to be subject to some criteria that they might not fulfil. Successors should be better informed about the value and the reason for the succession planning. Maybe their ignorance to the planning is related to the experience that planning and decision-making were mostly dominated by founders and the whole process only provided a rationalisation for their decisions. Young generations should become real players in the succession planning to accept it as an important tool to avoid future tensions and problems in the family business. The whole issue of the succession is too complicated to be run without a proper plan.

### 3.5 Some Aspects of Growth of Family Businesses

The issues of growth and succession also open some questions about the family “nature” of the firm in the future. The growth of family businesses brings some problems of ensuring the input of resources to support this growth, among which the most important are financial resources and managerial capabilities. These resources could be sometimes only found outside the firm and the family which is changing the nature of the firm. These aspects have been checked by asking respondents how far they are worried about some issues. They could answer on the 5-point Likert scale: 1—sleep easily, 2—little worries, 3—concerned, 4—seriously worried and 5—having nightmares:

Table 8. Worries with respect to certain dilemmas

Statement	Resp.	Relative frequencies (%)					Mean	Equal value	t-test	$\chi^2$ -test
		1	2	3	4	5				
If I introduce outside shareholders, how greedy will they be?	F	14.9	17.4	29.8	28.9	9.1	3.00	36.9		45.848
	S	9.1	22.3	30.6	33.9	4.1	3.00			
Would outside shareholders change the way I run business?	F	16.5	19.8	27.3	30.6	5.8	2.89	32.8		41.813
	S	9.9	20.7	39.7	24.8	5.0	2.93			
How do I finance growth and still retain control?	F	14.9	28.1	31.4	23.1	2.5	2.70	30.3		23.617
	S	13.2	20.7	39.7	24.0	2.5	2.82			

All my wealth is in the firm. What happens if it get into trouble?	F	15.7	19.0	14.9	35.5	14.9	3.15	28.7	29.052
	S	10.7	16.5	26.4	35.5	10.7	3.17		(0.024)
Should I sell the business?	F	44.2	23.3	12.5	14.2	5.8	2.14	37.7	25.704
	S	32.2	29.8	20.7	11.6	5.8	2.27		(0.058)
How much is the business worth?	F	42.5	22.5	21.7	12.5	0.8	2.07	39.3	
	S	32.2	29.8	25.6	11.6	0.8	2.18		
Do I really need to grow the business?	F	21.7	33.3	35.0	8.3	1.7	2.35	30.3	42.733
	S	20.7	32.2	24.8	19.8	1.7	2.51		(0.002)
How much would life change if I grow the business	F	26.4	40.5	17.4	12.4	3.3	2.26	36.1	
	S	23.1	35.5	29.8	10.7	0.8	2.29		
Should I bring family members into business?	F	57.0	19.8	14.9	6.6	1.7	1.76	37.7	19.640
	S	42.1	42.1	11.6	4.1	0.0	1.78		(0.078)
What can I do if my children do not perform well in the business?	F	24.0	31.4	20.7	17.4	6.6	2.51	27.9	2.448
	S	31.9	37.0	16.0	13.4	1.7	2.13		(0.015)
Should I give key employees a share in the business	F	42.1	22.3	22.3	10.7	2.5	2.09	32.8	31.659
	S	40.5	25.6	19.0	12.4	2.5	2.08		(0.011)

Again, there are almost no significant differences between the levels of worries (t-test) although the frequency distributions differ significantly:

- Both generations do not prefer outside investors (shareholders) and they do not consider sharing the ownership with key employees as a challenge;
- Younger generation is slightly more inclined towards growth and it does not fear the consequences of this growth to their lives;
- Both generations are worried about the possible impact of the business failure on the wellbeing of the family – however, most families around the globe share this worry according to Birley and Godfrey (1999);
- Founders are worried about the possibility that children do not perform well in the business and they might face the employment of an outside manager.

We have added also the question about the financial sources to be important in the family business during the next decade. Respondents rated the importance on the 4-point scale (1—not important, 2—less important, 3—important, 4—very important).

Table 9. Views on the future financial sources for the firm

Statement	Resp.	Relative frequencies (%)				Mean	Equal value	t-test	$\chi^2$ -test
		1	2	3	4				
Own funds	F	11.5	20.5	44.3	23.8	2.80	47.5		33.412
	S	11.5	19.7	44.3	24.6	2.82			(0.000)
Funds (loans) from the family and friends	F	37.7	29.5	29.5	3.3	1.98	39.3		15.776
	S	26.2	41.0	24.6	8.2	2.15			(0.072)
Other private investors (not family or friends)	F	42.6	36.9	18.9	1.6	1.80	41.0	-1.945	
	S	32.0	39.3	25.4	3.3	2.00			(0.053)
Investment companies,	F	39.3	36.9	20.5	3.3	1.88	38.5	-1.958	15.409

mutual funds	S	32.0	36.1	21.3	10.7	2.11		(0.051)	(0.080)
Suppliers credit (accounts payable)	F	28.7	24.6	34.4	12.3	2.30	45.9		31.966
	S	24.6	23.8	40.2	11.5	2.39			(0.000)
Up-front payments from customers	F	37.7	31.1	24.6	6.6	2.00	42.6		19.728
	S	33.6	26.2	33.6	6.6	2.13			(0.020)
Short-term bank loans	F	18.9	31.1	34.4	15.6	2.47	42.6	-2.064	34.386
	S	9.0	25.4	51.6	13.9	2.70		(0.040)	(0.000)
Long-term bank loans	F	13.1	15.6	49.2	22.1	2.80	49.2		34.391
	S	12.3	13.9	51.6	22.1	2.84			(0.000)
State funds	F	35.2	26.2	27.9	10.7	2.14	42.6		27.344
	S	28.7	28.7	22.1	20.5	2.34			(0.001)
Retained profits	F	3.3	13.1	37.7	45.9	3.26	52.5	-2.640	36.575
	S	1.6	2.5	39.3	56.6	3.51		(0.009)	(0.000)
Venture capitalists	F	45.9	30.3	12.3	11.5	1.89	40.2		22.676
	S	32.8	36.1	20.5	10.7	2.09			(0.007)
Other	F	62.9	17.1	14.3	5.7	1.63	4.9		8.000
	S	64.7	17.6	5.9	11.8	1.65			(0.018)

Results demonstrate some significant differences:

- Most important sources will be retained profits of the firm; since more successors find them very important, we can assume that successors are inclined to invest and not only to spend profits for their well-being;
- While own savings will still be very important, banks are considered as key providers of finance, preferably as long-term loans (also the European tradition);
- Sound relations with suppliers and customers allow for some bootstrapping practices with extended accounts payable and some up-front financing from customers, based on the trust of business partners into the high financial standing of family businesses;
- Younger generations expect too much from government funds which provide only marginal amounts of money (Glas et al., 2002);
- Younger generations also expect too much from the venture capital, if we take into account past experience (Glas, Drnovsek, & Psenicny, 2003).

There are substantial differences in the expected financial resources pointing to the more open attitude of younger generations to usage of external funding (sharing the ownership and power in the business as well) as the basis for growth. Successors also report to be more risk taking. However, they also share more unfounded expectations proving their lack of experience in the actual deals with financial institutions.

### 3.6 Cluster Analysis

The life- and business-oriented values were used to establish three clusters of family businesses. We arranged these values in three groups denoted as the **traditional group** valuing highly work, salary and hard-working ethics (work efficiency, duty fulfilment, discipline, diligence, obedience and modesty), the **personal-centred group** with the preference for family, health, personal success, childrearing, love and sympathy, free time as well as creativity, self-realisation, co-determination, non-discrimination, personal autonomy and democracy as the modern libertarian value orientation, and the **neutral group** with people not highly engaged for above values, but preferring social relationships, political influence, religion and friendship as well as companionship, social safety, democracy and family pride.

K-means cluster analysis revealed the structure of the sample as given in Table 10.

Table 10. Structure of clusters according to their values

Clusters	Founders	Successors	Total
Traditional group	32	22	54
Personal-centred group	48	61	109
Neutral group	42	39	81

Family members have quite a strong personal-centred majority (44.7% of all respondents), where successors are in the majority (50% of successors belong to this cluster while only 39% of founders). Founders are the stronger part among the traditionalists (59% of the group, successors the remaining 41%). Although not revealing a strong transgenerational pattern of family members the cluster analysis confirmed the finding that founders share more traditional values and successors more individualistic with a higher preference for personal values. The neutral group has quite high scores on both groups of values but is a balanced one with the highest scores also on “atypical” values, concerned with broader social aspect of families and businesses. However, also helpful in understanding the prevalent value orientations of generations, this analysis did not offer a strong basis for a further analysis along the classification of families into these three clusters.

#### 4. Conclusions and Recommendations

This preliminary analysis of the differences in values, attitudes and behaviours of the founding and succeeding generations of family businesses in Slovenia offered some insights about the families and their enterprising behaviour. First, generations do differ considering their life-, work- and business-oriented values; however, differences are mostly related to life-oriented values where both generations faced a very different social and economic environment; in work- and business-related values there are no strong differences that might be the source of problems in the succession process. In case that founders understand and recognize the different life-oriented values of successors as a legitimate consequence of the different environment as well as the desire to try different life and career options before entering the family business, these differences in value orientation should not be driven to the point of frustration.

Second, generations share quite a similar view on the operations of family businesses; however, with the respect to the succession, their views are more diverse, pointing to the lack of intergenerational discourse and planning of the succession process. The life-cycle of family members in the sample (mostly grown-up successors) would suggest that there is the time to engage in more communication and open discussion of all the succession issues. Third, successors show some lack of self-confidence; they need the assistance of founders when they take over the business and there is a lack of experience in working elsewhere. Successors have not been well mentored and there might be the lack of formal decision-making procedures in businesses where successors would feel more confident. Finally, generations differ in the openness to the external source of managerial expertise and funds and the succeeding generation seems to be more concerned with growth and market orientation, but less with technology issues.

We did not discuss the personal characteristics of both generations although we collected some data showing stronger orientations towards the determination, self-confidence, even flexibility while less towards creativity, risk and ambiguity acceptance. Generations differ quite substantially in their ranking of personal characteristics. Very important characteristics are (lack of) leadership and better instincts in working with people. Successors think that founders lack the flexibility and patience, feeling for working with people and competitiveness, while for themselves they feel the lack of leadership, patience, self-confidence, team-building skills and creativity. These lacking attributes explain well some of their attitudes and behaviours.

For both the families and advisors, the research has pointed to the importance of some differences in transgenerational values, attitudes and behaviours: i) the lack of communication about the values and planning of the succession that appears to conceal important differences in views about the management of the process; these differences might impede the succession process as a hidden source of mistrust and frustrations; ii) successors lack the proper training and mentoring so they feel uncertain about their capability of managing the firm; however, they are not keen to be subject of a strong selection process; and iii) the understanding and recognition of the differences in value orientations should be improved to develop mutual trust and avoid the differences to become obstacles to the proper succession process.

Slovenian family businesses display some characteristics of the Slovenian society: the lack of inter- and intra-generational communication, weak emotional discourse and the concealed disappointments and frustrations

(Glas, 1998). With an open discussion, training and mentoring most of these differences could be defused from their destructive influence on the families and their businesses.

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