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Family Businesses: The Extensiveness of Succession Problems and Possible Solutions

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1. Introduction

Family businesses are an important group of enterprises within the small and medium-sized (SME) sector; many of the world's large enterprises are also family businesses. Although no statistics are complete enough to map the presence of family businesses throughout the world, many studies conducted in different countries have confirmed the weight these businesses carry in national economies (Astrachan & Shanker, 2003; IFERA, 2003; Mandl, 2008). In the past, family businesses were often perceived to be the weakest type of enterprises; if they were successful, it was concluded that such success was despite their family character (Mandl, 2008, 7). Nowadays, family businesses are gaining in importance in public and policy discussions, which is especially true for the European Union (EU). The most recent proof of the acknowledged important role of family businesses for the employment growth and economic prosperity of the EU economy is the Small Business Act (2008), in which special attention is given to family-owned enterprises and the issue of business succession (first principle of the Small Business Act).

According to findings in various studies, one of the major problems family businesses encounter is the transfer of ownership and management to the next family generation (Miller et al., 2003; Morris et al., 1997; Sharma et al., 2003; Transfer of SMEs, 2002). Approximately one third of businesses within the EU need to be transferred to new owners in the next ten years (ranging from 25 percent to 40 percent, depending on the member state).¹ This corresponds to an average of at least 610,000 SMEs being transferred each year, of which 300,000 are SMEs with employees involving 2.1 million jobs (assuming that an SME with employees has an average of seven employees) and 310,000 are SMEs without employees (Transfer of SMEs, 2002, 10-11). The success of SMEs in which families prevail also depends on the successful transfer of management and ownership. Several studies estimate that only 30 percent of family enterprises survive to the second generation because of unsolved or badly solved transition of ownership and management to the next family generation, and many enterprises fail soon after the second generation takes control (Kets de Vries, 1993; Miller et al., 2003; Morris et al.,

¹ Estimation was made for EU-19, without new countries joining EU in 2004.

1997). Failure in succession represents a serious problem not only for family enterprises and their employees, but also for the prosperity of an economy. Intergenerational succession represents a crucial point in the lifecycle of any family business and, as such, has been a primary focus of research. According to Howorth and co-authors (2006), the transfer of entrepreneurial learning between family members and the revitalization of entrepreneurial spirit through the transfer of ownership and management provide rich insights for entrepreneurship research.

The main goal of the contribution is to broaden our understanding of family businesses' succession issues and possible solutions, with a special focus on succession planning and the supporting infrastructure needed in order to carry out the transfer of ownership and management successfully. The in-depth review of studies and supporting measures as well infrastructure will be done by devoting special attention to activities conducted within the EU. However, EU countries are not a homogeneous group of countries, and differences exist among them in regards to economic and social-political developments, especially between some "new" members or candidates for membership (i.e., former socialist countries) and the "old" members (i.e., countries with the tradition of a market economy). Significant research efforts have been devoted to the topic of succession in countries with a tradition of entrepreneurship and market economy, and proposed solutions have been developed in an effort to create sound institutional (counseling, information centers, training) and educational support. However, studies of succession problems in family enterprises in former socialist countries are scarce. One reason for this lack of research is the fact that private enterprises were outlawed during the era of the socialist economy. The social and economic changes in Central and Eastern Europe in the 1990s have created an opportunity for the rebirth of entrepreneurship and family business development (Duh et al., 2007; McMillan & Woodruff, 2002; Poutziouris et al., 1997). Therefore, this chapter will make comparisons between the "old" and "new" EU member states regarding succession problems and solutions. For more a detailed comparison, we select Slovenia, one of the most developed European post-socialist countries.

2. Family businesses as an important factor of economic development

Family businesses are a vital component of the economic health of many countries, particularly in established market economies, where entrepreneurial initiative is strongly encouraged. Many studies conducted in different countries have confirmed the weight that these businesses carry in national economies (Astrachan & Shanker, 2003; IFERA, 2003; Mandl, 2008). In several European countries, family enterprises represent the majority of all enterprises (IFERA, 2003). Several studies have suggested that family enterprises are emerging as the central force driving economies in former socialist or so-called transition countries (Duh & Tominc, 2005; Pistrui et al., 1997; Poutziouris et al., 1997; Vadnjal, 2005). Indeed, the social and economic changes in the former socialist countries in the Central and Eastern Europe created an opportunity for establishing private enterprises, and the industrial policy in these countries has been focused on the development of a dynamic SME sector. Several studies have found that families provide critical resources and support to newly emerging enterprises in these countries (Duh, 2003; Dyer & Panicheva Mortensen, 2005; Poutziouris et al., 1997).

Some new data on the presence of family businesses in the European economy have emerged from the recently conducted project “Overview of Family Business Relevant Issues” (Mandl, 2008), in which partners (i.e., analyzed countries) were members of the EU and candidates for membership in the EU (Turkey, Croatia, the Former Yugoslav Republic of Macedonia) as well as Iceland, Norway, and Liechtenstein. Table 1 presents the data on the share of family businesses and the share of employees in family businesses for those countries that dispose with such data. Data on family businesses’ share of value added, total turnover added, or their contribution to GNP was available only for a few of the analyzed countries and are therefore not included in Table 1. In some of the analyzed countries, the share of family businesses is measured using the SME population instead (or in addition to) total enterprises’ population. The cross-national comparison shows quite diversified data regarding the presence and importance of family businesses for national economies. This is partially due to the definition used for family business. The dependency of the estimates on the applied definition is obvious for those countries in which different research studies (based on different definitions) came to varying results. Since the data in Table 1 are used for the illustration of the importance of family businesses across Europe (and not for a detailed analysis), the interval estimation on the family businesses’ share/number is included for the cases of different national estimations (for detailed data, which also include information on the definition used, see Mandl, 2008, 40-46).

Based on the data on the presence of family businesses in the analyzed countries (see Table 1), it is estimated that 70 to 80 percent of European enterprises are family businesses. Family businesses account for an important part of European employment—indeed, 40 to 50 percent of all employees work in family businesses; in some countries, this share is even higher. In the majority of the analyzed countries, we can observe a higher share of enterprises than of employment, implicating that family businesses are on average smaller than the average national company (Mandl, 2008, 39). Similarly, IFERA (2003) demonstrated that the contribution of family enterprises to GNP or employment rates in analyzed countries is generally 10 to 30 percent lower than their rankings as a percentage of all businesses in terms of numbers. Even if these numbers indicate that family businesses are on average smaller than non-family businesses, in many countries family businesses also include very large companies. In Luxemburg, Norway, and Sweden, research results show that approximately 30 percent of the largest companies are family businesses; in Belgium this share is even higher, accounting for about 50 percent (Mandl, 2008, 48).

In Slovenia, which is an EU member state and a former socialist country, the tradition of family businesses persisted mostly within the craft sector during the socialist period (starting after World War II and lasting until the early 1990s). During that period, operating a family firm within the craft sector was not really attractive due to various pressures on the private owners, such as restrictions in employment, amount of productive resources allowed in the private ownership, and the weak image of crafts compared to favored social companies (Duh, 2003; Glas & Vadnjal, 2005). The transition to the market economy from the former socialist economy in Slovenia was closely connected with the development of private SMEs as well as family enterprises. For Slovenia, several estimations were done regarding the importance of family businesses.

Country	Share of family businesses	Share of employees in family businesses
Austria	80%	70-75%
Belgium	70%; 52% of the 100,000 biggest companies	-
Croatia	-	6.16% of total employment
Cyprus	85-90%	40-50%
Czech Rep.	80-95% of SMEs	-
Denmark	35.6-94.6%	-
Estonia	90%	50%
Finland	80-86%	75% of SMEs' employees
France	75% of medium-sized and 20% of large enterprises; 49.2% of the largest manufacturing enterprises	-
Germany	95% (differ in different size classes)	57%
Greece	52-80%	-
Hungary	70-72.2%	55%
Iceland	70-80%	70-80%
Ireland	75%	half of employment in the private sector
Italy	65-81%	-
Latvia	30% of SMEs with fewer than 50 employees	-
Lithuania	38%; 92.3% of SMEs	-
Luxembourg	70%; 1/3 of the 369 biggest enterprises	25% of the 369 biggest enterprises' employees
Norway	2/3; 30% of the largest 500 enterprises	40%
Poland	70-80%	40-65%
Portugal	70-80%	about 50%
Romania	more than half of the SMEs	19%
Slovak Rep.	80-95%	-
Slovenia	58.6% of SMEs; 60-80%	at least 26% of the active adult population
Spain	85%	75% of total private employment
Sweden	54.5%; 26.4% of large enterprises	34.7%
The Netherlands	55-83%	From 33 to 40%
Turkey	90% of enterprises; 94% of SMEs	-
United Kingdom	69% of SMEs; 65% of private sector enterprises	41.9% of private sector employment

Source: Mandl, 2008, 40-46.

Table 1. Family businesses in Europe

The estimated share of family enterprises among SMEs in one Slovenian region ranged between 38.1 and 50.1 percent (Duh, 2003). The results of another large-scale research study showed that 46.45 percent of SMEs in the sample were identified as family businesses; the estimated share of family enterprises among SMEs in Slovenia was between 41.11 and 51.79 percent (Duh & Tominc, 2005). The results of a study carried out in 2002 indicated that 58.6 percent of SMEs identified themselves as family firms (Glas, 2003; Vadnjal, 2005). In addition, Vadnjal (2005) estimated their share in employment and valued added based on the estimated share of family businesses among SMEs in Slovenia. According to his estimation, family enterprises employ at least 26 percent of the active adult population and contribute 22 percent to the total value added of the Slovenian economy. However, he considered both shares to be conservative (bottom-line) estimations. According to other estimations, the share of family enterprises falls in the 60 to 80 percent range (e.g., Glas et al., 2006), contributing 30 percent of the GDP (Vadnjal, 2006). These data show that family businesses in Slovenia are an important part of the SME sector. No data on large family enterprises are available for Slovenia. Some other research studies conducted in former socialist countries (e.g., Romania, Bulgaria, Hungary, Croatia, Poland; for references see, Duh et al., 2007) indicate that family enterprises represent an important share of enterprises in the SME sector; however, these enterprises are relatively young compared to those in countries with the tradition of a market economy as the majority of them have their beginnings in the early 1990s. For example, research results for Germany show that, of businesses founded prior to 1960 that were still around in 1996-97, more than 70 percent were still family businesses (Klein, 2000). On the other hand, in a comparative study between East Germany (as a former socialist country) and West Germany, Pistrui and co-authors (2000) found that the vast majority (79 percent) of East German SMEs surveyed were new start-ups, compared to 38 percent in the West. Similarly, Mandl (2008) found that family enterprises are an important group of enterprises in the analyzed post-socialist countries (see Table 1); however, the time horizon since when family businesses are considered in public and policy discussions varies between Eastern and Western Europe.

In numerous countries, family businesses are widely equated to SMEs—not only in public discussion, but also in policy. This is particularly true in the case in Central and Eastern European countries whereas in Northern, Southern, and Western European countries the awareness about the heterogeneity of family businesses regarding their class size is more widespread (Mandl, 2008, 36). However, EU member states are aware of the importance family businesses play in the economy, which is also clearly stated within the Small Business Act (2008). Family businesses are not only important for what they represent to the economy, but also (or especially) due to the commitment they show to local communities, the long-term stability they bring, the responsibilities they feel as owners, and the values for which they stand. In light of the recent financial crisis, these are especially valuable characteristics. This crisis may be a good moment for family businesses to prove the importance of the values for which they have always stood (Overview of Family Business, 2009, 22). Therefore, the first of the ten principles of the Small Business Act (2008) for guiding the conception and implementation of policies at both the EU and the member states levels refers to the creation of such an environment “... in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.” Special emphasis is given, among others, to business transfers as well. Of course, only declarative support is not

sufficient. An adequate supportive social-political, economic, and cultural environment as well as the creation of national and EU political measures is needed for establishing and developing family SMEs. This also refers to the family businesses' succession, which has been found to be one of the most critical issues within this special group of enterprises.

3. Definition and characteristics of a family business

Numerous attempts have been made to articulate conceptual and operational definitions of a family enterprise. The focus of most of these efforts has been on defining family enterprises so that they can be distinguished from non-family enterprises. However, none of these attempts has resulted in a generally accepted definition in either developed market economies or post-socialist countries. Researchers also question the homogeneity of these enterprises since a large majority of enterprises in most countries involve a significant "family" impact. Empirical research has revealed that family enterprises vary in terms of degrees of family involvement (e.g., Sharma, 2004), which can change during the lifetime of the family business and is well illustrated within different family business developmental models (e.g., Gersick et al., 1997).

Mandl (2008, 2), in the study "Overview of family business relevant issues," found 90 different definitions across 33 European countries, which mainly require major family influence on ownership and management/strategic control. Other characteristics used to differentiate family businesses from non-family ones were the active involvement of family members in the enterprise's everyday activities, the enterprise's contribution to the family's income generation, and intergenerational considerations. A recent study (Mandl, 2008, 1) confirms the absence of a single definition of a family business that would be "widely and exclusively applied to every conceivable area, such as to public and policy discussions, to legal regulations, as an eligibility criterion for support services, and to the provision of statistical data and academic research." The lack of a single definition for family business leads to other problems in addition to the absence of reliable and comparable data on family businesses in national economies. Therefore, the expert group established by the European Commission proposed a definition of family business that should enable statistics to be produced on the sector (e.g., contribution of family businesses to employment, total turnover of family businesses) and be comparable between countries (for the proposed definition, see Overview of Family Business, 2009, 10).

Many of the proposed definitions (including the EU one) are trying to be operational in nature, often using the criteria of the family's involvement in the enterprise (e.g., ownership, management, generational succession). These definitions do not explain why family involvement in an enterprise leads to behaviors and outcomes that might be expected to differ from non-family businesses. Chrisman and co-authors (2005, 556-557) describe such approaches to definitions as the components-of-involvement approach to defining a family enterprise and thus propose as more adequate definition whose essential approach is "based on the belief that family involvement is only a necessary condition; family involvement must be directed toward behaviors that produce certain distinctiveness before it can be considered a family firm." As such, two enterprises with the same extent of family involvement may not be family businesses if either lacks the intention, vision, familialness, and/or behavior that constitute the essence of a family business. The essence approach in

defining a family business is followed in this contribution. Therefore, we do not create an operational definition, but rather explain some distinguishing characteristics of family businesses.

Many studies indicate that family enterprises have unique developmental characteristics compared to non-family enterprises. Steier and Ward (2006) suggested that family businesses differ from non-family ones along important strategic and organizational dimensions. As the term family business implies, the most important differences have something to do with how a family influences the behavior of a firm. Mandl (2008, 54-55) exposed one of the most important characteristics of family businesses—namely, the strong inter-relationship between the family and the business; the family is at the center of the enterprise, formally (e.g., through ownership, involvement in management or employment) or informally (e.g., by providing advice and consultancy) influencing the business. These parallel decision-making lines increase the complexity of the enterprise's functioning. According to Olson and co-authors (2003), family businesses are complicated by dynamics within the family that owns and manages them. These dynamics affect not only business performance, but also business growth, change, and transitions over time. They also simultaneously affect family well-being outcomes. Other authors (e.g., Kets de Vries, 1993; Morris et al., 1997) have explained differences between family and non-family enterprises with advantages (e.g., the long-term perspective, strong family commitment to the business, a personal and positive motivating work environment). They also identify disadvantages such as nepotism, family conflicts, succession problems, and overlapping family and business interests. Other authors have examined differences between family and non-family enterprises in terms of company size, age, industry, performance, profitability, job creation, growth, strategies, and other factors (e.g., Jorissen et al., 2005). Although studies on family versus non-family differences have sometimes revealed mixed results (Sharma, 2004), researchers tend to agree that enterprises owned and managed by families are a special form of business organization whose “specialness” has both positive and negative consequences (Gersick et al., 1997; Jorissen et al., 2005; Neubauer & Lank, 1998). The very diversity of family businesses and their behavior make them an important and distinct field of study overlapping the study of entrepreneurship (Howorth et al., 2006). According to findings in various national studies, one of the “developmental characteristics” and a major problem that family businesses encounter is the transfer of ownership and management—namely, succession (Miller et al., 2003; Morris et al., 1997; Overview of Family Business, 2009; Sharma et al., 2003; Transfer of SMEs, 2002). However, problems linked to the transfer of ownership and management are not limited to family businesses, but to all SMEs; indeed, SMEs' crucial problem was also recognized by the European Commission, which initiated various activities related to business transfer, some of which are discussed within this contribution.

4. Succession process and possible solution to succession issues

In addition to a business's creation and growth, succession is a crucial phase in the firm's lifecycle. Many authors (e.g., Handler, 1994; Sharma et al., 2003) differentiate between succession in management and succession in ownership, although in most SMEs (both family and non-family) both processes go hand-in-hand. Succession is one of the key developmental problems in the SME population; however due to the involvement of a

family in the business it is much more emotional in family businesses (e.g., Kets de Vries, 1993; Morris et al., 1997; Sharma et al., 2003). Research results indicate that succession in family businesses often does not work out (Dyck et al., 2002; Kets de Vries, 1993; Miller et al., 2003; Morris et al., 1997; Sharma et al., 2003), which is why succession is one of the most studied and researched issues in the field of family business research (Giambatista et al., 2005; Sharma, 2004). Although this subject accounts for approximately one third of the family business literature, no general theory of succession or succession planning in family enterprises has emerged (Sharma et al., 2003).

Failure in succession represents a serious problem not only to family enterprises, but also to the health of an economy. Owner-managers are often not aware of the problem of securing the continuity of their enterprises. Due to their occupation with daily operational problems, they often cannot—or do not want to—start preparing changes in ownership and management of their enterprises early enough. They are often not aware of the crucial importance of solving succession issues on time. Although many problems are linked to family business succession, according to Molly and co-authors (2010), it should not necessarily be seen as a negative event in the lifecycle of a family business as no evidence is found that a family firm's profitability is affected by succession.

The succession is more a process than an event of transferring ownership and management control to the successor (Overview of Family Business, 2009, 16); it is a multistage process that occurs over time, beginning before heirs even enter the business (Handler, 1994). According to Longenecker and Schoen (1996), parent-child succession in the leadership of a family business involves a long-term diachronic process of socialization. In other words, family successors are gradually prepared for leadership through a lifetime of learning experiences; this preparation spans over many years and covers several successive positions, from non- or informal involvement over functional roles of a successor to early and mature succession, when a successor actually takes over the leadership position and is relatively autonomous in that role. Handler (1994) exposed the need of mutual role adjustment between predecessor/transferor and successor. She developed a model according to which the transferor evolves from the role of monarch over delegator to advisor; the successors in turn evolve from helper over manager to leader.

The transfer of ownership (i.e., succession in ownership) can take place within the family, through management buy-outs (i.e., sales to non-family management/employees), and sales to outside persons or existing companies, including takeovers and mergers (Transfer of SMEs, 2002, 10). Similarly, succession in management within the family is only one of the options. However, ownership in family businesses has a special meaning because it involves a strong "personal" factor. When an enterprise is transferred within the family, the financial capital is transferred with a "social and cultural capital" that usually results in the enhanced personal commitment to the enterprise as well as to the community. Family owners do not think that they possess just capital. They are aware that ownership encompasses persons, products, responsibilities, etc. Ownership of a family business is a property built and developed by the family over several generations (Overview of Family Business, 2009, 15). Although succession within the family is only one among many possibilities, a majority of family enterprise leaders have been found to be desirous of retaining family control past their tenure (Donckels & Lambrecht, 1999; Bjuggren & Sund, 2001). According to some

authors (e.g., Gersick et al., 1997), nepotism is suggested as one reason that succession occurs within the family. Next to this purely nepotistic explanation, Bjuggren and Sound (2002) indicated that a family member as a successor is preferable when so-called idiosyncratic knowledge is considered highly relevant to successful functioning of the enterprise. Similarly, based on their theoretical and empirical analysis, Royer and co-authors (2008) argue that situations in which family business-specific experiential knowledge is highly relevant for gaining competitive advantage make family members the most suitable successors.

However, studies also suggest that an increasing number of successions take place outside the family involving third parties due to a decreasing willingness of descendants (i.e., sons and daughters) to take over the family enterprise (Stavrou, 1999; *Transfer of SMEs*, 2002, 10, 40). Descendants may not want to join the enterprise for many reasons, but one of the most important reasons is that they want to start their own business (Bjuggren & Sund, 2001, 13). According to the results of the Eurobarometer (2003, as cited in *Transfer of Businesses*, 2003) survey, 65 percent of Europeans prefer starting a business to taking over an existing one, despite the obvious advantages of taking over a business, such as an existing production structure, a customer network, and a good name. Two reasons explain this situation. First, starting up a business allows the entrepreneur to shape it exactly the way he/she wants it. Founding one's own business also makes it easier to match personal needs, such as locating the business close to entrepreneur's home. Second, setting up a new business usually requires less financing than a takeover. According to some estimates, taking over an existing business requires 60 percent more investment than a startup (Marketplaces, 2006, 14).

Smaller chances of finding succession solutions within the family are also the result of the fact that parents have fewer children; in addition, a very competitive environment requires higher managerial and entrepreneurial skills of potential successors. Therefore, in the future, more transfers to third parties will be realized. However, finding the potential successor outside the family circle is not an easy task. The age group most active in establishing businesses will shrink over the next decades (Communication, 2006, 4), and the previously discussed preference of starting up one's own business instead of taking over an existing one also (negatively) influences the possibilities of successfully solving business transfers. Therefore, the success of business transfer will largely depend on its preparation, which should start sufficiently early.

According to the experts, succession is still often triggered by the owner-manager's retirement. However, retirement is only one reason for succession. Reasons for earlier successions (transfers) include personal decisions (e.g., early retirement, change of profession, interests in the family situation), changing competitive environments (e.g., changing markets, new products, new channels of distribution) or incidents (e.g., divorce, illness, death) and also play an important role (*Transfer of SMEs*, 2002, 10, 40).

Succession represents a problem not only in countries with a tradition of a market economy, where it is estimated that approximately one third of businesses within the EU need to be transferred to new owners in the next ten years (*Transfer of SMEs*, 2002, 10-11), but also for family businesses in many Central and Eastern European post-socialist countries; family businesses in these countries are currently approaching the challenge of managing the

transfer of ownership and management for the first time (Duh et al., 2007; Mandl, 2008, 8). The review of studies conducted in these countries (Duh et al. 2007; see also national reports in Marketplaces, 2006, 54-74) indicates that the majority of family businesses are owned by the founding generation. For example, Polish firms are mostly first generation in that the founder often serves as a CEO or chairman of the board. Almost all family businesses registered on the Warsaw Stock Exchange are still either owned or run by the founders (Kowalewski et al., 2010, 49). In Germany, where the tradition of entrepreneurship and private ownership has existed since the end of World War II, only 39 percent of family businesses are in the first generation; a remarkable number of family businesses in Germany and the UK are held within fourth or subsequent generations (Klein, 2000). However, in comparing East and West German entrepreneurs, Pistrui and co-authors (2000) found that only 10 percent of East German entrepreneurs inherited their business, compared to 40 percent in West Germany. Similar to other former socialist countries, the majority of family businesses in Slovenia are still in the possession of the founding generation (Duh & Tominc, 2005; Duh et al., 2007; Glas & Vadnjal, 2005). Slovenian owner-managers often believe that the business should stay in the family (Duh & Tominc, 2005; Glas, 2003). Regarding succession in management, research results (Duh et al., 2005) indicate that the majority of respondents decided to realize the succession within the family (63.5 percent). The proportion of family enterprises that decided to realize succession within the family is significantly higher than within non-family enterprises. The situation is rather similar when deciding about succession in ownership. The majority of respondents decided to realize succession within the family (71.4 percent). We can conclude that Slovenian family business owners do not find selling the business to be an attractive succession solution; owner-managers prefer that one of the family members takes over the business. These findings indicate a very similar situation as in other traditionally market-oriented countries. Another study in Slovenia found that the succeeding generation wants to retain more freedom to decide whether it will become part of the family business. Successors lack the proper training and mentoring; thus, they feel uncertain about their capability to manage the firm (Glas et al., 2005).

In former socialist countries, succession is even more problematic than in Europe in general as it has not always been recognized as the problem and family businesses' founders/owner-managers lack previous succession experiences (e.g., Duh et al., 2007). They have almost no possibility to share succession experiences with others given that the majority of their owner-manager colleagues are founders (not successors). The succession experiences seem to play an important role as some evidence suggests that the survival of an enterprise beyond the first generation increases the probability of the success of subsequent successions. Research results indicate that, if an enterprise survives to the second generation, the probability that it will also survive subsequent successions increases substantially. Of the fewer than one third of family enterprises that survive the transition to the second generation, approximately 50 percent survive from the second to the third generation and more than 70 percent of these enterprises are passed on to the fourth generation (Bjuggren & Sund, 2001; Stavrou, 1999). The increasing degree of survival can be due to—among other reasons—the experiences from earlier successions. Similarly, Davis and Harverston (1998, 1999) found that the transition from the founder to the second

generation is the most turbulent experience due to the conflicts resulting from the founder's shadow and the lack of succession experiences; therefore, it is expected that the transfers in management between later generation family members can be solved more smoothly due to the experience from earlier successions.

Since the succession process extends over time and different possibilities of future ownership and management structure exist, it needs to be carefully planned. Many authors conclude that succession planning increases the probability of a successful transfer of ownership and management, which will be discussed in the next section.

5. Succession planning as one of the most important factors of successful transfers of management and ownership

Succession planning refers to the deliberate and formal process that facilitates the transfer of ownership and management control. There is significant overlap between activities considered by researchers to be components of the succession process and those activities considered to be parts of succession planning (Sharma et al., 2003). In opinion of many authors (Morris et al., 1997; Sharma et al., 2003) succession planning is expected to help improve the probability of the success for the succession process. According to the experts' opinion, the necessary preparation period may take from five to ten years. If the preparation and planning also includes the qualification of a potential successor, even longer periods may be required (Transfer of SMEs, 2002, 21).

Many studies show that successions are not planned in due time (Bjuggren & Sund, 2001; Sharma et al., 2003) and that the first generation family enterprises did less succession planning than the second and third generation family enterprises (Sonfield & Lussier, 2004). Studies within the EU Member States also indicate that the majority of owner-managers did not take the necessary steps to plan and carry out upcoming successions. This results in failed business transfers, which take jobs, assets and opportunities with them (Transfer of SMEs, 2002). Also the research carried out in Slovenia show that family businesses' owner-managers are not always aware of the importance of timely succession preparations. According to Duh and Tominc (2005), less than 60 percent (on average 57.5 percent) of Slovenian family business owner-managers who are 51 or older are actually planning the succession in the next five years. Consequently, more than one third of family businesses in Slovenia will be unprepared to face succession problems in the next five to ten years (due to the age of the owner-manager). "Not planning to retire in the next five years," and "succession planning is not necessary" are two of the most often stated reasons for not preparing the transfer of management and/or ownership in the next five years.

The study of the expert group on the transfer of SMEs at the European Commission identified three kinds of problems linked to the preparation of business transfers (Transfer of SMEs, 2002); similar cognitions can be found in many other researches on succession problems in family enterprises. The first type of problems is psychological and emotional ones. Many owner-managers, who have created and built up their own businesses over a number of years, are very reluctant to let go and to prepare the transfer of their business. The transfer of know-how and skills takes place very late, if at all. There are many invisible, "soft" or emotional problems that play a major role in successions, especially where family

enterprises are concerned (Bjuggren & Sund, 2001; Dyck et al., 2002; Kets de Vries, 1993; Morris et al., 1997; Sharma et al., 2001): owner-manager being too busy running and controlling the enterprise, owner-manager's fears of losing a central role in the family, owner-manager's different excuses which are more or less connected to feelings of rivalry and jealousy toward potential successors, and owner-manager very often associates retirement with his or her own mortality.

The second type of problems is related to the complexity of the succession process and to the fact that owner-manager has no (or just limited) experiences or knowledge of handling this situation and scarce external support to facilitate the succession process. The owner-manager very often does not know who to contact for help or where to find information (Dyck et al., 2002; Malinen, 2004; Morris et al., 1997). The third type of problems stem from national legislation, in particular company law, taxation and administrative formalities. Examples of problems of this kind include high inheritance and gift taxes, and problems preventing the change of the legal form of a business when preparations are being made for transfers (Bjuggren & Sund, 2001).

The fourth set of problems is based on understanding that entrepreneurship consists of many complex activities in which a lot of tacit knowledge is present that cannot be easily transferred from one generation to another. There are many deeply ingrained routines (Nelson & Winter, 1982) and experiential knowledge that makes company successful and can be acquired only by learning by doing in which younger family members work together with elders adopting their experiential knowledge and skills. Family culture is an important constituent of tacit knowledge.

Many researches deal with the above mentioned problems in order to find solutions on how to support succession planning and enable successful transfers of ownership and management. Sharma and co-authors (2003) study revealed that the presence of a trusted successor willing to take over the leadership of an enterprise was the spark that controls the succession planning process. This suggests a need to engage the next generation family members in succession planning, as it is their careers and lives that are involved in this decision. But the authors also point out, that without the desire of the incumbent to keep the business in the family, the chance of a satisfactory succession are practically nil. An incumbent who plans for succession because of the feasibility rather than the desirability of succession is more likely to delay, abort, or sabotage its final implementation. Therefore, the incumbents should avoid the delusion that the presence of a trusted successor is all that is required for succession. Without the wholehearted commitment of the incumbent and the family to the process, it may be better to plan to sell the business than to plan for the transfer within the family.

Dyck and co-authors (2002) suggests that the effectiveness of management succession depends on sequence (i.e., appropriateness of successors' skills and experiences), timing, technique (i.e., details by which succession will be achieved), and communication between the predecessor and successor. Researches based on the resource-based view of the firm suggest the importance of transferring the tacit embedded knowledge, networks and social capital across generations. Due to their long tenures, family firm leaders possess a significant amount of idiosyncratic or tacit knowledge related to the firm (Lee et al., 2003). It

has been suggested that the performance of the next generation is likely to be based on the effectiveness with which the knowledge, and social networks, are transferred across generations (Cabrera-Suárez et al., 2001; Steier, 2001). With specific regard to the process of transferring knowledge (i.e., specific experiential/idiosyncratic/tacit) the research findings of Mazzola and co-authors (2008) indicate that the involvement of next-generation family members (after they join the firm) in the process of strategic planning enables the next generation to acquire crucial tacit business knowledge and skills as well as facilitates interpersonal work relationships between incumbents and next-generation leaders, and helps building credibility and legitimacy for next generation.

Research on effectiveness of knowledge transfer between generations has unequivocally revealed the importance of the absorptive capacity of the next generation and the nature of the relationship between generations (Sharma, 2004). The level of preparedness of the next generation and its relationship with the senior generation has a significant influence on the next generation's performance. A supportive relationship characterized by mutual respect and open communications enables the smooth transition of knowledge, social capital, and networks across generations (Duh, 2003; Dyck et al., 2002; Morris et al., 1997; Sharma et al., 2003). Such transfers would lead to competitive advantages for family enterprises (Sharma, 2004).

The findings on the complexity of the succession process and succession solutions as well as on problems linked to the succession planning indicate that owner-managers need a comprehensive support (e.g., advice, consultancy, training, network for exchanging experiences etc.) in order to tackle the succession problems successfully. Taking into consideration the extensiveness of the succession problem among the EU Member States, the European Commission has started many activities with the aim to avoid losing SMEs (family and non-family ones) because of difficulties in succession process, and lack of preparation and/or badly solved transfer of ownership and management. Since many of these activities are coping with problems exposed in our contribution, we found the recommendations and solutions as well as cases of good practices as a fruitful contribution for broadening our understanding of family businesses' succession. Especially, since they are all based on rich scientific cognitions and professional expertise.

6. Supporting measures and infrastructure for family businesses in the succession process

6.1 Supporting measures and recommendations to the EU member states regarding succession/business transfer process

Many businesses fail in the transfer phase not because they are not viable, but because the transfer has not been sufficiently prepared. In particular, during the recent economic crisis it has been even more important to ensure smooth business transfers, which preserve jobs and economic growth. An effectively and efficiently managed transfer is an important success factor for the future development since the enterprise disposes with experiences, networks, reputation and a customer base that newly founded companies are lacking (Mandl, 2008, 57). Successfully realized business transfers are important for national economies and the European economy in general as, according to some data (Transfer of SMEs, 2002, 27),

existing companies conserve an average of five jobs whereas a start-up generates an average of only two jobs. Moreover, the success rate of business transfers is higher than that of start-ups.

Therefore, the economic environment as well supporting infrastructure and measures need to be improved in order to raise the competitiveness of European economy. Based on the identification of problems connected with business transfer (discussed in the previous chapter), increasing owner-managers' awareness about the need to prepare for the transfer of their businesses in a timely manner has been identified among the EU member states as the starting point for a successful transfer (Transfer of SMEs, 2002, 21). In addition to raising awareness, the right regulatory framework and appropriate supporting structure and services need to be in place. All these areas have been identified and dealt with in the Recommendation on the transfer of SMEs adopted by the European Commission in December 1994 (Commission, 1994). The European Commission invited countries (EU member states) to improve their legal and fiscal environment for business transfers, raise awareness, and provide support for business transfers.

In March 1998 the Commission Communication was published on the improvements done in the member states for the period leading up to the end of 1996 (Commission, 1998). An expert group on the transfer of SMEs was set up in November 2000 to help the Commission monitor the implementation of the 1994 Recommendation on the transfer of SMEs. Its tasks included identifying new legal, task, and support measures taken since 1998, when the first review was made; assessing the measures taken; analyzing the provision of support measures; and making proposals for further action. The expert group found that significant support is available for business transfers from numerous bodies; however, such support is often not offered in a structured manner and, therefore, it does not necessarily reach the target group. The expert group pointed out that equal attention should have been given to start-ups and transfers; among its proposals was also the creation of the "European Business Transfer Centre," a virtual European platform for coordinating the gathering of information and exchange of experiences and best practices on business transfers as well as the creation of a European sellers and buyers database/marketplace (Transfer of SMEs, 2002, 44-45).

In October 2002, another project on business transfers was started: The MAP 2002 project. Its tasks were twofold (Transfer of Businesses, 2003): to help member states make further progress in implementing measures in key areas of the Commission Recommendation from 1994 and to act on the expert group's proposals. The latest recommendations published by the European Commission (Communication, 2006, 9-10) are based on the analysis of the progress in the member states and can be summarized in the following key areas: political attention should be given to both business transfers and start-ups, adequate financial conditions should be provided, raising awareness, considering "soft factors" and supporting mentoring, organizing transparent markets for business transfers, ensuring that tax systems are transfer friendly, and creating of appropriate structures to broadly implement the recommendations.

Similarly, the expert group on family businesses (Overview of Family Business, 2009, 16) pointed out the need to raise owner-managers' awareness of the importance of early business transfer preparation as well the need to make tools for transfers available (e.g.,

specialized training for parties involved. The Small Business Act (2008) further points out the importance of measures for supporting and ensuring successful business transfers, especially in family businesses.

How are these recommendations put into the practice? Several actions and projects aim to create conditions and support for facilitating business transfers. Significant support has already been realized on national levels, and some actions and projects have been initiated by the European Commission. We next describe some of these actions and support in more detail.

6.2 Support for owners-managers and mentoring in the succession/business transfer process

Across Europe, many good practices exist related to raising owner-managers' awareness as well as instruments for supporting succession planning. All of these initiatives are rather new (Mandl, 2008, 83). An example of good practice for raising entrepreneurs' awareness is the Netherlands, where the Ministry of Economic Affairs—in cooperation with three employers' organizations—developed the toolkit for business transfer (i.e., transfer package), which includes information on business transfer planning (for detailed descriptions, see Mandl, 2008, 139-141). In addition, all entrepreneurs age 55 or older receive a letter (first sent in 2004) informing them of the importance of a timely transfer planning and the availability of this toolkit/package. In addition to raising awareness, instruments in the field of advice or consultancy (for free or financial support) or "self planning tools" are offered by diverse actors, such as governmental authorities, employers' organizations, or family business networks. For example, the Belgian "Instituut voor het Familiebedrijf (IFB)" introduced the Succession Scorecard in 2006, which can be accessed for free via a website (in English: www.scorecardsuccession.com). The instrument provides a self-test for entrepreneurs (50 multiple-choice questions) to investigate the strengths/weaknesses in connection to the planned business transfer (for detailed descriptions, see Mandl, 2008, 135-138). Meanwhile, the Employment and Economic Development Centres in Finland launched "ViestinVaihto/Passing the Baton" program, consisting of three consulting days (cooperation with experienced management consultants on a confidential firm-to-firm basis) to discuss different options and solutions for business succession. Several seminars and workshops preparing potential successors for their future role are offered by family business networks or employers' organizations (Mandl, 2008, 84). Furthermore, the "Institut für Familien und Betriebe/Institute for family and business" in Austria offers a special seminar called "Generationen/Generations" that covers topics like dealing with the fear of change, emotional bonds, and enthrone ment. Special training program for successors is offered by the Finnish Family Firm Association (FFFA). The program lasts four training days and consists of expert lectures as well as group and case assignments; the same program is offered on an international level in Barcelona, Spain (for detailed descriptions, see Mandl, 2008, 84, 152-154).

Although the analysis of the institutional actors as well as policy actions to support and promote family businesses (and especially family businesses facing succession issues) in Slovenia show that different actors support and promote SMEs and other business organizations, no special ones focus on family businesses (for a detailed analysis, see Duh,

2008). Exceptions do exist. In addition to some research activities on family businesses done within university-based institutes and educational support in the form of courses offered, the Slovenian Chamber of Craft and Small Business is an example of good practice in supporting family SMEs in the succession process; indeed, it was also selected within the project "Overview of family business relevant issues" (Mandl, 2008). Family businesses evolving from the crafts tradition are among those now facing succession issues similar to "newly established" family businesses set up during the 1990s. Part of the chamber's activities is therefore focused on dealing with succession problems. The main motive as well as objective of the activities (training, information, advice, consulting) of the chamber is to raise members' awareness of the problems of the succession process, to make the transfer of the business as simple as possible, and to enable enterprises to remain in the market after the change of generations in charge of the business.

Another important factor for successful business transfer is mentoring of the new owner who takes over the enterprise. Challenges and problems involved in transfers or takeovers do not end with the formal business transfer (e.g., with the signing of the sales contract), but also extend into the period after the transfer. As a result, a large number of business transfers still fail after transfer. In fact, more than one out of five enterprises close within six years after the takeover in France (Mentoring, 2009, 133). Owners of small enterprises particularly expressed a need for mentoring. Medium-sized and large enterprises know how and where to get guidance and advice and can pay for such advice, whereas small enterprises are often not able to afford these services. Therefore, the European Commission started the European pilot post-takeover mentoring project "A Helping Hand for SMEs – Mentoring Business Transfer" (Mentoring, 2009), whose basic purpose was to create innovative and specific support services for new owners throughout the process of business transfer. In the project, which ran between January 2007 and August 2009, 18 European countries participated. The Chambers of Commerce and Industry and their mentors involved in the project identified individuals who had taken over businesses with fewer than 50 employees less than one year before mentoring was provided. The transfer advisor then offered the buyer a personalized mentoring program, selecting appropriate mentors on the basis of the needs identified. The mentoring process could take various forms (support, advice, and training) in nine major areas: business strategy, marketing and commerce, accounting, fiscal and legal aspects, human resource management, technical know-how, financing difficulties, logistics, and IT systems. The pilot action included 9,067.30 full man-days of mentoring delivered, 937 mentees recruited, and 890 cases completed (89 percent of all cases) (Mentoring, 2009, 5). The project ended with the entrepreneurs'/buyers' evaluation of the mentoring process, assessment of their satisfaction with the content and type of support provided, and their expectation of any future mentoring (for a more detailed description of the project and results, see Mentoring, 2009). The results of the project indicate that it is useful to implement mentoring services at the national or regional level in order to adapt services to the local particularities where mentoring is occurring. The main quality of a mentoring scheme is its tailor-made aspect, which allows customized support to meet the new owner's (i.e., buyer's) needs; the pilot project further shows that the characteristics of business transfers differ significantly among countries. For example, business transfers realized within the family accounted for more than half of all cases in Austria and Greece, but less than 10 percent in the UK and France (Mentoring, 2009, 133-134).

Based on the project results, many recommendations regarding mentoring were put forth, among which we find especially important the following ones (Mentoring, 2009, 134-139): better information on businesses transferred and easier access to it by the main actors, establishment of a public-private partnership to offer the mentoring services, mentoring should be provided before and after the takeover, mentoring should not be restricted to entrepreneurs who have just taken over a company (i.e., first year of ownership) but should target entrepreneurs in their first years (i.e., from one to five years), and various types of mentoring should be applied.

The examples of good practices for supporting business transfers can be valuable for those countries where support is still lacking, especially the former socialist countries. In addition to these good practices, recommendations related to mentoring are also of great importance for creators and actors of supporting infrastructure and measures, especially as they are based on the project results in which both actors—mentors and users (entrepreneurs from different countries)—participated. In order to improve mentoring support, regular analysis and evaluations are needed, and information on good practices should be disseminated among the member states.

6.3 Transparent marketplaces for the transfer of businesses

In addition to raising awareness, specific consultancy, and mentoring that facilitates the transfer process, marketplaces that provide a platform for bringing together potential buyers and sellers are an important tool for fostering successful business transfers. Marketplaces are increasingly important since the number of transfers to third parties is increasing. It is therefore becoming more and more important to facilitate the matching of potential buyers and sellers of businesses, thereby contributing to successful transfers. According to findings from the project on fostering transparent marketplaces for business transfers in Europe (Marketplaces, 2006, 13-16), transfers to third parties are characterized by specific factors: matching the preferences of buyers and sellers, building trust (information asymmetries), and addressing emotional, psychological, and technical issues. Buyers and sellers have different preferences regarding the business; therefore, it might be complicated to match a potential buyer and potential seller in the same area and at the same time. The research shows a numerical difference often occurs between the supply and demand sides in transfer databases. Such databases usually include more offers of businesses (2/3 of advertisements) than persons actively looking for a business (1/3 of advertisements).

According to experts' opinion, building trust is difficult as strong information asymmetries usually exist between buyers and sellers of businesses, especially smaller ones. The owner-seller might exaggerate the strong aspects and downplay the problems. Knowing this, the transferee-buyer might distrust the information provided by the owner. The building of trust will also be made difficult because potential sellers usually do not want to have it widely known that their business is for sale. Therefore, advertisements in databases will be quite general and vague—in other words, not very attractive to potential successors-buyers, who wish to have a clearer picture of an enterprise. The issue of trust also applies to intermediary institutions. Potential advisers in a web-based marketplace sometimes do not trust the institutions involved in running the database.

For the incumbent owner (transferor-seller), the business to be transferred also has emotional value, which the buyer will not be willing to pay for. Only if the incumbent owner-seller has some emotional bond with the potential successor-buyer can the loss of the emotional value be diminished. Therefore, the seller and buyer have to get along on an emotional and psychological level, not just on a business level. In order to build trust between the buyer and the seller, longer tutoring periods during which the incumbent owner gradually retires from the business can be helpful. In addition, technical issues are linked to business transfers. The transfer of business is complex as it involves the transfer of several types of assets (such as machinery, real estate, cars), which might be governed by special rules and different tax provisions. Moreover, more than two parties are often concerned, including not only the owner-seller and the buyer, but also the owner's family, credit institutions, etc.

Based on the specifics of businesses transfers to third parties (as previously discussed in the text) and experiences of existing marketplaces and databases, the experts identified the relevant preconditions and factors for marketplaces and databases to work successfully. In continuation of the text they are briefly summarized (Marketplaces, 2006, 47-53). The fragmentation of databases should be avoided by establishing a comprehensive national database. If that is not possible, then a national portal for such databases should be considered. National databases and portals should also provide links to well-established databases in other countries. The database should be run and managed by a neutral and trustworthy host organization (e.g., chambers of commerce, chambers of trade and industry, and/or craft chambers) since this is a key factor for the databases' success.

In order to balance information asymmetries between buyers and sellers as well as attract more potential users of databases, a minimum standard is required with respect to the degree of detail of the information presented. Anonymity is of central importance for most potential sellers. The database host organization is responsible for the quality of advertisements and for regular checking of their validity as well as for offering additional services (e.g., information about business transfers issues, mediation services during the negotiations, and tutoring). With such an offer of services, marketplaces will be more successful. In order to adjust and improve marketplaces, a systematic follow-up of the success of transfers is needed.

Marketplaces and databases for facilitating successful transfers to third parties already exist in some of the EU member states (Marketplaces, 2006, 6, 17-22), including Overnamemarkt in Sowaccess in Belgium, Nexxt-Change in Germany, Passer le relais in France, Borsa delle Imprese in Italy, Bourse d'entreprises in Luxembourg, Ondernemingsbeurs in the Netherlands, Nachfolgeborse in Austria, and Yrittajat in Finland. Most of these databases were established only a few years ago. Today they contain more than 11,000 transferable enterprises, which correspond to roughly 7-8 percent of the businesses that are transferable each year. It is estimated that, each year, one out of four businesses in the databases finds a successor, and the success rate is 25 percent, although there is limited evidence to support this estimate as several database operators do not record what happens to businesses that leave the database. Most of databases are national, but there are also some established on regional bases. Differences exist regarding economic sectors covered (although it is

recommended to avoid fragmentation of national databases; see Marketplaces, 2006, 53). Most marketplaces and databases are not specifically oriented toward family businesses. An example of good practice is the "Austrian Nachfolgebörse der Österreichischen Wirtschaftskammer" (Mandl, 2008, 84), which was established in 2003 in Austria and provides a platform for persons looking for successors and persons wishing to buy an existing company. Both parties are supported by the experts providing knowledge and information relevant for business transfer. The services contain, among others, a succession check (i.e., whether the business is "fit" for transfer), guidelines, and a checklist for supporting the determination of the selling price.

Since the transfer of ownership and management within a family is only one of the possibilities for solving succession in family business (and according to research findings not a favorable option for potential entrepreneurs/successors), the marketplaces and databases are gaining in importance for solving succession problems at the firm level as well as the national and European level. However, the text has discussed findings on the needed characteristics of marketplaces and databases for business transfers, demonstrating that the creation and implementation of such platforms are not easy tasks, especially for countries in which the supporting infrastructure for business transfers is underdeveloped. This is especially true for former socialist countries (see national reports in Marketplaces, 2006, 54-74). Therefore, we find the exchange of good practices and dissemination of research results to be particularly important for ensuring the effectiveness and efficiency of marketplaces and databases among member states.

7. Conclusions

The problem of succeeding the owner (in the majority of SMEs, also manager) is a critical issue in all SMEs, particularly in family businesses because of its emotional nature. Various statistics indicate the limited survival rates of family businesses due to poorly solved difficulties surrounding the succession. Succession is gaining more importance in Europe because of the expected retirement of a substantial amount of family businesses' owner-managers. Many activities have been started within the EU (at the EU and national levels) in order to support business transfers. Successful transfers have direct affects for national economies as well as for the European economy in general. In realizing successful transfers, an important role is played by owners-managers of transferable enterprises as well as by national governments, which should establish supporting measures and infrastructure. The search for potential successors and preparations for succession should start early enough. Owners-managers should be aware of the fact that succession takes time and should be planned; this is true for transfer within the family as well as selling the business to third parties. Therefore, the main issue to tackle to ensure successfully transfer is to raise family business owner-managers' awareness of the importance of early preparation and then make support (tools, measures, and infrastructure) available for the transfer. Owner-managers close to retirement should be actively approached to support them with advice regarding succession (e.g., like in Netherlands; see also Molly et al., 2001), and potential successors should be trained to take up their role as family business owner and/or leader through well-structured, partially tailor-made programs or workshops (regarding knowledge needs, see also Duh & Belak, 2008).

The respective national institutions and organizations should create such measures and infrastructure to foster successful business transfers, promote entrepreneurs to prepare business transfers in a timely manner, and engage potential entrepreneurs in thinking about taking over the existing enterprise. In addition to raising owner-managers' awareness, providing information on support available for facilitating business transfers and offering special training programs on business transfers, including succession topics in study programs, special counseling on business transfers, and creation of a business sellers and buyers database/marketplace, are critical.

Many recommendations have been put forth (e.g., by the European Commission) while various activities and examples of good practice have been made public. Some countries have already created and implemented innovative and effective measures; these positive experiences should be shared, especially with post-socialist countries, where issues of family business transfer often do not attract the needed political attention and lack a family business support infrastructure. Private SMEs and family businesses in post-socialist countries are now in the majority and for the first time are facing issues of transferring ownership and management. According to research findings, this transition is the most critical one.

Although research findings indicate that we can expect an increasing number of successions to be realized to third persons, governments should take steps to stimulate succession within the family. Taking over a family business can be a valuable alternative for family members, especially in contexts/situations where it appears to be advantages associated with the selection of a family member as a successor (e.g., existence of family business-specific experiential/idiosyncratic knowledge). Researchers almost automatically assume that, in accordance with the model of stages of ownership evolution (e.g., controlling owner, sibling partnership, cousin consortium; for a description, see Gersick et al., 1997), over the generations, family businesses are inevitably confronted with greater family complexity; however, there are possibilities to reduce this complexity and problems arise from this complexity (e.g., conflicts among family members, growing demand for dividends from a greater number of family members). According to Lambrecht and Lievens (2008), pruning the family tree is an alternative method of handling family complexity that is usually done in the second and subsequent generations. By reducing the number of family shareholders and/or family managers, the business family introduces simplicity into the ownership and/or management structure of the family business. Good practices of how to prepare and realize the pruning of the family tree should also be the topic of family business owner-managers training.

It is also useful to continue with research, which should concentrate on the factors that contribute to effective successions and the effectiveness of the enterprise after the transition. Research findings also provide valuable insights into best practices regarding how to carry out a succession and how an enterprise is expected to change because of the transition while also calling attention to problems linked to business transfers. Next to research, the collecting of data on succession on a regular basis is important. An expert group (Transfer of SMEs, 2002) suggested indicators for monitoring business transfers at the European level (e.g., age structure of SME owners by size class of enterprises, number of business transfers by size class, number of start-ups and number of closures, age of the enterprise at transfer,

type of transfer [family, employees, etc.]), which would provide the basis for evaluation of transfer processes and the design for appropriate policies.

An important source of information on business transfers is provided by already cited reports on EU business transfer activities, which include the analysis of the improvements in EU member states, examples of good practices, and other solutions (e.g., legal, financial, tax etc.). Important data on the implementation of the ten principles of the Small Business Act are provided at the country level in the SBA fact sheets (e.g., SBA Fact Sheets, 2010) and, together with the SME Performance Review, represent one of the main tools employed by the European Commission to monitor SBA implementation (Annual Report, 2009). These are all valuable resources of data and information to support business transfers and make them a successful process in the life of a family business for national institutions, organizations, and government agencies.

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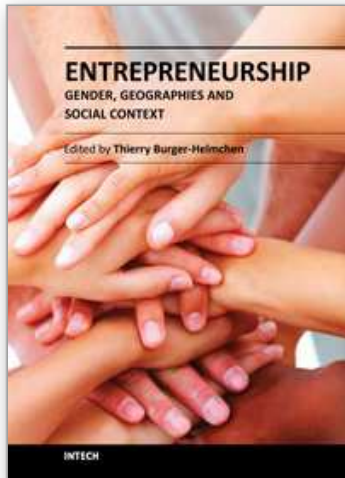
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Entrepreneurship is a main driver of economic growth and of social dynamics. However, some basic characteristics like the gender of the entrepreneur, the geographical location, or the social context may have a tremendous impact on the possibility to become an entrepreneur, to create a firm and to prosper. This book is a collection of papers written by an array of international authors interested in the question of entrepreneurship from a gender point of view (male vs female entrepreneurship), a geographical point of view (Africa, Europe, America and Latin America, Asia...) or a specific social context point of view (agricultural economy, farming or family business, etc.).

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