

FAMILY BUSINESS TRANSGENERATIONAL CONTINUITY IN TRANSITION ECONOMIES: TOWARDS A CONCEPTUAL MODEL

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Abstract. *Within classification of emerging economies, Lithuania as part of the former Soviet Union belongs to the group of transition economies. In this paper, we discuss how theorizing leadership succession may contribute to the key strategic questions of succession arising among family businesses in transition economies. The purpose of this study is to revisit the phenomenon of family business succession and linkages among the goals of succession and performance measures of family business. Our study aims at providing three contributions to the current literature. First, it highlights the role of transgenerational continuity of family businesses in transition economies. Second, it revisits the concept of succession through identification of the third – leadership – dimension alongside management and succession. Third, it provides a conceptual model of family business succession outcome measurement and implications for further research.*

Key words: *economies in transition, family business, succession, leadership, performance*

1. Introduction

Transition economies represented by rapid-growth countries in Central and Eastern Europe that formerly belonged to the Soviet Union are characterized as those which strengthen market mechanisms through liberalization, stabilization and encouragement of private enterprise. Therefore, such economies can be considered as emerging market economies (Hoskisson, Eden, Ming Lau, Wright, 2000). Numerous studies indicate the prevalence and importance of family businesses behind economies internationally (Klein, 2000; Kuratko & Hodgetts, 2004; Morck & Yeung, 2003; Chittoor & Das, 2007). In emerging markets family businesses play a wealth-creation and wealth-preservation, wealth-protection and intergenerational and/or geographical transmission roles (Carney, 2007). In emerging markets legal

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protection for property as well as financial institutions which perform functions in wealth reallocation and preservation are often ineffective as a result of institutional weakness (Carney, 2007). In turn, family businesses serve not only as a wealth creation, but also as a wealth preservation unit for intergenerational and/or geographical transmission and transfer of wealth (Carney, 2007). In emerging economies geographical transmission is often represented by minority family businesses that often have access to foreign capital and dispersed networks (Carney, 2007). While wealth creation is associated with risk taking, wealth preservation in family businesses is rooted within the vision of continuity and willingness to transfer the company over generations (Ward, 1987). Finally, the aim of wealth preservation is often related with risk aversion: thus, for example, wealth preservation is especially evident among next generation that undertakes control of the business as descendents are less willing to take risk than the preceding generation and have stronger inclination towards wealth preservation (Kaye & Hamilton, 2004). Family ownership and control is also tightly knit with specifics of emerging economies, as for example, social ties and kinship play a facilitating role in transactions (Granovetter, 2005). For this reason, relevance of studies on family business in emerging economies and Lithuania among them is fairly sufficient. However, existing literature has little to say about family businesses in Lithuania. The data available on family businesses in the country is scarce as well. According to some estimations, the share of family enterprises in Lithuania is 38%, and this type of business represents 92.3% of SMEs (Mandl & Obenaus, 2008). Yet, feasible data is missing and most of the estimations are hence presumable. Several aspects should be outlined with respect to the lack of available information. Firstly, from a broad perspective, public, political discussion or media coverage on family businesses is succinct. Secondly, data collection can be problematic due to absence of a legal definition or officially recognized form of a family enterprise. The closest legal form of business is the “small partnership” which was adopted for companies including family businesses as of 1 September 2012. This form of a business can be employed as a facilitating tool for micro-enterprises and family businesses among them, and the number of established “small partnerships” has been growing. However, at the current stage the proportion of family businesses among them cannot be determined. Not surprisingly, the awareness of the presence of family businesses as a specific business type is still vague. Thirdly, and likely, as a result of the above stated issues and deficiency of public enlightenment on the topic, family businesses in the country often do not consider themselves to be family enterprises. This tendency is observed during the process of data collection. Nevertheless, when presented with a notion and characteristics of a family business, respondents do identify themselves belonging to the cluster of family firms.

The topics specific for family businesses, and succession among them, can be critical in accumulation of theoretical and empirical knowledge of this type of businesses in Lithuania. In general, succession and transgenerational continuity is vested at the very core of family businesses since by definition it is “a business governed and/or

managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chua, Chrisman & Sharma, 1999, p.25). In a study by Mandl & Obenaus (2008) Lithuania was recognized among the countries where family enterprises have to master business succession in combination with family internal succession, failure rates of business transfers and tax issues in relationship to business transfers. When linked to the relatively short history of businesses so far and succession experience curve, these conclusions highlight the importance of the succession topic even more. Succession experience curve is represented by exponential continuum as experience occurring during the shift from the first to the second generation is greatest (Astrachan, Klein & Smyrniotis, 2002). Successive generations have lesser impact in accumulation of succession experience, which means that as most of the firms in Lithuania are in their first generation, the upcoming successions can be crucial to businesses. Finally, companies that are led by the founding generations and/or founders differ significantly as the following generations overtake the control of the business (Miller, Le Breton-Miller, Lester & Cannella, 2007). In terms of financial performance, founder-led companies achieve higher results than companies that are led by later generations (Stewart & Hitt, 2012). Therefore, vigilant research with a primary focus on succession can emerge as one of the overarching topics in the studies of economies in transition. However, the absence of feasible antecedent data or findings determines challenges for empirical studies.

In conclusion, given that (1) Lithuanian businesses count only more than 20 years and as a result there has been no long-standing history during which they could have gained significant succession experience, (2) engagement in the process of succession is an upcoming challenge and (3) that experience gained during transfers from the 1st to 3rd generation, creation of knowledge pool for these companies via research could add value to their path towards transgenerational longevity and sustainability. Last but not least, the widely quoted statistics on succession failure reveal that only 30% of family businesses survive to the second generation and that with each generation the percentage of surviving companies decreases (Handler, 1994; Morris et al., 1997; Miller et al., 2003). Clearly, not only failure to continue is an unfavourable situation for a company, but also the termination of a business leaves a certain outcome on emerging economy.

The relevance of succession issue is by no means exclusive for transition economies and the transfer of management and ownership has been identified among the main concerns that family businesses are exposed to across different economies (Sharma et al., 2003; Miller, Steier & Le Breton-Miller, 2003). In response to the issues of transgenerational transition, succession and business continuity, existing academic literature and research findings are rich, as succession has been one of the most widely researched topics in the field of family business (Yu et al., 2012). The literature review over the last years by Chrisman, Chua and Sharma (2003) revealed that more than 22%

of articles had a primary focus on family business succession and 8% of articles involved succession as a secondary issue. While management literature on family businesses widely covers the topics of succession and transgenerational continuity, one cannot specify a general succession theory (Sharma, Chrisman & Chua, 2003). In this vein, despite being a widely researched topic that may currently be losing prominence it once had (Yu et al., 2012), succession remains a non-uniform topic in research on which theoretical rigor is still to be achieved.

Our study contributes to the discussion on family business succession in emerging economies by introducing tentative business performance measures and factors that may affect the outcomes of succession. Differently from many existing studies, we address the controversy of leadership succession and propose viewing leadership from a classical perspective adopted in organizational studies in contrast to undertaking leadership as a phenomenon that is synonymic to management. We consider leadership as a dimension that is separate from management and ownership and attribute specific performance measures to leadership dimension. Lastly, based on previous theoretical statements that evaluation of family business performance can only rest on objectives that the family sets for the company and must include multiple unconventional measures we propose that valuation of succession outcomes requires to be based on comparison of business performance attained by preceding and successive generations. The positive outcomes of succession thereafter depend on compliance of business performance results after the business is passed to the next generation with the objectives set by the preceding generation.

This study is structured as follows. First, background of family businesses in Lithuania is represented to capture the specifics of these firms in emerging economy. Then we move on to discussing the existing theoretical base of performance measures for family businesses and succession. We conclude by presenting a conceptual model for evaluation of succession outcome and drawing out implications for further research.

2. Background

In order to understand how family businesses perform in their wealth-creation and wealth-preservation, wealth-protection and inter-generational and/or geographical transmission roles in emerging markets and Lithuania in particular, and the conditions under which family enterprises operate and performance measures specific to family businesses need to be considered.

Family business specifics in Lithuania. According to Dyer and Panicheva Mortensen (2005), social and financial capital can be considered as key resources of initial business success in Lithuania. As in the case with many former socialist countries, where families play a critical role in providing necessary resources for the newly established businesses (Duh, 2003; Dyer & Panicheva Mortensen, 2005), the same trends are observed in Lithuania. SME business founders largely rely on family and friends as a source of financial capital and source of information for advice concerning

business. In 2008, in Lithuanian SME sector, 21.2% and in 2009, 17.2% business founders relied on family and friends as a source of financial capital, which is the second main source of financing aside their own finances (Statistics Department of Lithuania, 2009). These numbers also vary depending on the industry. In comparison to enterprises which involved family and friends financial capital, trade companies are among those with the highest percentage (18.5%). In 2009, 40.3% of business enterprises overall were governed by the founder together with other persons. A similar study on SME success factors conducted by the Statistics Department of Lithuania in 2007 revealed that 32.5% of entrepreneurs relied on family and friends' advice as a source of consultations during the company establishment stage. When entrepreneurs require advice on business matters, family and friends are considered as primary and most important source of information (for 70.6% of entrepreneurs in 2009). In addition to this, a quite common practice for individual business license holders is to include a family member in the license. Available statistical data from the year 2006 (Statistics Department of Lithuania, 2007) can be appended to this insight for SMEs. Out of all SMEs 61.7% were governed by a single founder of the company or current owner, 36.8% were governed by the founder or owner together with other persons and only 1.6% of all SMEs were governed by an employed professional. Thus, a tendency towards governing and managing the business on one's own or with a team rather than professionalization at top management level is observed. Together with a tendency for reliance on family members and friends, an assumption can be made that these persons have impact concerning decision making and management in companies. Control over the business then directly remains in the hands of the founder/owner and trusted parties. With respect to top management professionalization, available data from the Statistics Department of Lithuania (2007) proves elderly business entrepreneurs of age 50 and older to be more likely to employ professionals (2.2% of owners in this group) than young business owners aged 30 and younger (0.8% in this group). This data potentially shows lack of successors who would share leading roles in the business once the founder or owner reaches retirement age. However, across all age groups, the choice to lead the company individually or with other partners is overwhelming. Hence it is understandable why the term SME sometimes accounts for both SMEs and family businesses in public media and public discussions, and why it is generally presumed that many SMEs are family businesses as well. However, there is no statistical evidence which would confirm this general assumption or insight. These assumptions for identifying traces of family businesses in the local economy, which are based, for example, on the source of financial resources for company establishment and reliance on advice from family members still remain on an assumption level. In addition to this, a quite common practice for individual business license holders is to include a family member in the license. However, there is no statistical evidence which would confirm this general assumption. These assumptions for identifying traces of family businesses in the local economy, which are based, for example, on the source of financial resources for company establishment, and/or reliance on advice from family members, still remain on a supposition level.

Family business performance measures. Due to unique nature of family businesses, performance measures for these companies must focus on both financial and non-financial performance. A clear link between the family and the business must be established as “efficacy can only be evaluated in terms of achieving the goals and objectives set by the family for the firm” (Chua, Chrisman & Steier, 2003, p. 332). Since families often pursue multiple goals that tend to change over time, “performance as value creation and transmission thus becomes a “mobile” or multiple concept which varies across time and space” (Colli, 2012, p. 13). For this reason, performance measurement specific to family businesses should include multiple unconventional measures.

Two perspectives can be employed to reflect the family business performance measures: numerical taxonomy of studies in the field, and historical family business studies. Both perspectives provide evidence from antecedent research and involve longitudinal approach. Family business performance measurement has been neglected in historical family business studies as overall performance in business history research

TABLE 1. Measures of Performance in Family Business

Performance measure	Characteristics	Attributed variables
Survival	Most significant manifestation of success – persistence of control by the same family over time.	Ownership and family control, board composition with regard to number of family members in the top management team; socioemotional wealth preservation
Longevity	Age of the enterprise, independently of its ownership structure.	Length of organizational survival
Embeddedness	Embeddedness of a company with the local community in which it develops and grows; value creation both inside and outside the company, where value creation is ability of a company to preserve its unity and unity of its members, as well as cohesion of the “enlarged family,” which also includes local community.	Satisfaction with the succession process in different stakeholder groups as management succession outcome; family value and culture preservation; value creation across generations
Reputation	Immaterial capital that provides value to the family firm; family-based brand identity and performance, measured in terms of growth and profitability	Not addressed
Sustainability	Capability to couple the process of growth and expansion of the company with the persistence of family control and value creation for society and economy.	Performance survival: combination of economic and non-economic goals; economic business performance; community responsibility-sustainability; economic contribution – job creation

gained attention only recently, partly due to quality and availability of data (Colli, 2012). Most recent studies by Yu et al. (2012) on numerical taxonomy and Colli (2012) on family business performance measures yield similar results. Colli (2012) identifies five measures of family business performance: survival, longevity, embeddedness, reputation and sustainability. The outcome category variables outlined by Yu et al. (2012) concur with the findings by Colli (2012), however, while Colli considers survival to be a single measure of performance, the categories emerging from numerical taxonomy provide basis to distinguish survival and longevity. The synthesis of these findings provides a certain structure for family business performance measurement and is presented in Table 1.

Survival. Family firm survival is considered to be the most significant indicator of success which refers to the persistence of control by the same family over time. The linkage of this performance measure to succession is evident as transgenerational continuity of the business determines long-lasting control pursued by the same family. Furthermore, intra-family succession is considered a relevant indicator of overall success even in cases when it requires reducing expansion and growth, and financial success (Salvato & Melin, 2008). Consecutively, the proposed variables represent the ownership and family control, board composition with regard to the number of family members in the top management team and socioemotional wealth preservation (SEW). While the first two variables have been applied for analysis of family businesses for quite a long time (e.g., F-PEC scale by Astrachan, Klein & Smyrnios, 2002), the concept of socioemotional wealth has emerged recently (Gomez-Mejia, Cruz, Berrone & De Castro, 2011) and refers to non-financial aspects of a business that meet the family's affective needs (Gomez-Mejia et al., 2007). Berrone, Cruz and Gomez-Mejia (2012) state that changes in SEW is a main frame of references employed by family-controlled companies in strategy development and decision-making. Despite the fact that SEW is a construct, multi-item measures do not exist at the moment and at this stage of development, SEW thus could be considered to be applied as a single variable.

Longevity. Longevity represents the age of a company regardless of its ownership structure and hence is measured as the length of organizational survival. Again, survival in this stance refers to the age of organization in general, whether it is or not owned and controlled by the family.

Embeddedness. Embeddedness as a measure of performance encompasses non-financial value creation inside and outside the company, referring to value creation as ability of the company to preserve its unity and unity of its members, as well as cohesion of the "enlarged family," which also includes local community. Therefore, the proposed variables constituting a measure are satisfaction with the succession process in different stakeholder groups as management succession outcome, family value and culture preservation, and value creation across generations. Family value and culture preservation variables are especially significant for the case of economies in transition as in contrast to developed economies, family values play a more important role there (Khanna & Yafeh, 2007).

Reputation. Reputation refers to immaterial capital that provides value to the family firm and can be portrayed as family-based brand identity and performance measured in terms of growth and profitability. However, studies have started to address reputation only recently and no significant variable category emerged in numerical taxonomy of dependent variables (Yu et al., 2012). This partly may be caused due to problematic measurement of non-economic performance despite increasing consensus that unique value creation rises from intangible assets of family businesses (Sharma & Carney, 2012). Alternatively, goodwill, a financial accounting attribute can possibly represent the reputation-related performance outcomes. As goodwill is an asset associated with economic benefits that would arise in the case of acquisition from other assets that are not recognized separately, it can serve as an outcome variable of reputation. However, as with other financial measures, application of goodwill in family business studies can be problematic, as the measurement would largely consider publicly traded family enterprises while a great portion of companies are private.

Sustainability. Sustainability is considered as a capability of a company to couple the process of growth and expansion with the persistence of family control and ability to create value for society and economy. A special remark should be stated with regard to sustainability. The description of the measure provided is an extension of the original definition by Colli (2012). Value creation for society and economy was included since in management literature on businesses in general, sustainability refers to sustaining financial, human-social and environmental resources over the long-term (Bradbury, 2003). The original absence of these measures in previous studies in the field can possibly be explained by their inclusion in measures of embeddedness and reputation. However, upon a detailed view on each of the performance measures (survival, longevity, embeddedness, reputation, sustainability) that are present in family business studies, an observation is made that sustainability as a measure of performance may include the other four measures. Hence in family business studies it is important to distinguish whether sustainability is employed as a family business-specific measure (or, in other words, a more narrow measure) or a more general business measure (a broader measure). Proposed variables of sustainability measure are performance survival or the combination of economic and non-economic goals, economic (financial) business performance, responsibility towards community and economic contribution in the form of job creation. Financial performance in family business studies remains an important aspect in strategic management studies overall, however, financial performance measurement is problematic as researchers often have no other choice but to rely on survey and self-reported data that is accompanied with low response rates, perceptual biases, and the even more personal nature of data as the family and business systems overlap (Sharma & Carney, 2012). A potential way to overcome these difficulties in studies on succession is to capture the perceived change in financial performance from generation to generation in contrast to inquiries on specific financial data.

Based on the theoretical and empirical findings available in the field we elaborate on the linkage of performance to succession and apply existing performance measures to develop a conceptual model of evaluation of family business succession outcomes that would respond to the specifics of economies in transition and Lithuania in particular.

3. Theoretical framework

Succession, and specifically, the transfer of ownership and management, is among the crucial problems that family businesses are exposed to (Sharma, Chrisman, Chua, 2003; Miller, Steier & Le Breton-Miller, 2003). Succession in this paper is regarded as a process of management, ownership and leadership transition from incumbent(s) to successor(s) with all respective events, developments and actions between company state t_0 and t_1 . Generally, succession has been repeatedly noted as a success and continuity condition for the survival of the company (Lee, Lim & Lim, 2003). Early discussions in the field on distinguishing family businesses by some authors even categorically included succession as a vital component – for example, Ward (1987), Barach & Ganitsky (1995) argued that if transition to the next generation is considered, a company is deemed to be a family business. Surprisingly, however, the literature on leadership succession mainly centers on succession of management and ownership perspectives, leaving out leadership. While it is logical that a successor replaces incumbent to perform managerial role that may partly involve leadership tasks, the notion of leadership in managerial literature encompasses more aspects. The definitions of leadership exist in abundance and yet most of the definitions revolve around influence that a leader has over the group of followers (Stogdill, 1974; Katz & Kahn, 1978; Conger, 1992; Kouzes & Posner, 1995; Northouse, 2001; Yukl, 2002). Theoretical discussion that leadership differs from management has been extensive and regardless of the differences in approaches by authors some consensus on the differentiating criteria can be observed. In earlier statements (Levitt, 1976; Zaleznik, 1977), management functions primarily concern systematical selection of goals, development of strategies, design, organization, direction and control of activities. Obviously, along with the changes in organizations, a shift towards inclusion of leadership tasks in the managerial role has been noted in recent years, nevertheless, management does not equal leadership. In this paper we suggest that since leadership is not exhaustive by management and the role of a leader is hence not fully replaced by the role and functions of a manager, as the business is transferred to the next generation, leadership must be replaced in alignment with management and ownership. We further build on the definition by Northouse (2001) and consider leadership to be a process that captures influence of an individual on a group of individuals towards common goal achievement, and the definition by Yukl (2002), which extends the above formulation and specifies that the process of influence aims

at creating understanding and agreement about what needs to be done and how it can be done effectively, as well as facilitating individual and collective efforts to accomplish a shared objective. Similarly, we propose that performance goals are not exclusively bound to management, and differentiation of management and leadership goals provides a more accurate framework of business goals and performance.

To continue with the measurement of succession outcomes in this paper we build on approaches to performance by Chua, Chrisman and Steier (2003), stating that evaluation of achievement of the goals can only be based on objectives that the family sets for the company, and by Colli (2012), highlighting multiple unconventional measures in order to overcome the multitude of goals and their constant change. In particular, we suggest that as business performance is to be measured following the above stated approaches, the adequate measurement of succession outcomes consecutively involves the goals and objectives that incumbent and the family determine for succession. The “success” of succession is thereafter compliance of business performance results after the business is passed to the next generation with the previously set objectives. It means that while the same measures of performance remain applicable for all generations, the reference points within these measures differ. For this reason, the conceptual model is based on taking the goals of the preceding generation as a reference point for evaluation of the performance in the next generation. An additional note should be explicated with regard to family culture and success of succession. Pieper (2007) identified family commitment and cohesion as drivers of longevity and sustainability while the synthesis between family and business values are vital to retain family ownership over time. Clearly, family culture can influence the outcomes of succession. On a broader scale, involvement of a family in the businesses and the exercised values can play an influential role in emerging economies overall. For example, in a study of 1997, Pistrui, Welsch & Roberts concluded that post-communist Romania family involvement in establishment of new ventures played a significant role in retaining free enterprises. With respect to business longevity and continuity, however, cultural aspects may become an issue that requires further scientific attention. In a comparative study on family businesses in East and West Germany, Pistrui et al. (2000) revealed that entrepreneurs in East Germany were more willing to eventually sell their business and thus “appeared more committed to entrepreneurship, but possibly less committed to developing a single enterprise over time.” (p. 257). Cultural factors may hence play a determinant role in the continuity of the businesses in emerging economies.

The proposed model of business performance measurement before and after succession is portrayed in Figure 1. The outcomes of succession are represented in three dimensions: ownership, management and leadership. Succession outcomes in each dimension are measured as the difference in performance across a set of indicators. The set of indicators is compared between two generations leading the business.

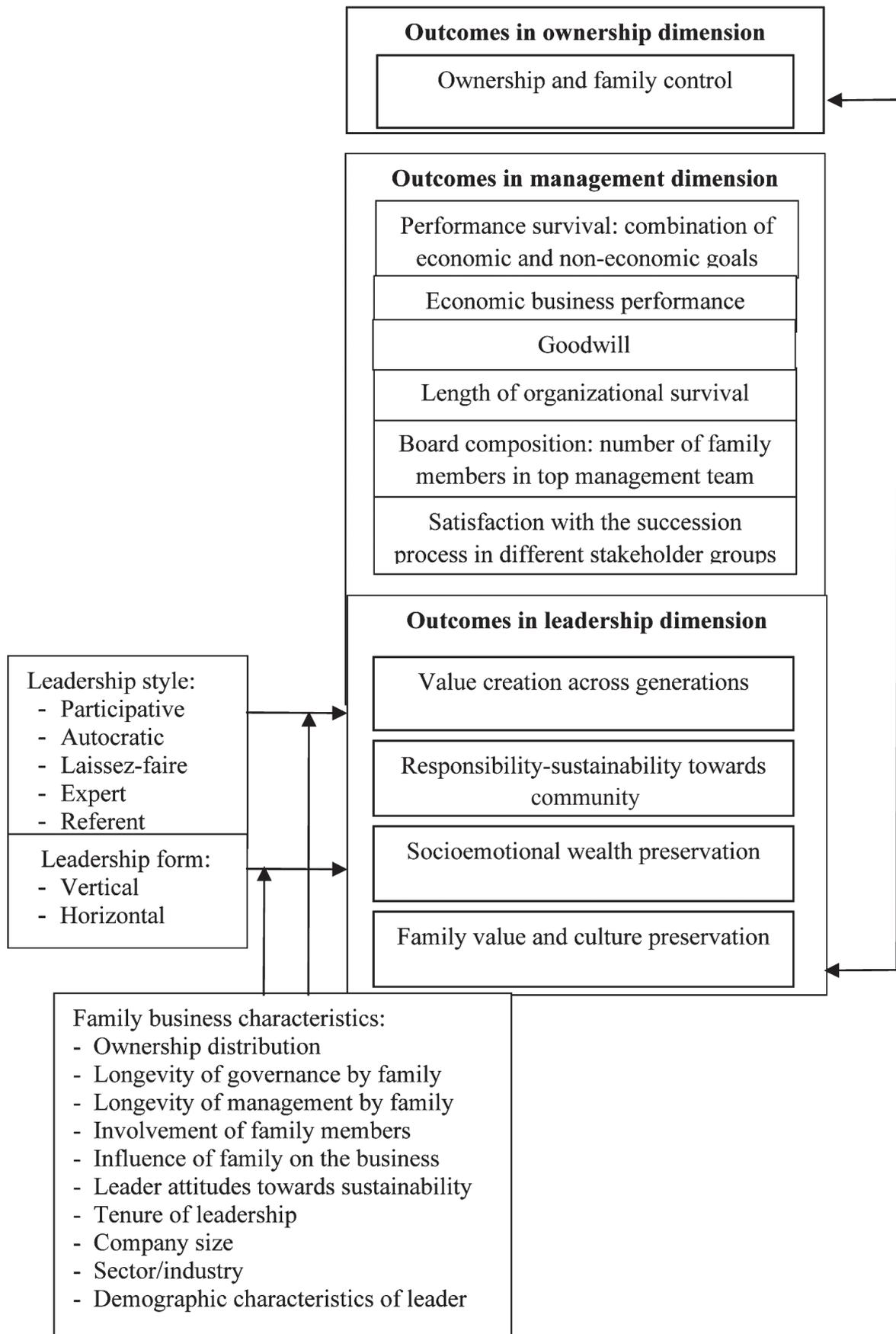


FIGURE 1. Conceptual model of family business succession outcome measurement

4. Discussion

Outcomes in ownership dimension. Ownership and family control is at the core of the family business definition and is a central variable in measuring the outcome in ownership dimension. It refers to the ability of the family to pursue its interest and control. The variable stems from survival performance measure that defines the longevity of the business as specifically a family business.

Outcomes in management dimension. Variables in management dimension primarily relate to pure management goals. The variables attributed to management dimension originate from (1) longevity measure which defines the length of organizational survival regardless of family ownership and control and thus firstly representing the goal of management, and (2) sustainability measure as it refers to the capability to couple the process of growth and expansion of the company with the persistence of family control and value creation for society and economy. The attributed variables are, respectively, length of organizational survival, performance survival, economic (financial) performance, goodwill, board composition and satisfaction with the succession process in different stakeholder groups. With regard to the latter variable, it can be presumed that managerial performance in terms of satisfaction with succession process is especially sensitive in the case of the founding generation. The motivation of a first-generation family business leader is “often to start a new business that will prove to be beneficial to the leader and his or her family” (Cater III & Justis, 2009, p. 109), and the satisfaction with the succession process in different stakeholder groups can be a variable that is especially relevant for businesses where succession concerns the transfer from the founding generation.

Outcomes in leadership dimension. Leadership dimension refers to the goals which are primarily set for leaders in contrast to pure management tasks. The proposed variables are linked to embeddedness measure of performance and partly account for sustainability measure when it extends beyond managerial scope. In reference to leadership in family businesses (Dyer, 1986, Sorenson, 2000), family value and culture preservation and value creation across generation are clearly the goals that are set for leadership, not solely management. Responsibility and sustainability towards community refers to measure of performance in terms of sustainability in a broader management study context and is associated with leadership rather than pure management. Socioemotional wealth preservation (SEW), as discussed above, matches the non-financial goals of the family, and preservation of SEW is considered as a goal of leadership.

Leadership as antecedent of outcomes in leadership dimension. As it has been outlined previously, leadership was not differentiated in earlier studies as a dimension that would stem from genuine concept of leadership in management studies. In addition to identification of leadership dimension, the proposed model includes possible antecedents of performance in leadership dimension.

Leadership of the family business founder has a strong, even overshadowing effect on the following generations and is central to the formation of the culture in

organization which extends beyond the founder (Levinson, 1971; Eddleston, 2008). The studies on leadership in family business have mostly focused on leadership style. Sorenson (2000), in extension to studies on family business culture by Dyer (1986), derived five main leadership styles specific to family businesses, namely, participative, autocratic, laissez-faire/mission, expert and referent (charismatic). Three types of leadership are indicated to have influence on family business outcomes: laissez-faire/mission leadership via minimal interpersonal influence and organizational structure and planning for guiding behavior; referent leadership via interpersonal influence that arises due to credibility of modeling family values and insight about the business; participative leadership as it includes family values to guide the behavior, manifests [itself] as open and adaptive behavior with the team, and relies on consulting with experts (Sorenson, 2000). Sorenson (2000) emphasized that despite the fact that the highlighted three forms of leadership promote achievement of expected outcomes, referent and, especially, participative leadership enables outcomes that are favorable for business and family. These findings resonate with conclusions by Kellermans and Eddleston (2006) indicating that participative strategy process is positively related to a family firm performance. Hence, we suggest that participative leadership style may promote achievement of the goals that are set for performance both business-wise and family-wise.

One of the problems that complicate the process of succession is that incumbent leaders lack a source of information, advice or support that would facilitate the process of succession (Dyck et al., 2002). Reliance of family business leaders on other team members is observed among family businesses worldwide (Danco, 1981; Spinelli & Hunt, 2000; Poza & Messer, 2001; Uhlaner, 2006). In economies in transition and Lithuania in particular the tendency to rely on family for business-wise support and advice is widespread. While vertical form of leadership relies on an appointed, or a formal leader of a team as a source of influence, horizontal, or shared leadership is considered as rather a group process and relies on distribution of leadership arousal and existence among team members (Pearce & Sims, 2002). Additional source of problems associated with succession is tacit knowledge that cannot be easily transferred to the next generation (Mandl & Obenaus, 2008). Furthermore, idiosyncratic knowledge is rather related to a person in a company than a firm itself and thus requires a degree of trustworthiness and is more available to members of the family or persons in trust (Lee, 2003). Based on these premises we hypothesize that horizontal form of leadership in contrast to vertical form of leadership may be positively related with succession outcomes in leadership dimension.

Family business characteristics. With respect to analysis of family business issues in emerging economies, contextual factors may be critical as the existing findings in the field have been mostly derived from the samples from Western economies. Conclusions based on the findings from a certain type of economy can be non-relevant in the case of another economy (Miller, Le Breton-Miller, Lester & Cannella, 2007). The model implies that specific family business characteristics will have a moderating

effect on succession outcomes. Company size has been indicated as a differentiating characteristic of family businesses across a number of studies, and along with tenure of leadership is included in the model along with the sector/industry that the company operates in. The role of social capital has been extensively recognized for family businesses. Social capital in family businesses is linked to family social capital, that is, social capital embedded in family relationships, and can be measured as family support (Chang et al., 2009). Sorenson and Bierman (2009) name the family social capital as the form of family capital that best distinguishes family businesses from non-family businesses. Family social capital has also been recognized as a potential resource of competitive advantage (Carney, 2005; Salvato & Melin, 2008). Yet the role of social capital “is neither well understood nor extensively documented” (Chang et al., 2009, p. 279). In the case of emerging economies, family support and involvement can play an even more significant role than it has been previously documented by empirical findings from Eastern and Western Germany. In their study Pistrui et al. (2000, p. 262) concluded that the “family-led SME’s continuity and development will continue to play a leading role in the socioeconomic transition in the new Germany”. Within the scope of succession, family support is considered as an independent variable, the horizontal form of leadership, and family involvement, family business characteristic or contextual variable. The characteristics of integration of the family in the business which are presented in the model stem from F-PEC scale (Astrachan, Klein & Smyrniotis, 2002): ownership distribution, longevity of governance by family, longevity of management by family, involvement of family members and influence of family on the business. Lastly, with respect to contextual variables, a linkage between sustainability and leader attitudes towards sustainability has been identified in several studies (Parboteeah et al., 2011) and is introduced in the conceptual model as a family business characteristic.

5. Implications

Family businesses in Lithuania will face the experience of transition and succession in upcoming years. Therefore, the need to evaluate performance of the firm upon completion of succession can be significant in order to build on conclusions for those businesses out of primary experience which is also the most significant succession experience. The proposed conceptual model is aimed at capturing the changes in business performance before and after succession as well as evaluating the factors which may affect the outcomes of succession in leadership dimension. The model provides an outset of measures that can be specifically applied for evaluation of family business succession in economies in transition and stems from the case of Lithuania as an exemplary background. As family firm performance measurement is a topic that has emerged as a critical issue in academic discussion fairly recently, the model obviously relies on theoretical implications that are not definite and requires further empirical testing.

6. Conclusion

Family businesses play a significant role in most economies worldwide and their role in emerging economies and especially economies in transition is relatively unique. Businesses in these economies are on the threshold of succession issues and, on one hand, research of this topic may provide interesting relevant insights when compared to the experience and conclusions drawn from businesses in other economies. On the other hand, succession is an upcoming challenge and can become an ultimate test for these companies leaving a mark on economy. In the case of Lithuania, regrettably, family businesses remain enigmatic with sporadic findings and insights in academic literature and media. Such a deficiency proposes a future direction towards systematic periodical data collection to increase understanding of these businesses currently, building a basis for further longitudinal studies, identification and analysis of the factors that contribute to effective successions and, finally, measurement of performance before and after transition to the next generation. Having models and measures of succession outcomes at hand when businesses in Lithuania become engaged in the process of succession and once they complete the transfer from the first generation to the next would provide a basis for evaluation of the primary succession experience and facilitate the management of further transitions on the road of transgenerational continuity. Since family businesses worldwide have been identified as a form of enterprises with a linkage to sustainability, successful management of successions could also foster the development and prosperity of economies in transition.

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