In countries with a long history of entrepreneurship and market economy, significant research efforts have been devoted to family business succession. Such studies are rare in former communist countries, mainly because private enterprises were outlawed during the socialist economy era. Considering reports on the importance and complexity of succession issues, and taking into account the ageing of owners-managers of family enterprises, it is expected that an increasing number of family enterprises are going to face succession problems in transition countries in the near future. This paper reports on the rebirth of family enterprises in transition countries, and on results of a survey among 350 Slovenian Small and Medium-sized Enterprises (SMEs). Family enterprises are still controlled mainly by the founding generation with no succession experiences, no role-models, and almost no possibility of sharing succession experiences with others, since the majority of their colleagues’ owners-managers are the founders (not successors). Besides raising owners-managers’ awareness, also providing information on support available for facilitating business transfers, offering special training programs on business transfers, including succession topics in study programs, special counseling on business transfers, and the creation of a business sellers and buyers database/market place are urgently needed in transition economies.

Key words: succession, family enterprises, transition economy
INTRODUCTION

Many studies in European countries and in the United States, where entrepreneurship and private ownership have a long tradition, show that family enterprises are an important factor of economic development (Westhead and Cowling, 1998; IFERA, 2003; McCann et al., 2003). They make a notable contribution to wealth creation and job generation (Astrachan and Shanker, 2003). A common prejudice about family enterprises is that they are small and medium-sized ones. However, a number of prestigious large enterprises occupying important positions in national and international rankings are family ones. Family businesses with their long-term orientation provide an important element of stability to economies and are the source of a wealth of genuine corporate social responsibility-practice.

One of the major problems family enterprises face is the transfer of ownership and management to the next family generation. According to findings in various national studies, approximately one third of businesses within the European Union need to be transferred to new owners in the next ten years (ranging from 25% to 40%, depending on the member state). This corresponds to an average of at least 610,000 SMEs to be transferred each year. Of this number 300,000 SMEs employ 2.1 million people (assuming that an SME with employees has seven employees on average), and 310,000 SMEs don’t have employees. The success of family SMEs, therefore, depends also on the successful transfer of management and ownership.

Research results confirm that succession in family enterprises is typically a problematic issue and often does not work out (Morris et al., 1997; Dyck et al., 2002; Miller et al., 2003; Sharma et al., 2003). Several studies estimate that only 30% of family enterprises survive to the second generation, and that many enterprises fail soon after the second generation takes control (Kets de Vries, 1993; Morris et al., 1997; Miller et al., 2003). Failure in succession represents a serious problem not only to family enterprises and their employees, but also to the health of an economy. Therefore, 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 toward creating sound institutional support (counseling, information centers, training), and educational support.

Studies of succession problems in family enterprises in former communist countries are scarce. One of the reasons is the fact that private enterprises were outlawed during the socialist economy era. Social and economic changes in Eastern Europe in the 1990s have created an opportunity for the rebirth of entrepreneurship and family business development. Industrial policy in transition 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 transition countries (McKibbin and Pistrui, 1997; Poutziouris et al., 1997; Duh, 2003). Even though family and owner-managed enterprises were at the forefront of socioeconomic transition in these countries, our understanding of the role of family enterprises development is scarce. Very little is known about how family enterprises in transition countries are coping with the succession problem. Owners-managers of family enterprises – in most cases also their founders, have almost no experience in handling the succession process because of the absence of succession tradition. Institutional advisory and educational support is often absent as well.

This paper attempts to make two main contributions. The first is to provide a clearer insight into some characteristics of small and medium-sized family enterprises in transition countries and especially in Slovenia, while the second is to provide a clearer insight into the current state of the succession process in these businesses. Since studies on family businesses and succession issues in transition countries are rare the research results presented in this paper for the case of Slovenia cannot be compared directly to any other transition country. But regarding similarities in the development of private enterprises in these countries, some characteristics of future development and problems in family businesses can be estimated.

With the purpose to achieve the main contributions of the paper, prior research studies are reviewed in the Literature review chapter – studies referring to family businesses with emphasis on succession issues in established market economies are presented briefly, while researches on family enterprises and succession problems in transition economies are reviewed. After that the family enterprises succession in Slovenia is discussed on the basis of the survey of 350 SMEs, where also some comparisons with prior research studies in other environments are provided. The paper concludes with a discussion of policy implications regarding succession problems in transition countries.

LITERATURE REVIEW

Family businesses and succession issues in established market economies

There is no doubt that family enterprises make an important contribution to the national and global economies. In the United States, family enterprises currently account for 80% of business organizations, producing over 50% of the gross national product and employing over 50% of the domestic
workforce (McCann et al., 2003). In several European countries, family enterprises represent the majority of all enterprises (IFERA, 2003): France (more than 60%), Germany (60%), the Netherlands (74%), Portugal (70%), Belgium (70%), the United Kingdom (70%), Spain (75%), Sweden (79%), Finland (80%), Greece (80%), Cyprus (80%), and Italy (93%). Family enterprises often illustrate advantages over non-family enterprises such as (Kets de Vries, 1993; Dunn, 1994; Morris et al., 1997): long-term perspective, strong family commitment to the business, personal and positive motivating work environment, devoted employees. These advantages can foster positive performance outcomes including lower agency costs and concern for long-term performance and societal well-being (Steier and Ward, 2006).

But even though the importance of family enterprises has been proved by numerous researches, and special support has been developed to encourage the survival and development of family enterprises, we still cannot provide a unanimous answer to the question: what is a family enterprise? The reason is the lack of a universal definition of a family enterprise, although numerous attempts have been made to articulate conceptual and operational definitions of a family enterprise. Various researchers have reviewed existing definitions, made attempts to consolidate thoughts on the subject, and conceptualized another definition of a family enterprise (for example: Handler, 1989; Westhead and Cowling, 1998; Chua et al., 1999; Astrachan et al., 2002b; Astrachan and Shanker, 2003). The focus of most of these efforts has been on defining family enterprises so they can be distinguished from non-family enterprises. None of these articulations has yet gained widespread acceptance.

Reflecting on the well-established fact that a large majority of enterprises in most countries have a significant impact of "family" in them, researchers question the homogeneity of these enterprises (Westhead and Cowling, 1998; Sharma, 2004). Attempts to capture the varying extent and mode of family involvement in enterprises have been directed in three general directions (Sharma, 2004): articulation of multiple operational definitions of family enterprises (for example: Westhead and Cowling, 1998; Astrachan and Shanker, 2003), development of scales to capture various types of family involvement (for example: Astrachan et al., 2002b) and the development of family firm typologies (for example: Sharma, 2002).

One of the most problematic issues in family enterprises is succession. Along with a business’s creation and growth, succession is the next crucial phase in the firm’s (family and non-family ones) life cycle. Many authors (for example: Handler, 1994; Sharma et al., 2003) differentiate between succes-
sion in management and succession in ownership when analyzing the succession process, and identifying the factors that contribute to effective successions. Succession within the family is only one among other possibilities, although research suggests that the majority of family enterprise leaders want to retain family control past their tenure (Donckels and Lambrecht, 1999; Bjuggren and Sund, 2001; Astrachan et al., 2002a; Astrachan et al., 2002b; Astrachan et al., 2003). There are also other possibilities, such as transfer of ownership of an enterprise to another person (sales to non-family management/employees), sales to outside persons or existing companies, including take-overs and mergers. Similarly, succession in management within the family is only one of the options.

In most SMEs (family and non-family ones) the transfer of ownership (succession in ownership) goes hand-in-hand with the transfer of the management function (succession in management), which arouses emotions, especially in family enterprises (Kets de Vries, 1993; Morris et al., 1997). Significant research efforts have been devoted to the topic of succession in family enterprises in established market economies (Handler, 1994); it is recognized as an important research stream in management succession research (Giambatista et al., 2005), and the interest continues (Lee et al., 2003; Sharma et al., 2003; Miller et al., 2003). Although this subject occupies approximately one third of the family business literature, there is no general theory of succession or succession planning in family enterprises (Sharma et al., 2003).

Researchers tend to agree that succession is more a process than an event of transferring ownership and management control to a successor. Succession is a multistage process that exists over time, beginning before heirs even enter the business (Handler, 1994). Succession is a process consisting of many activities stretching over a long period of time. In this context, 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. Activities often stated are: selecting and training successor, developing a vision or strategic plan for the company after succession, defining the role of the departing incumbent, developing an estate plan, communicating the decision to key stakeholders (Sharma et al., 2003). Many authors (Handler, 1994; Morris et al., 1997; Sharma et al., 2003; Sonfield and Lussier, 2004) believe succession planning is expected to help improve the probability of success for the succession process.
According to the experts, succession is still very often triggered by the owner-manager’s retirement. However, retirement is only one reason for succession. Reasons for earlier successions are personal decisions (early retirement, change of profession, interests, or change in the family situation, etc.), a changing competitive environment (changing markets, new products, new channels of distribution, etc.), or incidents (divorce, illness, death, etc.), which also play an important role. Studies also suggest that an increasing number of successions will take place outside the family to third parties. The reason is the increasing unwillingness of descendants (sons, daughters) to take over the family enterprise (Stavrout, 1999). There are many reasons why descendants do not want to join the enterprise, one of the most important of which is that they want to start their own business (Bjuggren and Sund, 2001). According to the results of the Euro barometer (2003) survey, 65% 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.

Even though succession planning is believed to increase the probability of a successful succession, many studies show that successions are not planned in due time (Bjuggren and Sund, 2001; Sharma et al., 2003). Studies within the European Community show that the majority of owners-managers did not plan the upcoming succession. This results in failed business transfers, which take jobs, assets, and opportunities with them. The expert group’s study on the transfer of SMEs in the European Commission identified three kinds of problems linked to the preparation of business transfers; 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 owners-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 reasons for such a situation (Lansberg, 1988; Kets de Vries, 1993; Morris et al., 1997; Bjuggren and Sund, 2001; Sharma et al., 2001; Dycke et al., 2002): for instance, the owner-manager is often too busy running and controlling the enterprise, or he may fear losing a central role in the family. The owner-manager may also have different excuses for not planning succession, which may be related to feelings of rivalry and jealousy toward potential successors; an owner-manager also very often associates retirement with his or her own mortality. There are many invisible, “soft,” or emotional problems that play a major role in successions, especially where family enterprises are concerned.
The second type of problems is related to the complexity of the succession process and to the fact that the owner-manager has no (or limited) experience 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 (Morris et al., 1997; Dycke et al., 2002; Malinen, 2004).

The third type of problems stems from national legislation, in particular company law, taxation and administrative formalities. Examples of these kinds of problems 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 and Sund, 2001).

There is also the fourth set of problems based on an understanding that entrepreneurship consists of many complex activities in which a lot of tacit knowledge (Polanyi, 1983) is present that cannot be easily transferred from one generation to another. There are many deeply ingrained routines (Nelson and Winter, 1982) and experiential knowledge that make a company successful, and can be acquired only by learning through active experience in which younger family members work together, with elders applying their experiential knowledge and skills. Family culture is an important constituent of tacit knowledge. Research done by Campbell and Heriot (2002) shows that the probability of keeping a family business in the hands of the founder’s family is higher in those families where family culture is inclined towards intergenerational altruism.

Attempts have been made to identify the factors that contribute to effective successions and the effectiveness of the enterprise after the transition. It is generally agreed that the succession process extends over time and needs to be carefully planned (Morris et al., 1997; Sharma et al., 2001). Sharma, Chrisman, and Chua’s (2003) study of 118 family enterprise leaders revealed that the presence of a trusted successor, willing to take over the leadership of an enterprise was the spark that controlled 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. 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 communication enables the smooth transition of knowledge, social capital, and networks across generations (Morris et al., 1997; Dycke et al., 2002; Duh, 2003; Sharma 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). 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). Dyck and co-authors (2002) suggested that the effectiveness of management succession depends on sequence (appropriateness of successors’ skills and experiences), timing, technique (details by which succession will be achieved), and communication between the predecessor and successor.

The Rebirth of Family Enterprises in Transition Countries

The social and economic changes in former socialist countries in Eastern Europe ended the era when private enterprises were outlawed, and created an opportunity for the rebirth of entrepreneurship and family business development. The micro- and small-to-medium enterprise sectors have been recognized in the transition countries as an engine for economic recovery by creating jobs and fostering the development of an entrepreneurial tradition. Indeed, there has been a boom in the number of small private enterprises. To sustain this trend in the growth of the private sector, it was (and still is) essential to support new SMEs to overcome the array of internal and external/environmental growth constraints, that are entrepreneurial, managerial, technological, financial, and marketisation gaps (Pistrui et al., 1997; Poutziouris et al., 1997). Several studies find that families provide critical resources and support to newly emerging enterprises in these countries (McKibbin and Pistrui, 1997; Poutziouris et al., 1997; Duh, 2003). Family businesses may be even more important for transition countries regarding some indications, that family businesses have clear advantages over non-family businesses in less developed markets than in markets in their later phases of the life cycles. According to Pistrui and co-authors (1997) family enterprises have three distinct advantages within the environment of socioeconomic transition. First, they have the support of the family network, which represents a source of critical support services, including sources of financing, business connections, personal relationships, and human resources. Second, family firms are better equipped for risk-taking which is essential in transitional climates. The third significant advantage family firms have is their adaptability.

Although much research has been conducted concerning entrepreneurship in the transforming economies of Eastern Europe, little is known about family enterprises and the succession issue in these countries. Following are the main find-
ings from published research reports of family enterprises and their succession issues in transition countries.

Based on research results Pistrui and co-authors (1997) argue that in Romania the family unit represents perhaps the only societal institution that emerged from communism intact and functional. They found the family to be the driving engine of the transition in Romania. Their research results also indicate that many people started their own business in the first year it became possible (the establishment of private small business was authorized in January 1990). But as the entrepreneurial spirit grew, a second entry mechanism evolved. The purchase of a private enterprise became an option, and only a very small number became second-generation entrepreneurs through inheritance. In Romania and Bulgaria, the majority of enterprises are small and young. Like in Romania, a strong attachment to the family is an important traditional Bulgarian value. The majority of family enterprises are founder-centric (first generation predominates), and characterized by a marriage of ownership and management control (family-operated/managed). The transition of family-operated/managed enterprises from generation to generation is a rare phenomenon in Bulgaria and Romania (Poutziouris et al., 1997; Zabunov, 2003).

In Hungary the foundation of small businesses was legalized in 1982, and by the end of the 1980s changes in the political climate and broadening opportunities accelerated the growth of the small business sector (Hirsch and Fülöp, 1997). It is estimated that 70% of all enterprises in Hungary are family ones. The majority of family enterprises are SMEs owned by the first generation (Kadocs, 2003; Kadocs and Sütő, 2004). The research of 200 family enterprises in Hungary showed that the family is an important source of needed resources (human and financial capital). Despite unfavorable environmental conditions in the past, family support was crucial for the successful development of family enterprises. The majority of owners-managers are aged between 40 and 50; only a small number is in the age group below 30 or above 60 years. Owners-managers want the ownership and management of the family enterprise to remain in the family; this is especially true for the generation of owners in the age group over 60 (Kadocs and Sütő, 2004).

Also in Poland the majority of private enterprises were established at the beginning of the 1990s. The majority of enterprises are young; enterprises with a longer tradition are those established after World War II (0.4% of enterprises), and those (1.4% of enterprises) established during the period 1951-1970 (Safin, 2002).
The transition to the market economy from the former socialist economy with social and state ownership in Slovenia was closely associated with the development of SMEs. The legal bases for the development of private SMEs were the Law on Enterprises (1988) and the Law on Craft (1988). The first law opened opportunities for the development of the private entrepreneurial sector, and the second law reduced obstacles for the development of the craft sector, especially limitations on employment in craft enterprises. Since the 1990s the number of SMEs increased dramatically; in 2002, the share of SMEs in the structure of all enterprises was 99.7%; 93.4% of all enterprises were micro enterprises, with up to nine employees (Rebernik et al., 2004). It was estimated that between 40 and 50 per cent of all enterprises in Slovenia were family ones (Duh, 2003; Vadinj, 2005). Since the owning families were in the majority of enterprises a young business family (according to the classification done by Gersick and co-authors, 1997), the succession issue was not present yet.

In Croatia, similarly as in Slovenia, the pre-transition economy was composed of two sectors First, a small private sector, whose size is limited through various legal restrictions (e.g. a limit on the number of workers that can be employed), and second, a large state sector (Milanovic, 1998). Among transition countries only in Yugoslavia (Slovenia and Croatia were both the northern republics in Yugoslavia) and Poland the private sector employed a bit higher share of labor force (Yugoslavia 21.1%, Poland 29.6%), while in other transition countries (Bulgaria, Hungary, Romania) this share was less than 10% (Milanovic, 1998). SMEs sector started to develop rapidly with the possible prospect of establishing private enterprises. This happened at the beginning of the 1990s, and since then the share of small enterprises has increased by 370%, SMEs in 2003 represent 99.6% of all enterprises, employing 65.7% of all employed persons.9 Many of these small enterprises are family ones, even though there are also medium and large family enterprises (Galetić, 2002). Based on the research of 30 Croatian family enterprises with more than 20 employees, Galetić (2002) found that none of the present owners-managers was considering handing over the business to a successor in the near future. 35% of owners-managers were between the age of 41 and 50, and 31% between 51 and 60.

**HYPOTHESIS**

Based on the literature reviewed, it can be concluded that enterprises in Slovenia and other transition economies are relatively young; many can be described as family ones. The majority are owned by the founding generation and do not face a succession problem yet, even though some of the cited authors draw attention to this problem. Also Donckels and
Lambrecht (1999) warned that succession would certainly become a hot issue in the future for family businesses in Eastern Europe. Welsh and co-authors (1995) contended that due to the initial focus on survival, stability, and growth during the early stages of enterprise development in transition countries, family issues – especially concerning succession – would emerge only at later stages. Even though family enterprises in transition countries face the challenges of developing both the family business and the general business system to sustain survival and growth (Poutziouris et al., 1997) this does not mean that succession does not deserve a great amount of attention by researchers and policymakers in these countries today. The fact is that the succession process results from the biological reality of the human life cycle (Churchill and Hat- ten, 1997). Owners-managers of family enterprises in transition countries are ageing, therefore it can be expected that an increasing number of family enterprises are going to face succession problems in the near future.

We studied the succession issues within family enterprises in transition countries on the case of Slovenia. The following set of hypotheses is formed and tested on the basis of the survey:

H1: The majority of family businesses in Slovenia are young, owned by a founder.
H2: The succession process in family businesses in Slovenia is not planned in time.

To provide a clearer insight into some characteristics of succession in family businesses in transition countries and especially in Slovenia, the following set of hypotheses is formed:

H3: Family and non-family businesses in Slovenia significantly differ regarding the proportion of firms that decided to realize the succession in management within the family.
H4: Family and non-family businesses in Slovenia significantly differ regarding the proportion of firms that decided to realize the succession in ownership within the family.
ensured by demand, that respondents were owners of enterprises they also helped manage. Although the respondents are anonymous we are aware of the fact that personal interviews, instead of using the telephone, could have some advantages but also some weaknesses (DeLeeuw and van der Zouwen, 1988).

The vendor supplied sample case weights for all observations, developed such that the structure of the sample matched the most recent official data regarding the number of enterprises in regions in Slovenia, as well as the structure of enterprises by their principal industry activity and by size measured by the number of employees.

The definition of a family enterprise, used in the research on the succession of family enterprises in Slovenia, was based on criteria and definitions developed by Westhead and Cowling (1998). Considering the complexity of family enterprises, we think that the use of only one criterion (perceiving an enterprise as a family one in definition (1), or more than 50% of ordinary voting shares owned by members of the largest single family group related by blood or marriage in definition (2)) does not reflect the actual characteristics of family enterprises. Definition (4), which comprises more criteria, which are the involvement of a family in the ownership and management, and perceiving the enterprise as a family one, best satisfies the recent situation in Slovenia (and also in other transition countries), and is chosen for defining family enterprises in Slovenia. Other definitions, comprising more criteria, are also omitted since these definitions do not satisfy special circumstances in transition countries. For example, the generational criterion (the enterprise is owned by second-generation or more family members) eliminates enterprises in the ownership of the first generation of owners (founding generation) from the group of family enterprises. The share of first generation family enterprises is very high in transition countries (proved also by our research), since the entrepreneurial tradition in Eastern European transition countries was broken after World War II, and the possibility of establishing private enterprises was opened in the early 1990s. The use of this criterion in the definition could eliminate a very important part of family enterprises from the research (Table 1). Since 12 respondents did not answer all the questions referring to the criteria defining family business, they were excluded from the analysis. For the analysis of succession issues, therefore, definition (4) was used. There were 277 respondents who personally owned more than 50% of a company – they were asked questions referring to succession issues.
**RESULTS**

Using the described definition (4) of a family enterprise it may be concluded, that approximately 48% of enterprises fulfilled the criteria for a family enterprise. Others were defined as non-family enterprises, as presented by Table 1.

Age of a company was measured with the following question: "What was the first year the owners received wages, profits or payments in kind?" Family enterprises in Slovenia are on average 11.74 years old and are relatively young comparing to family enterprises in some other countries. Comparison with Germany shows that German family businesses are older than non-family businesses and older than Slovenian ones. Of the businesses that were founded up to 1960 and were still around in 1996-97, more than 70% are still family businesses (Klein, 2000). On the other hand, Pistrui and co-authors (2000) found in comparative study between East and West German SMEs that the vast majority (79%) of the East German enterprises surveyed were new start-ups, compared to 38% in the West.

On average almost 85% of the surveyed family businesses are owned by the first – the founding – generation, less than 15% by second and others by the third generation of a family. Regarding these findings, we can conclude, that the majority of family businesses in Slovenia are young, owned by a founder – hypothesis H1 is confirmed. Comparison with West Germany and UK, where the tradition of entrepreneurship and private ownership has been continuing after the Second World War, show that there are a remarkable number of family businesses that are held within fourth or a later generation.
When comparing East and West German entrepreneurs, Pistrui and co-authors (2000) found that only 10% of East German entrepreneurs inherited their business, compared to 40% in West Germany. In comparison with Spain, where entrepreneurship became normal and desirable in the early eighties (after the death of General Franco in November 1975, the constitution in 1978, and the membership in the EC in 1986), 75% of family enterprises are in the founder generation (Klein, 2000).

Some evidence suggests that the survival of an enterprise beyond the first generation increases the probability of the success of subsequent successions (Bjuggren and Sund, 2001; Stavrout, 1999) – of the less than one-third of family enterprises that survive the transition to the second generation, approximately 50% survive from the second to the third generation, and more than 70% of these enterprises are passed on to the fourth generation. The increasing degree of survival can, among other reasons, be due to the experiences passed on from earlier successions. These facts also indicate that succession issues in family businesses in Slovenia could indeed be very problematic issues in the future. Results of our research that follows confirm this statement even more.

Namely, more than 75% of respondents are not preparing the transfer of management and/or ownership in the next five years (Table 2).

<table>
<thead>
<tr>
<th>Are you preparing the transfer of management and/or ownership in the next five years?</th>
<th>Total</th>
<th>Family Enterprises</th>
<th>Non-family Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Yes, only management.</td>
<td>16</td>
<td>5.8</td>
<td>10</td>
</tr>
<tr>
<td>Yes, only ownership.</td>
<td>6</td>
<td>2.2</td>
<td>5</td>
</tr>
<tr>
<td>Yes, management and ownership.</td>
<td>36</td>
<td>13.0</td>
<td>28</td>
</tr>
<tr>
<td>No.</td>
<td>210</td>
<td>75.8</td>
<td>86</td>
</tr>
<tr>
<td>I don’t know.</td>
<td>9</td>
<td>3.2</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>100.0</td>
<td>133</td>
</tr>
</tbody>
</table>

Source: Results based on the enterprise survey, conducted by authors.

On the other hand, almost 70% of respondents wish to maintain the important influence of the family on business – they answered “yes” to the question, “Will the enterprise remain in the ownership and in the management of the family in the next generation?” This result is very similar to results from Hungary (Kadocs and Sütő, 2004) and to those from some established market economies discussed previously in the text (Donckels and Lambrecht, 1999; Bjuggren and Sund, 2001; Astrachan et al., 2002a; Astrachan et al., 2002b; Astrachan et al., 2003).

It is concerning, that more than 25% of respondents in family enterprises are 51 years or older. Estimating that the
period needed for preparation and planning of succession is five to ten years (if the preparation and planning also includes the qualification of a potential successor, even longer periods may be required), it is rather surprising that only less than 60% (on average 57.5%) of respondents who are 51 or older, are actually planning it in the next five years. It seems that 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), therefore the hypothesis H2 is confirmed. Even though the results of the research carried out in established market economies shows that first-generation family enterprises did less succession planning than second and third generation family enterprises (Sonfield and Lussier, 2004), that does not mean that the transition countries should go in the same way. The succession experiences from established market economies show that succession planning (Handler, 1994; Morris et al., 1997; Sharma et al., 2003; Sonfield and Lussier, 2004) and experiences passed between generations and owner-managers importantly influence the effectiveness of the succession process. Therefore it is important that owner-managers become aware of the importance of planning the succession in time.

The results about reasons of not planning the succession actually show that owners-managers are not aware of the importance of the succession planning for the success of succession (Figure 1). The majority (51.0%) of those owners-managers, who have not started planning the succession in ownership and/or in management yet, stated the reason as "not planning to retire in the next five years," and almost 25% of them believe "succession planning is not necessary." Since almost no support or actions are taken to support successions and succession planning in transition environments, a lot of transfers of family enterprises could fail due to the lack of planning the transfer of ownership and management.

Other reasons, such as, "there is no successor, therefore I'm not occupied with it," and "children are not interested in the business" are less frequent. Only one percent of respondents claim that, "transfer to the next generation has been recently realized" (Figure 1). A significantly higher proportion of respondents from non-family enterprises claims that "succession planning is not necessary" (p < 0.05). In non-family enterprises owners-managers also more frequently claim there is no successor, therefore they are not occupied with succession issues.

Regarding succession in management (Figure 2), the majority of respondents decided to realize the succession within the family (63.5%). The PRIMA research (PRIMA, 2002; Birley and Godfrey, 2000) showed similar results regarding succession in management for Poland as the only participating transition countries.
Only a small proportion of owners/managers opted for "no successor/closure" (1.9%). "The decision has not been made yet," was answered by 15.4% of respondents. As expected, the proportion of family enterprises that decided to realize succession within the family is significantly higher ($p<0.05$) than within non-family enterprises.
The situation is rather similar when deciding about the succession in ownership (Figure 3). Again the majority of respondents decided to realize succession within the family (71.4%), and less frequently for “transfer to the employees/management” (2.4%), “transfer to someone else” (9.5%), or for the option “no successor/closure” (2.4%). “The decision has not been made yet” was answered by 14.3% of respondents.

Although the proportion of respondents in family businesses that decided to realize succession within the family is higher than in non-family businesses, the proportions are not significantly different (p>0.05). It also indicates, that a lot of owners of firms, that are enlisted among non-family businesses using the definition described earlier, decided to transfer their ownership within the family, while the management functions will be transferred to other successors. Hypothesis H3 is confirmed, while H4 is not. Comparison with German-speaking countries (we do not dispose with comparable studies in transition countries) shows that also in these countries the majority of businesses are passed on to family members (43%), 13% is passed to employees and 16% to third parties; in the case of 27% of companies none of the previous listed transfer of ownership is possible and these enterprises have to be closed down (Neubauer, 2003). The International Business Owners Survey (IBOS, 2005), which covers over 6,000
medium sized companies in 24 countries, reveals that just over a quarter of businesses expect a change of ownership in the next ten years. Trade sale (sale of shares to another company) is the most likely type of change (24% of companies expecting a change), but the possibility of passing to the members of the family is not far behind (20% of companies expecting a change). The research also reveals that just over a half of businesses who anticipate a change in ownership have made preparations for this change.

On the contrary, research results from EU Member States show that fewer and fewer transfers are family succession. As already mentioned previously in the text, this trend indicates a decreasing willingness of descendants to take over the family enterprise. Due to the wider accessibility of education, today’s young generation has broader options than that of continuing a family enterprise. Moreover, Keese (2002) calls attention to the fact that parents have fewer children and therefore owners-managers have a lower chance of finding a successor within the family, especially because the increased competitive environment requires higher managerial and entrepreneurial skills. Our research gives only insights in owners-managers’ intentions regarding succession, therefore more research should be done regarding willingness of potential successors from the family in transition countries.

CONCLUSIONS AND POLICY IMPLICATIONS

The future of family enterprises will, among other things, depend on how successfully these enterprises are going to cope with succession issues. According to findings in different studies presented in this paper, succession is not a problematic issue only in family SMEs but also in non-family ones. Considering reports on the importance and complexity of succession issues in established market economies, and the fact that owners-managers of SMEs in transition countries are also ageing, it can be expected that an increasing number of family and also non-family SMEs are going to face succession problems in transition countries in the near future. Even though encouraging start-ups is a very important part of promoting entrepreneurship and creating more employment in transition countries, we should not forget that the continuity of existing companies is also an important part of encouraging entrepreneurship, growth, and development. Evidence from EU countries indicates that existing companies conserve on average five jobs, whereas a start-up generates on average only two jobs. An important cognition from established market economies is that transfers of businesses foster the entrepreneurial spirit. Family enterprises conserve a certain en-
entrepreneurial spirit inside the society and provide a natural incubator for young entrepreneurs. 15

Considering succession in SMEs, and especially in family SMEs in Slovenia, conclusions of the research are:

– The majority of family businesses in Slovenia are young, owned by a founder.

– Only one fifth of responding owners-managers are planning the transfer of management and/or ownership in the next five years.

– Regarding succession in management, the majority of responding owners-managers decided to transfer the management functions to family member(s); that is especially true for family enterprises.

– Regarding succession in ownership, the research results indicate that the majority of responding owners-managers decided to transfer the ownership to the family member(s); the research results show no statistically significant differences between family and non-family enterprises.

– "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. Owners-managers of non-family enterprises frequently, in a statistically significant higher share, stated the reason as, "succession planning is not necessary."

Comparison of our research results with other research studies, mostly from established market economies since the number of researches from transition countries is rather limited, shows that regarding the age and the family generation in charge, Slovenia is a typical transition country. Other results (a strong wish to maintain the important influence of the family on business; low level of importance attached to the succession planning by owners-managers; family members as potential successor) show a great deal of similarities between Slovenia and established market economies. Even though more research on succession in transition countries should be done in order to make more precise conclusions. In the continuation some proposals are made based on our research results.

Regarding the last finding of our research, we refer to the recommendations of the expert group on the transfer of SMEs set up by the European Commission. This expert group pointed out the importance of raising the owners-managers’ awareness of the need to prepare the transfer of management and ownership in time. This is the starting point for a successful transfer. 16 Experiences from the Netherlands and Austria show that measures for raising awareness are particularly successful if they are targeted at individual companies. In these two
countries chambers of commerce sent letters emphasizing the need of a timely transfer preparation to business owners over a certain age.\textsuperscript{17} We believe that raising awareness of the need to prepare the transfer of management and ownership in time is needed not only in family enterprises, which are better prepared according to research results on succession in Slovenia, but in all SMEs in Slovenia and other transition countries.

Regarding our findings on strong desire of the surveyed owner-managers to keep the business in the family, more research attention in Slovenia, and we believe that also in other transition countries, should be devoted to the offspring’s intentions to take over the family enterprise, as well as factors which have an impact on these intentions (for example: demographic factors, which in established market economies have an impact on offspring’s intention, as studied by Stavrou, 1999). That is especially important since already mentioned studies in established market economies suggest that family businesses are in general facing an increasing unwillingness of descendants (sons, daughters) to take over the family enterprise (Stavrou, 1999), since they want to start their own business (Bjuggren and Sund, 2001). In such a case, the policy measures supporting succession within a family are not very likely to be successful. From this point of view the policy measures that would support start-ups and create an entrepreneurial climate to stimulate new business are needed. Some research results for Croatia (Singer et al., 2006) as well as for Slovenia (Rebernik et al., 2006) point out that policy measures should be focused on efficient creation of a stimulating entrepreneurial environment for start-ups as well as for the growth of businesses.

Besides raising awareness, the right regulatory framework and support structures and services to facilitate business transfers are also needed. The already mentioned expert group found that a lot of support was available for business transfers from numerous institutions but seldom in a structured manner, and therefore was not necessarily reaching the target audience.\textsuperscript{18} This group put forward a few proposals: the creation of a "European Business Transfer Centre," a virtual European platform for co-ordinating the gathering of information and exchange of experiences and best practices on the situation in the Member States; the creation of a European business sellers’ and buyers’ database/market place; the organization of regular European seminars and meetings; the development of alternative or additional tailor-made training and management tools for both the existing and future small and medium-sized family enterprises; and the stimulation of support programs and researches on business transfers. It was pointed out that business transfers should be given the same degree of importance as start-ups. Therefore, one of the Eu-
European Commission’s key actions\textsuperscript{19} for the future is to facilitate business transfers, especially in family enterprises.

Even though our research only partially highlights the succession situation in small and medium-sized family enterprises in Slovenia – the legal, tax, and financial aspects of succession were not studied – we draw attention to above-mentioned proposals and recommendations developed by the European Commission and for which the researches within the EU countries appear to be an important framework in facilitating the succession process. That is especially important for transitional post-communist economies which are dominated by family enterprises controlled by the founding generation (generational family enterprises are scarce). Owners-managers (founders in the majority of cases) are getting older and have almost no previous succession experiences. They have almost no possibility of sharing the succession experience with others, since the majority of their colleagues’ owners-managers are the founders (not successors). We believe that in Slovenia and in other transition countries besides raising owners-managers’ awareness of the need to prepare the transfer of management and ownership in time, it is also important to offer special training programs and special counseling on business transfers, including succession topics in study programs, to create a business sellers’ and buyers’ database/marketplace, to start collecting best practices and to provide information on support available for facilitating business transfers. In this paper presented cognitions on the factors that contribute to effective succesions and the effectiveness of the enterprise after the transition are of great importance in creating such support. Since these cognitions are based on researches carried out in established market economies, additional researches should be conducted focusing on testing whether or not these cognitions are useful in specific conditions and situations of transition economies.

Therefore, it should be useful to continue with the research and to start collecting data on succession on a regular basis. The previously mentioned expert group suggested indicators for monitoring business transfers at European level,\textsuperscript{20} which would provide a basis for the evaluation of transfer processes, and the design for appropriate policies. Also in transition countries the following indicators should be made available on an annual basis: age structure of family and non-family SME owners by size class of enterprise, 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, …), form of transfer (inheritance, gift, sale, merger, etc.), reasons for transfer (retirement, accident, other reasons), and period of ownership. Some indicators cannot be provided without specific research, and may, there-
fore, be generated less frequently, for instance every five years. Such indicators include: the number of owners planning business transfers in the next five or ten years; the number of owners over 50 years old who are not planning business transfers in the next five or ten years; the number of jobs affected by planned transfers; the average time when owners started planning the transfer; successful and failed transfers, and reasons for failed transfers.

NOTES

1 For example Morck and Yeung (2003) report that the Wallenberg family controls 43% of the Swedish economy, and firms controlled by the Noboa family provide an income for about three million of Ecuador’s 11 million people.

2 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of Regions – Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses – Continuity through a new beginning (14/03/2006), p. 3.

3 Final report of the expert group on the transfer of SMEs, European Commission, May 2002, p. 7, 10-11. Estimation was made for the EU-19, without new countries joining the EU in 2004.

4 “International Family Enterprise Research Academy” (acronym: IFERA) is a not-for-profit organization fostering family business research based in Barcelona, Spain.


8 The search for published researches (articles) on succession (succession planning) in family enterprises in transition (post-communist) countries between 1995 and today in ABI INFORM GLOBAL, ECONLIT; SCIENCE DIRECT and WEB OF SCIENCE was unsuccessful (no articles were found). An attempt to create knowledge on family enterprises in these countries was a special issue of the Family Business Review (1997, vol. 10, no. 3) and also the international conference MER 2002 entitled “EU-Integration und die Entwicklungsbesonderheiten der Familienunternehmen”, which took place in Slovenia. The papers presented at the conference were published in the MER Journal for Management and Development (2002, vol. 4, no. 1; 2002, vol. 4, no. 2; 2003, vol. 5, no. 1; 2003, vol. 5, no. 2).

9 Source: http://www.vlada.hr/zakoni/mei/cro/pog16.pdf

10 Definitions used: Def. (1): The enterprise is perceived by the top manager (entrepreneur, owner-manager) to be a family enterprise. Def. (2): More than 50% of ordinary voting shares are owned by members of the largest single family group related by blood or marriage. Def. (3): Def. (1) AND def. (2). Def. (4): Def. (3) AND one or more of the management team is drawn from the largest family
group that owns the enterprise. Def. (5): Def. (3) AND 51% or more of the management team is drawn from the largest family group that owns the enterprise. Def. (6): Def. (4) AND the enterprise is owned by second-generation or more family members. Def. (7): Def. (5) AND the enterprise is owned by second-generation or more family members.

The respondent who is "qualified" to answer questions on succession is the owner-manager who personally owns more than 50% of an enterprise since he/she has a decisive role in the succession process. Also the fact that in most SMEs the transfer of ownership goes hand-in-hand with the transfer of the management functions was taken into account.

13 Final report of the expert group on the transfer of SMEs, European Commission, May 2002, p. 27.
14 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses – Continuity through a new beginning (14/3/2006), p. 3.
15 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses – Continuity through a new beginning (14/3/2006), p. 6.
17 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses – Continuity through a new beginning (14/3/2006).
18 Final report of the expert group on the transfer of SMEs, European Commission, May 2002, pp. 21. Study was made for the EU-19, without new countries joining the EU in 2004.
19 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses – Continuity through a new beginning (14/3/2006).

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### Pitjan sukcesje unutar obiteljskih poduzeća u tranzicijskim privredama

Mojca DUH, Polona TOMINC, Miroslav REBERNIK

Fakultet ekonomije in poduzetništva, Maribor

U zemljama s dugom povijesšću poduzetništva i tržišne ekonomije zamjetni istraživački napor i posvećeni su sukcesiji u obiteljskim poduzećima. Takve su studije rijetke u bivšim komunističkim zemljama uglavnom stoga što su privatna poduzeća bila izvan zakona u razdoblju socijalističke privrede. Razmatrajući izvještaje o važnosti i složenosti pitjanav su sukcesije, i uzimajući u obzir starenje vlasnika-
menadžera obiteljskih poduzeća, očekuje se da će se u tranzicijskim zemljama sve veći broj obiteljskih poduzeća u bliskoj budućnosti suočiti s problemom sukcesije. Ovaj članak izvještava o ponovnom stvaranju obiteljskih poduzeća u tranzicijskim zemljama i o rezultatima istraživanja među 350 malih i srednjih slovenskih poduzeća (SME). Obiteljskim poduzećima uglavnom još upravljaju generacije osnivača koje nemaju iskustva sukcesije, jasnih uzora u tome, kao ni gotovo nikakve mogućnosti dijeljenja iskustava o sukcesiji s drugima, jer većinu njihovih kolega vlasnika-menadžera također čine osnivači (a ne sljednici). Osim razvijanja svjesti vlasnika-menadžera i pružanja informacija o raspoloživoj podršci koja može olakšati poslovne transfeere, u tranzicijskim privredama prijeko je potrebno ponuditi posebne programe usavršavanja u poslovnim transferima, uključujući sukcesijske teme u studijskim programima, posebne savjetodavne usluge o poslovnim transferima i stvaranje baze podataka/tržišta poslovnih ponuđača i kupaca.

Ključne riječi: sukcesija, obiteljska poduzeća, tranzicijska privreda

Die Frage der Sukzession in Familienbetrieben in Transitionsländern

Mojca DUH, Polona TOMINC, Miroslav REBERNIK
Fakultät für Wirtschaftswissenschaften und Unternehmertum, Maribor


Schlüsselwörter: Sukzession, Familienunternehmen, Transitionswirtschaft