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MASTER'S THESIS

INTERGENERATIONAL SUCCESSION IN THE FAMILY BUSINESS THROUGH THE PRISM OF CULTURE AND GOVERNANCE

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AUTHORSHIP STATEMENT

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LIST OF ABBREVIATIONS

sl. - Slovene

AJPES – (sl. Agencija Republike Slovenije za javnopravne evidence in storitve); Business Register of Slovenia

BU – (sl. Poslovna enota); Business Unit

CEO – (sl. Glavni izvršni direktor); Chief Executive Officer

CFO – (sl. Glavni finančni direktor); Chief Financial Officer

COO – (sl. Glavni operativni vodja); Chief Executive Officer

CPO – (sl. Glavni vodja proizvodnje); Chief Production Officer

CSO – (sl. Glavni prodajni vodja); Chief Sales Officer

CTO – (sl. Glavni tehnološki vodja); Chief Technology Officer

CVF – (sl. Modela konkurenčnih vrednot); Competing Values Framework

EFB – (sl. Evropska družinska podjetja); European Family Businesses

ERDF – (sl. Evropski sklad za regionalni razvoj); European Regional Development Fund

FBN – (sl. Mreža družinskih podjetij); Family business network

GDP – (sl. Bruto domači proizvod); Gross domestic product

GEM – (sl. Globalni podjetniški monitor); Global Entrepreneurship Monitor

HR – (sl. Človeški viri); Human Resources

OCAI – (sl. Merski inštrument organizacijske kulture); Organisational Culture Assessment Instrument

SME – (sl. Mala in srednje velika podjetja); Small and medium-sized enterprises

1 INTRODUCTION

Family enterprises play a crucial role in free economies worldwide. They contribute to approximately over 70 per cent of the global GDP and 60 per cent of worldwide employment (United Nations Conference on Trade and Development, 2021). Furthermore, in Europe, over 60 per cent of all European enterprises are identified as family businesses (EFB, n.d.). More precisely in Slovenia, family businesses contribute roughly 67 per cent to the national GDP, while they are responsible for around 70 per cent of the total employment in the country (Antončič et.al., 2015). These businesses where decision-making is influenced by multiple generations of a family, can vary in size from small and medium-sized enterprises (SMEs) to large conglomerates. The unique combination of family ties and business operations creates a complex environment where personal and professional interests intersect. Family members serving as both business leaders and relatives face a distinct set of challenges and opportunities, different from non-family enterprises.

The global economy is currently facing a vulnerable period due to the upcoming wave of retirements among family business owners. Family businesses are a significant part of the global economy, making substantial contributions to GDP, employment, and innovation. Studies show that between 50 per cent and 80 per cent of family business owners plan to retire in the next decade. This demographic shift presents a critical juncture for these businesses, as the transition of leadership and ownership can pose significant risks (Bjuggren & Sund, 2002; Deloitte & Touche, 1999; KPMG, 2010; Smyrnios & Dana, 2006).

In the context of the Slovenian economy, family businesses constitute the majority of all businesses in the country, employing 70 per cent of the working population, and contributing 67 per cent of the added value of all Slovenian businesses. However, only nine per cent of descendants are interested in taking over ownership, with the majority of these businesses being led by the first or second generation, and very few surviving beyond the third generation (SPIRIT, n.d.; Antončič et.al., 2015).

The vulnerability arises from several factors. Firstly, the lack of succession planning can lead to sudden leadership changes, creating instability and potentially disrupting business continuity. Secondly, emotional and interpersonal dynamics within families can complicate the succession process, resulting in conflicts and differing visions for the future of the business. Finally, the incoming generation may struggle to earn the trust and respect of existing employees, customers, and other stakeholders, which can impact the business's performance and reputation.

This thesis aims to address these vulnerabilities by examining the factors that contribute to successful intergenerational succession, with a specific focus on culture and governance changes. These changes can significantly impact the business's strategic direction, operational efficiency, and long-term sustainability. By studying these transitions, the research aims to uncover the key factors that contribute to a successful handover, ensuring the continuity and growth of the family business.

The main objective of this thesis is to investigate intergenerational succession within family businesses, with a focus on cultural and governance changes. The specific goals are to: (1) identify the key cultural and governance shifts following intergenerational succession, (2) analyse the perspectives of the main stakeholders of my family business regarding the changes during the succession period, (3) provide practical insights and recommendations for family businesses to effectively manage cultural and governance changes during intergenerational transitions.

By examining the leadership transition within my own family business, I aim to comprehend the challenges, opportunities, and strategies involved. This study will explore the impact of succession on company culture and leadership, offering practical recommendations for young leaders to ensure a smooth transition and long-term business success. Through comprehensive interviews and empirical research, my findings will provide valuable insights and best practices for effective succession planning for family business owners, successors, and stakeholders in Slovenia.

This research utilises a mixed-method approach, combining qualitative and quantitative methods to gain a comprehensive understanding of the subject. The qualitative component includes a case study of a successful family business succession in Slovenia, serving as a benchmark, and in-depth interviews with key stakeholders of my family business, which is currently undergoing an intergenerational transition. The quantitative component involves a questionnaire aimed at measuring the current and preferred culture of the company after the transition.

The mixed-method approach allows for a holistic view of the succession process. Qualitative data provides rich, detailed insights into the personal experiences and narratives of family members involved in the succession, while quantitative data offers measurable evidence of trends and patterns. By integrating these methods, the research can capture the complexity of intergenerational succession and provide robust conclusions.

In this Master's thesis, I will explore the topic of family business leadership transition, guided by two hypotheses: (1) Effective governance structures significantly contribute to the success of intergenerational succession in family businesses, and (2) A strong, adaptive culture within a family business facilitates smoother transitions and enhances overall performance post-succession.

Throughout the research, I will address the following three research questions: (1) How does the company culture change after intergenerational succession? (2) What steps can be taken to ensure a stable company culture during the transition? (3) How can an effective governance system be developed to manage the complexities of intergenerational succession?

This Master's thesis consists of five main chapters, including sub-chapters. The first chapter provides an in-depth exploration of the theory in the field of family businesses. It includes their definition, importance in Europe, and unique characteristics in Slovenia. The chapter discusses the complexities of defining family businesses, their role in economic growth, and the challenges they face in ownership transfers. It also reviews the historical evolution of family businesses, highlighting key milestones and influential theories that have shaped the understanding of family enterprises today. This chapter delves into various definitions of family businesses, considering factors such as ownership, control, and management by family members. It also highlights the significance of family businesses in the European context, where they form the backbone of the economy, driving innovation, job creation, and sustainable growth.

The second chapter delves into the process of passing on a family business to the next generation, examining the challenges, factors influencing successful transitions, and the impact on company culture and governance. It includes sections on the cultural and governance changes post-succession and potential conflicts arising during the process. This chapter will explore the theoretical foundations of succession planning, drawing on models and frameworks that explain how businesses can effectively manage the transition through culture and governance. Key topics include the role of succession planning, the importance of preparing the next generation, and strategies for mitigating risks associated with succession.

The third chapter details a methodology for conducting a case study on the successful transition of a family business. It provides a comprehensive analysis of a Lotrič Metrology case study, highlighting the transition process, challenges faced, and strategies employed. This chapter aims to offer practical insights into the succession process of Lotrič Metrology. The selected case study will illustrate different approaches to succession, showcasing best practices and lessons learned. These case studies will serve as a valuable resource for family businesses looking to navigate their succession journeys.

The fourth chapter focuses on a case study of my family company which is currently in the process of intergenerational transition. It analyses the perspectives of various stakeholders involved in the succession process, including employees, current leaders, and successors. It uses multiple methodologies such as document analysis, observational analysis, OCAI questionnaires, and interviews to gather and interpret data. This chapter will explore the roles and expectations of family members, non-family employees, and external advisors in the succession process. It will highlight the importance of communication, trust, and collaboration among stakeholders to ensure a smooth transition.

The fifth chapter presents the findings, discusses the implications for family businesses, and offers recommendations for managing intergenerational succession. It emphasises the importance of a robust governance framework and adaptive culture in ensuring successful transitions and sustaining business performance.

2 FAMILY BUSINESS

This chapter explores family businesses in-depth, discussing their definition, importance in Europe, and unique characteristics in Slovenia. It analyses the complexities of defining family businesses and their role in driving economic growth, as well as the challenges they face in transferring ownership from one generation to the next. Through reviewing scholarly research and empirical data, this chapter provides insights into the dynamics of family businesses and their impact on local and regional economies.

2.1 Family business definition

Overall, the foundation of family business research is not based on a standard definition of the subject of the study. Family business, as the form of the oldest commercial organisation, has no generally agreed definition, and the data on it is insufficient (KPMG & EFB, 2019). This phenomenon is frequently characterised as a firm owned by a family. Even though this definition of a family enterprise appears to be justified, some family business academics disagree. They contend that family ownership is only a prerequisite for a company to be categorised as a family business.

Researchers have submitted several definitions in their work. However, as Astrachan and Zellweger (2008, p. 3) said, "different definitions offer different findings", which explains that researchers' results change with the family firm definition. Instead of expressly attempting to examine which definition should be applied under which situations systematically, they frequently emphasised specific difficulties without analysing the choice of a suitable definition in-depth. Nevertheless, a clearly defined population is required to develop an independent theory of family businesses.

Family business research as a distinct academic discipline started to develop back in the year 1964 with the publication of Donnelley's seminal article "The Family Business" in Harvard Business Review, in which he suggests that a variety of factors are crucial for family business study. According to Donnelley (1964, p. 94), a family business is one that: "has been closely identified with at least two generations of a family and when this link has had a mutual influence on the company policy and the interests and objectives of the family". With this exact definition, he highlighted specific characteristics of family firms, such as the engagement of family members in the enterprise, the effects of their influence on crucial business success determinants, the make-up of the management board, or succession plans.

Researchers focused more and more of their expertise on the area in the following years. They examined various issues, from the broad implications of ownership, family management engagement, generational transfer, and governance to more focused issues like inventive behaviour or the need for trust for businesses' cooperative conduct. For example, Sharma, Chrisman, and Chua (1997) reviewed 267 family business articles and discovered 34 alternative definitions of family firms. The study concludes that academics studying family businesses tend to focus on performance, governance or the family role. In this regard, Chrisman, Chua, and Sharma (2005) see an overlap of two definitional methods among family business researchers: components of the family involvement approach and the essence of the family involvement approach. An essence method examines the actual conduct of family members in the firm instead of a components approach, which focuses on combinations of ownership, control, or management.

Throughout this research, the terms "family business" and "family firm" are used synonymously, as the division of this group of firms does not contribute to the study's objective. This is a common practice in family business research, but it should be distinguished from the term "family businesses/firms", as these terms focus only on a particular aspect of family businesses, i.e. ownership.

To simplify things, the definition of family business used in this thesis has been written by Venter, Boshoff and Mass (2005, p. 284). It reads as follows: “A family business is one that is owned by the members of the same family to shape and/or pursue the formal or implicit vision of the business, and where it is the intention of the family members to hand the business over to the next generation or where the business has already been handed over to a family member to manage and/or control.” The definition proposed by Venter, Boshoff and Mass in 2005 is chosen for its brief explanation of the primary characteristics of family businesses. These characteristics include ownership by family members, shared vision pursuit, and intention for intergenerational succession. This definition provides a clear framework for analysing the dynamics and longevity of family businesses, which is essential for the focus of this thesis on succession planning and its impact.

2.2 Family businesses in Europe

Family enterprises are the foundation of the European economy. Europe is home to various family businesses, varying in size, sector, and generation. They contribute substantially to the GDP, jobs, and innovation. According to the definition of the European Commission (n.d.), a significant portion of decision-making authority belongs to “the natural person(s) who established the firm” or to “the natural person(s) who has/have acquired the share capital of the firm,” or to “their spouses, parents, child, or children's direct heirs”.

According to their definition, it is important that “at least one representative of the family or kin is formally involved in the governance of the firm”. The EU states that the company qualifies as a family enterprise if the person who founded or bought the company (share capital), their families, or their successors own 25 per cent of the decision-making powers specified by their share capital.

Current data suggests that most small and medium-sized enterprises (SMEs) in Europe are family-owned, making them a vital component of the economy. The European Family Businesses (EFB) identifies over 60 per cent of all European enterprises as family businesses and between 40 and 50 per cent of all employment in Europe. According to its data, 17 million family-run businesses offer 100 million jobs in the private sector. On the other hand, family businesses represent between 65 and 80 per cent of all existing companies depending on a different definition (EFB, n.d.).

Notably, a study conducted by the Bank of Italy in 2005 found that 93 per cent of Italian industrial businesses employing under 50 individuals are owned and operated by families (Giacomelli & Trento, 2005). Research indicates that some of Europe's largest companies are family-run. A recent investigation by Cruz and Nuez (2013) discovered that 27 per cent of European firms listed on the stock market with a market capitalisation exceeding 50 million euros are managed by a family group. Examples of well-known European companies with family control and European headquarters include Roche, LVMH, Fiat, Beretta, and Swatch.

Additionally, the data gathered by the FBN International Family Business Monitor (n.d.) has shown that 16 per cent of family-owned businesses in the United Kingdom and 18 per cent in Italy have reported generating annual revenues that exceed 2 million euros. IFB Research Foundation (2023) has reported that family-owned businesses constitute 85 per cent of all UK firms. These businesses support around 14 million jobs, which accounts for 51 per cent of all private sector employment in the UK economy, making them the largest private sector employer. These companies directly generated 44.4 per cent of GDP in 2020.

Family businesses are crucial in driving growth and development in European economies. For example, in Germany, family-controlled enterprises that account for over 90 per cent of all German companies contribute approximately 55 per cent of the country's gross domestic product and employ 57 per cent. The so-called Mittelstand, in particular, serves as a focal point for industrial sectors in Germany (Schulz, 2023). Furthermore, Spain places even more incredible value on family businesses. Approximately 1.1 million companies are family-owned in Spain, representing 89 per cent of all companies. They create more than 67 per cent of private sector employment, with more than 6.58 million jobs and contribute to over 70 per cent of the country's GDP (Instituto de Empresa Familiar, n.d.).

However, these enterprises across Europe are in front of a big challenge as over the next five to ten years, the senior generation will be obliged to transfer ownership of the family company and other assets to the younger generation (KPMG & EFB, 2019). Europe can expect a significant transfer of wealth across generations. According to this year's poll, 35 per cent of participants intend to transfer ownership of the company to the following generation, and 33 per cent intend to transfer managerial duties. Notably, 37 per cent of respondents believe that the biggest obstacle to giving up the keys is managing the emotional consequences of doing so. The majority (62 per cent) anticipate designating a family member as the next president or CEO; however, for family enterprises with 1,000 or more employees, the percentage reduces to 52 per cent. This may be due to family members realising that non-family executive leadership is necessary as family firms expand in an increasingly complicated commercial environment (KPMG & EFB, 2019).

As planning for succession is essential for family companies in Europe, the European Regional Development Fund (ERDF) provides grants to encourage SMEs to undertake activities to prepare and implement the transfer of ownership in a timely and sufficiently rapid manner, as this is an extremely complex project (Kociper et al., 2019).

2.3 Family businesses in Slovenia

According to the established guidelines of the Slovenian legal framework, the notion of a "family business" is not bestowed with any official acknowledgement, nor does it feature in the records maintained by the court or the Business Register of Slovenia (AJPES). It is imperative to note that such businesses are not recognised as distinctive legal entities and are instead categorised under the broader spectrum of sole proprietorships, partnerships, or limited liability companies.

Despite this, family-run businesses play a crucial role in the Slovenian economy, representing the majority of all businesses in the country. According to EY's definition of a family business, which states that the company is family-owned, “either public limited companies with a minimum family ownership or voting power of 32 per cent, or private companies with a minimum family ownership of 50 per cent”, 83 per cent of Slovenian companies are family-owned and operated. Small-scale operations generally characterise them with a workforce of less than 50. In fact, Slovenian family businesses employ 70 per cent of the working population in Slovenia and contribute 67 per cent of the added value of all Slovenian businesses (SPIRIT, n.d.;, Antončič et.al., 2015).

Family-owned businesses of this nature generally on average produce an annual income of up to 4 million EUR and have demonstrated their ability to operate successfully for more than two decades. First or second-generation owners oversee them. More specifically, it has been observed that in 71 per cent of companies, multiple family members hold managerial positions. Similarly, in 62 per cent of Slovenian companies, more than one generation of family members are involved in the business (Antončič et.al., 2015).

According to the SPIRIT agency (n.d.), only nine per cent of descendants are interested in transferring ownership of the family business. In Slovenia, it is commonly observed that family businesses are predominantly led by the first (58 per cent) or second generation (37 per cent), with only a mere five per cent being managed by the third or younger generation. This trend is consistent with the fact that privately owned businesses have only become prevalent at a larger scale since the emergence of the market economy in the early 90s. Worth noting is that this situation is similar to the norm in Western Europe and North America, where fewer than 10 per cent of family businesses manage to survive beyond the third generation (Antončič et.al., 2015).

Most family business managers are men, accounting for 62 per cent of the total. Additionally, 68 per cent of them are majority owners of the business, and 38 per cent have played an active role in creating it. It is intriguing to note that a significant percentage of family business managers, approximately 78 per cent, grew up around entrepreneurs and have parents who have entrepreneurial experience. Despite not having grown up in an economically favourable environment for entrepreneurship, they have entrepreneurs as role models (Antončič et.al., 2015).

Family businesses are the backbone of the Slovenian economy, representing a significant share of the country's businesses and employing the majority of the workforce. Although they are not officially recognised as a specific legal category, their impact is undeniable. Often small, they play a key role in creating value and sustaining long-term business, and are often run by first- or second-generation family members. However, we are currently witnessing an extremely important period for the Slovenian economy. Following market liberalisation in the 1990s, there has been a huge increase in business start-ups, and now many of these founders are approaching retirement age. New generation, succession planning and management change can present major challenges. Ensuring the longevity of these companies through careful succession planning will be essential to maintain their central role in Slovenia's economic future.

3 INTERGENERATIONAL SUCCESSION IN FAMILY BUSINESSES

This chapter covers the complex process of passing on a family business to the next generation. It examines the challenges and factors that affect a successful transition, including how it affects the company's culture and decision-making. It also looks at how leadership changes can impact the business's performance, and how conflicts can arise during this time. Finally, this chapter provides insight into how cultural and governance changes can occur after the transition. Overall, the goal is to provide a comprehensive understanding of the difficulties involved in intergenerational succession within family businesses.

3.1 Overview of intergenerational succession in family businesses

According to LeCouvie and Pendergast's (2014) research, family-owned businesses generally outperform their non-family counterparts due to several contributing factors. One of the main reasons for this success is their unwavering commitment to maintaining continuity for the family and the business. Unlike their non-family competitors, family business owners prioritise long-term sustainability and continued family involvement, highlighting their dedication to the company's future.

The transition of leadership from one generation to the next is a critical milestone in the life of a family business and is arguably the most important hurdle to intergenerational longevity. These firms might undergo transitions for various reasons, such as retirement, disability, death, or the desire for change. It can become complicated and arduous due to the intermingling of emotions, family dynamics, and business operations (Isaac, 2019; Handler, 1992).

In the research literature on family businesses, succession planning is a crucial business strategy. It ensures business continuity and seamless and uninterrupted business operations (Kenton, 2022; LeCouvie & Pendergast, 2014). However, it is often accompanied by tensions and delayed indefinitely. When a generation changes, the influence of family dynamics on corporate decision-making is frequently most evident. Families with businesses have many options as they pursue generational transitions. Family members receive the chance to express their perspectives on the legacy, the company, and the family's future; they learn more about their future shared vision; communication usually improves, and the family often unites in ways different from prior initiatives (LeCouvie & Pendergast, 2014).

That being said, the issue of succession planning can present a significant challenge for individuals in leadership positions. This subject often elicits strong emotional responses, including fear, recognition of one's ageing and mortality, concern over a potential loss of identity associated with their involvement in the company, and a desire to avoid familial conflicts. Addressing these complex and sensitive issues thoughtfully and strategically is vital for ensuring the organisation's long-term success (Yezza et.al., 2021; Isaac, 2019; Dunn, 1999).

A successful leadership transition necessitates meticulous planning, transparent communication, and conflict management. The process typically involves identifying and cultivating potential successors, establishing a clear timeline, defining the new leadership structure, and implementing a comprehensive succession plan (Manderscheid & Ardichvili, 2008). Without proper planning, conflicts and disruptions can occur. Families who fail to prepare may experience intra-family or non-family conflicts, and transitions may be delayed due to fears and reluctance (Dunn, 1999).

3.1.1 Challenges of intergenerational succession in family businesses

Based on the researchers' conclusion, family businesses often struggle with longevity. Studies show that only 30 per cent survive to the second or 14 per cent to the third generation, especially smaller ones, and only three per cent of all family businesses continue to exist beyond the fourth generation (Bjuggren & Sund, 2001a, p. 12; Dyer, 1986; Ward, 2016). One of the already mentioned significant reasons is the complex procedures of passing on a highly emotional process of ownership and management (Magretta, 1998, p. 121).

Several factors may contribute to an unsuccessful transfer of business ownership, including inadequate preparation and planning, a shortage of capable successors, resistance from current business owners to relinquishing control, and the overall viability of the business. Many of these underlying causes have psychological roots, with some related to how employees perceive the successor and others to the successor's characteristics (De Massis et al., 2008; Sharma et.al., 2005; Barach & Ganitsky, 1995).

For example, perceptions of the successor may be influenced by traits such as a need for control (Burger, 2013) or a tendency to trust others (Colquitt et.al., 2007). Moreover, employee perceptions may be associated with the qualities and drive of the successor, including their skills and motivation. Such perceptions can potentially impact the interactions between the employee and the successor, ultimately affecting the latter's success. Given that succession is a process that occurs within constantly changing relationships, it is crucial to take into account both the employees' and successors' characteristics and conduct, as well as the dynamic processes that occur between them (Goldberg & Wooldridge, 1993).

The level of trust established between employees and successors can significantly influence the outcome of a family business succession plan. This notion is similar to the impact of trust between management and employees on employee performance and overall business success, as previously highlighted by Colquitt et al. (2007) and Ryan and Deci (2017). However, there is a dearth of research on the impact of an employee's trust in their successor on their behaviour, and no study currently examines how employee trust affects the motivation of the successor. Moreover, prior research has been unable to ascertain the effect of the successor's motivation on actual succession outcomes beyond the preparation or intentions for succession (Zellweger et.al., 2012; Goldberg & Wooldridge, 1993; Handler, 1992).

3.1.2 Factors influencing successful intergenerational succession in family businesses

As the population ages, the importance of understanding successful succession increases. It has been found that between 50 per cent and 80 per cent of family business owners plan to retire in the next decade (Bjuggren & Sund, 2002; Deloitte & Touche, 1999; KPMG, 2010; Smyrnios & Dana, 2006), but only a few descendants are willing and capable of taking over the business (Zellweger, 2017). Therefore, successful succession is crucial for business continuity, as selling to non-family owners or liquidation are the only options without proper transfer planning (Gagné et al., 2019). According to Handler's model (1989), succession planning in family businesses is influenced by individual, organisational, and external business environment factors.

3.1.2.1 Personal factors of a successor

The successor's intrinsic ‘motivation’ was revealed as the strongest predictor of succession success in the latest research on successor-related factors. Successor's intrinsic motivation is affected by their perception of autonomous support and self-confidence, which also directly impact the successful outcome. The motivation of the successor is often driven by a deep personal commitment to the family business's legacy and values, which can significantly influence their dedication and approach to leadership (Gagné et al., 2019).

The ‘degree of confidence’ that employees placed in their designated successors was found to be closely correlated with the extent to which they permit their successors to assume control over tasks, divulge pertinent information and solicit their input on business-related decisions. This level of trust considerably influenced the successors' motivation and the ultimate outcome of the succession process (Gagné et al., 2019).

Moreover, ‘entrepreneurial self-efficacy’ refers to an individual's belief in their ability to handle entrepreneurial tasks successfully (Boyd & Vozikis, 1994). This belief can have a significant impact on the decisions and actions of potential successors in a family business and the eventual outcomes of the succession process. An individual who possesses a high degree of entrepreneurial self-efficacy is more likely to take on the responsibility of managing the family business and effectively deal with the challenges that come with the transition to new leadership. Additionally, a strong sense of entrepreneurial self-efficacy in a successor can enhance their ability to adapt to change, innovate, and take initiative, which are all crucial qualities for successful future leadership in a family business (Drnovšek et al., 2010; Suhartanto, 2023).

Research conducted by Caliendo, Kritikos, Rodrıguez & Stiervisoka (2023) has shown that high levels of self-efficacy positively impact firm survival, entrepreneurial income generation, and growth efforts, such as job creation and innovation. Parental support has a significant influence on the self-efficacy of the next generation in a family business, leading to their intention to succeed in a family business. However, the same cannot be said for the support of non-family members, as high self-efficacy towards non-family members does not necessarily increase the next generation's intention to join the succession of the family business (Suhartanto, 2023).

According to other researchers, displaying a genuine ‘interest’ and demonstrating a ‘willingness’ to take on business is crucial. (Sharma, 2004; Sharma et al., 1997; Venter et al., 2005). Compensation, personal satisfaction, and financial security impact a successor's willingness and decision to join a family business (Fox et al., 1996; Stavrou, 1995). Younger family members are motivated to join, particularly by favourable financial incentives (Dumas et al., 1995).

Moreover, larger businesses offer more benefits, so family members decide to take over the business faster (Stavrou, 1999). A study by Dumas et al. (1995) found that parents' favourable financial opportunities motivate their successors to join the family business. Next-generation members' reasons for joining (due to their desire, sense of obligation, opportunity cost, or need) can affect their behaviour and performance in the business (Sharma, 2004).

On the other hand, the reluctance of a business owner to pass the reins to a successor may stem from doubts about the successor's competence, willingness, and desire to lead (Goldberg & Wooldridge, 1993, p. 70). Consequently, it is crucial for a successful transition for the successor to have credibility and legitimacy and for current employees to perceive them as capable (Dickinson, 2000, p. 37; Donckels & Lambrecht, 1999, p. 177; Matthews et al., 1999, p. 163). Research shows a positive correlation between the founder's confidence in the successor's abilities and their likelihood to take over the firm (Matthews et al., 1999, p. 164; Sharma, 1997, p. 237).

Moreover, studies have shown that when a successor's personal needs and professional interests match the opportunities in a family business, they are more likely to be willing to inherit it (Carlock & Ward, 2001). Research by Handler (1989) and Sharma (1997) highlighted the importance of aligning career interests and meeting psychosocial and life-stage needs for a successful succession experience.

Moreover, research shows that a 'good relationship between the current leader and their successor' is vital for a successful succession process (Brockhaus, 2004; Sharma et al., 1998). This relationship should be characterised by trust, support, open communication, and a willingness to learn from each other's accomplishments (Neubauer & Lank, 2016). Effective successors generally have better relationships with their fathers (the owner-manager) than less effective successors (Goldberg & Wooldridge, 1993).

The quality of the successor's experience is strongly influenced by mutual respect, understanding, and complementary behaviour between the founder and the next-generation family members. To sum up, the relationship between the outgoing leader and their successor significantly affects the succession process (Sharma, 1997; Stempler, 1988; Handler, 1989). Moreover, Lansberg's and Astrachan's (1994) study found that the quality of working relationships is crucial in mediating the relationship between successor training and family cohesion and flexibility.

Another important factor for the successful generation transition is a strong connection between 'successor readiness' and successful transitions (e.g., Brockhaus, 2004; Cabrera-Suárez et al., 2001; Venter et al., 2005). Developing well-prepared successors is actually vital for firms to survive generational changes, according to Ward (2016). The relationship between the owner-manager and successor also plays a significant role in training (Lansberg & Astrachan, 1994). The parent/manager's perception of the child's ability to lead is related to the level of developmental activities provided (Matthews et al., 1999).

Besides the successor's characteristics, the ‘demographic composition of organisational leaders’ influences managerial succession as well. Senior managers are more committed to the organisation and risk-averse. Succession preparation shows commitment and controls risk for the owners (Carlsson & Karlsson, 1970). Owners often resist succession planning due to fear of losing control, giving preferential treatment, or losing respect in the community (Kets de Vries, 1985). Moreover, the financial stake of the owner plays an important part. A leader's ownership and financial stake in an organisation increase their commitment and willingness to engage in succession planning. Personal wealth is linked to entrepreneurial behaviour and intentions, hence formalising succession planning can ensure a firm's survival (Krueger & Carsrud, 1993).

3.1.2.2 Organisational factors

Intergenerational succession in family businesses is also influenced by several organisational factors that play crucial roles in determining its success. Key elements such as leadership, governance structures, organisational culture, and strategic planning significantly impact the outcome of succession processes. Financial stability is essential as it provides the foundation for smooth transitions and continuity of operations. Effective human resource management is equally vital, ensuring the availability of competent successors and facilitating their development within the organisation. Moreover, the prevailing organisational culture and leadership style set the tone for succession readiness and acceptance of new leadership. Strategic alignment ensures that succession plans align with the long-term goals and vision of the family business (Venter et al., 2003).

‘Corporate culture’ is an important factor that affects the process of family business succession. According to Aderonke (2014), a well-established and adaptable corporate culture can ease the transition of leadership between generations by instilling shared values, norms, and traditions within the family and the business. Also, a positive corporate culture can promote trust, communication, and collaboration among family members and employees, which helps align interests and accept new leadership. On the other hand, a dysfunctional or inflexible corporate culture can hinder succession efforts by creating conflicts, resistance to change, and uncertainty about the business's future direction. Therefore, it is crucial to cultivate a supportive and inclusive corporate culture to ensure the success and sustainability of family business succession (Aderonke, 2014).

Maintaining adequate ‘financial resources and stability’ is crucial for a successful family business succession. A recent study highlights that financial stability provides the foundation for implementing succession plans, ensuring continuity, and mitigating potential risks associated with the transition. With financial stability, family businesses can invest in succession training, professional development, and strategic initiatives that support the transfer of ownership and leadership to the next generation. A sound financial position also enhances the confidence of stakeholders, including family members, employees, customers, and investors, thus fostering trust and stability during the succession process. On the other hand, financial instability or constraints may hinder succession planning efforts, leading to delays, conflicts, and uncertainties that jeopardise the long-term viability of the business (Csákné & Karmazin, 2016).

Studies show that ‘large-sized’ family businesses need more extensive succession planning. However, larger organisations have more opportunities for training and developing managers, leading to more complex succession plans. Additionally, these organisations can afford external consultants to facilitate succession planning and have access to more experienced candidates for potential succession (Chaganti et al., 1991).

In family businesses, also ‘formalisation’ is essential for succession planning. Involving external stakeholders, such as a board of directors, can provide additional structure. Studies support a positive relationship between structural formalisation and rational decision-making in family firms. As said, greater formality may also improve the integrity of succession planning in family businesses (Robinson and Pearce, 1983).

Last but not least, the decision regarding who will succeed the founder as the CEO of a family-owned business is also vital for successful continuity. There are two arguments to consider when making this decision. Firstly, the legal environment and secondly, the specificity of the family firm's assets. If the legal environment is strong, the founder is more likely to hire a professional as the CEO or sell the firm in the market.

However, if the legal environment is weak, the founder may choose a family heir as the next CEO and keep the firm ownership. In an intermediate legal protection environment, the founder may hire a professional as the CEO but still retain a controlling stake in the firm. The specificity of the family firm's assets may motivate the founder to transfer the firm leadership to a family heir who may be less skilled at managing the firm, particularly when the success of the firm depends on unique knowledge (Burkart et al., 2003; Lee et al., 2003; Pinheiro & Yung, 2015).

3.1.2.3 Business environment factors

The succession planning of family businesses can be as well influenced by a range of external environmental factors, which are essential to understanding the dynamics of succession within a family enterprise. Apart from economic conditions, industry trends, regulatory changes, technological advancements, and market competition, demographic shifts, such as changes in the workforce and customer demographics, play a vital role. In addition, globalisation and geopolitical factors can impact trade policies, supply chain management, and access to international markets, which, in turn, can affect succession strategies.

Furthermore, socio-cultural trends and consumer preferences shape market demands, which can influence strategic decisions regarding product/service offerings and branding that may impact succession planning. Family businesses must also consider environmental sustainability and climate change concerns, which can affect resource availability, operational costs, and regulatory compliance. Therefore, family businesses need to have a comprehensive understanding of these external factors to develop resilient and adaptive succession plans that can cope with the complexities of the evolving business landscape (Coffman, 2014).

Resource access, such as ‘access to capital’, allows owners/managers to be flexible and prepare for external or internal changes. Access to capital can facilitate succession planning and reduce internal conflicts. Family businesses may struggle to get external capital, so they often rely on internal sources. Those firms with family investors and employees are likely to care about the firm's survival (Gundry & Welsch, 1994).

To sum up, the literature suggests that all these factors can be organised into three main underlying determinants for successful transitions: (1) planning and control activities, (2) relationships among family and business members and (3) preparation level of heirs. Planning and control include succession planning and tax planning, while personal relationships focus on trust and communication within the family and with non-family employees. Heir preparation covers the necessary business skills, managerial capabilities, and knowledge required for the running of the business. Successful family business management requires shared values, common traditions, and the ability to accommodate one another. Last but not least, external factors can also have a great impact on the success of a transition. These variables can include market demand, economic conditions, buy-out offers from potential buyers, and financial pressures from lenders and other resources (Morris et al., 1996).

3.2 The impact of succession on the company's culture and governance

It is essential to understand the impact of succession on a company to grasp the broader implications of leadership transitions within family businesses. Many factors can influence the success of these transitions, but focusing on culture and governance is particularly vital. These two elements are crucial because they represent the core of how a company operates and evolves over time.

Governance structures dictate the decision-making processes and strategic direction of the business, which are essential during periods of change. Research indicates that effective governance mechanisms can facilitate smoother transitions, enhancing business continuity and performance (Renuka & Marath, 2021; Egloff & Bhalla, 2014). Moreover, governance frameworks help maintain the integrity and objectives of the business through successive generations (Dawson & Parada, 2019). As family businesses become more complex and globalised, the importance of robust governance structures will grow, necessitated by the challenges of managing diverse family groups, integrating non-family executives, and adapting to technological and market changes (Passis, n.d.).

On the other hand, company culture encompasses the values, beliefs, and behaviours that characterise how business is conducted. As new generations assume leadership roles, their unique perspectives and management styles can significantly reshape the organisational culture. Maintaining a consistent and positive culture through these transitions is critical for employee morale and overall company identity (Söderström & Kock, 2023; Adiguna, 2015). The impact of these cultural shifts can influence everything from internal communication to external brand perception, highlighting why culture is as crucial as governance during succession.

By concentrating on culture and governance, this chapter aims to dissect the fundamental components that support a seamless transition and ensure the long-term success of family businesses. Previous studies underscore the importance of these factors, providing a robust foundation for exploring their impacts in depth.

3.2.1 Culture in a family business

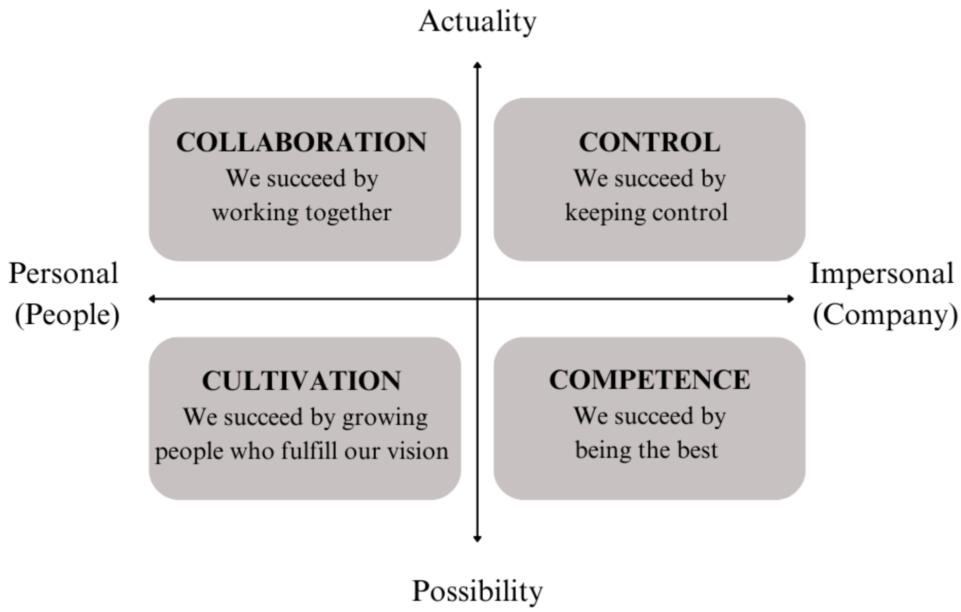
Firstly, in accordance with Schein (2010), organisational culture may be characterised as the set of norms, values, and beliefs that shape the attitudes and behaviours of workers within the workplace. The Schneider Culture Model, shown in Figure 1, is a commonly used model to define organisational culture. It has two dimensions. The first dimension is based on decision-making approaches. One end of the dimension is impersonal and driven by data and facts, while the other end is personal and driven by opinions, intuitive judgment, subjectivity, and emotions. The second dimension is centred on an organisation's focal points. Actuality represents a focus on current conditions and factual information, while possibility signifies an orientation towards envisioning and pursuing potentialities that have not yet materialised (Schneider, 2000; Krishnan, 2020).

The culture model is based on the concept of four core cultural quadrants: control, collaboration, competence, and cultivation. Each quadrant represents a unique set of values, beliefs, and behaviours that influence how authority, power dynamics, leadership, decision-making processes, performance assessment, and interactions with partners and customers are managed within an organisation (Schneider, 2000).

The ‘Control culture’ is centralised, structured, and process-oriented, with a hierarchical and directive approach to decision-making and actuality attention. The focus is on efficiency-based coordination and organisation, with formal rules and policies in place to ensure consistent and reliable work. Success is measured by the achievement of stable results through efficient task execution, and personnel management is tasked with ensuring predictable work. This culture is predominant in sectors such as medicine, nuclear power, military, government, banking, insurance, and transportation (Schneider, 2000; Organisational Culture Assessment Instrument (OCAI), n.d.).

The ‘Collaboration culture’ values teamwork, consensus-building, and personal decision-making. The working environment is friendly and fosters a sense of belonging. Leaders are seen as mentors or paternal figures who guide the organisation through tradition and loyalty. Involvement is highly valued, and there is a strong emphasis on Human Resource Development. Success is measured by meeting client needs while prioritising employee well-being. The culture advocates doing things together, emphasising the importance of teams and individual contributions. Long-term change is facilitated through commitment, empowerment, and cohesive engagement. This culture is commonly found in sectors such as healthcare, education, some government agencies, and non-profit organisations (Schneider, 2000; Organisational Culture Assessment Instrument (OCAI), n.d.).

Figure 1: Culture model



Source: Adapted from Schneider (2000).

The ‘Competence culture’ is known for its competitiveness and rigour, where decision-making is impersonal and attention to detail is given utmost importance. This type of work environment is result-oriented and focuses on achieving objectives swiftly while meeting targets and deadlines. Individuals are motivated by competition and are highly focused on their personal goals. Leaders in such a culture embody a hard-driving and competitive spirit, setting high expectations and pushing their teams to excel. Success is often equated with reputation and achieving goals. There is a strong emphasis on market dominance and outperforming competitors (Schneider, 2000; Organisational Culture Assessment Instrument (OCAI), n.d.).

This organisational culture prioritises speed, efficiency, and winning in the marketplace. It values quick decision-making, problem-solving, and decisive action, with an overarching focus on customer satisfaction, outperforming rivals, and maximising shareholder value.

This culture encourages rapid change and embraces a dynamic, fast-paced environment, where success is defined by immediate results, market leadership, and competitive pricing strategies. It is commonly observed in sectors such as consultancy, accountancy, sales and marketing, services, and manufacturing (Schneider, 2000; Organisational Culture Assessment Instrument (OCAI), n.d.).

The ‘Cultivation culture’ also referred to as the ‘Create culture’ is personal and emotional, with decision-making being more personal, and attention given to the possibility of new ideas. In this type of dynamic and innovative workplace, creativity and risk-taking are highly valued. Employees are encouraged to think outside the box and take bold initiatives. Leaders are seen as visionaries and innovators, fostering an environment where experimentation and pushing boundaries are celebrated. The organisation thrives on change and disruption, viewing it as an opportunity for growth and the creation of new possibilities (Schneider, 2000; Organisational Culture Assessment Instrument (OCAI), n.d.).

Success in such a culture is defined by the ability to introduce novel products or services and make a significant impact in the market. Individual autonomy and freedom are promoted, allowing employees to explore new ideas and approaches. This culture embraces transformational change, encourages learning from mistakes, and prioritises continuous innovation and adaptation. Roles within the organisation often resemble those of entrepreneurs and visionaries, with a willingness to embrace risk and navigate uncertainty. Such a culture is commonly found in sectors characterised by technical start-ups, technology-driven industries (such as communications and sustainability), and disruptive services like Airbnb and Uber (Schneider, 2000; Organisational Culture Assessment Instrument (OCAI), n.d.).

Successful family firms owe a significant part of their competitive advantage to family culture. Family-firm culture affects goal setting, strategy, and performance. The culture often revolves around tradition, loyalty, and personal relationships (Sharma et al., 1997; Dyer, 1986; Hall et al., 2001). According to Krishnan (2020), control culture dominates in the early stages of a family business, with the founder/founding generation exercising tight control. Conflicts are suppressed and information flows vertically.

However, as the business grows and enters new markets, the need for non-family talent increases. A collaboration culture is needed to partner with professionals for growth. This culture is more egalitarian and defines clear boundaries of autonomy and dependency. Family businesses often reach a point where they need to find new ways to differentiate and attract the market. Sensing this early is crucial for survival in today's volatile world. A competence culture that prioritises innovation and strategic planning is key to long-term success (Krishnan, 2020).

As families grow, it is important to diversify and transition towards a business family, where shared values and mutual commitments ensure smooth functioning. The ultimate goal is to become a learning organisation that prioritises personal development and ethical behaviour. Family businesses thrive in a cultivation culture where communication is open and direct, relationships are personal and cooperative, and there is a focus on higher purpose and continuous improvement. For family businesses, every stage of the HR life cycle is informed by the company's culture. In order to attract and retain talent, family businesses must create a conducive culture that fosters growth and development (Krishnan, 2020).

Firms are commonly believed to aim to maximise returns to their owners, but some argue that managers may prioritise their own interests over those of shareholders (Berle & Means, 1932). Companies with significant ownership control are expected to pursue strategies that benefit shareholders more than those without such control. Family-owned businesses are viewed as the purest examples of this. A unique culture can be a source of sustained competitive advantage, and if cultural values valuable to success are embedded into the family, the family organisation may have a competitive edge (McEachern, 1975; Barney, 1986). Family values become organisational values in a family firm, and the family organisation is likely the best at transferring culture across generations (Davis et al., 1997).

Businesses prioritise profits and use economic indicators like market share and efficiency to gauge success. On the other hand, the objectives of families typically involve providing care and encouragement to their members. Studies on family businesses reveal that family-oriented goals and requirements often guide decisions related to financial strategy, plant location, and business strategy, despite economic pressures (Ward, 1988; Kahn & Henderson, 1992; Mishra & McConaughy, 1999). Altruistic values significantly influence the dynamics of family enterprises, fostering trust and loyalty among members and enhancing the value of family membership in ways that non-family businesses may struggle to emulate (Schulze et al., 2001).

Moreover, according to Ward's research in 1988, family businesses create a family-oriented atmosphere that fosters strong employee loyalty. Employees in such businesses tend to perform better, as noted by Moscetello in 1990, and are perceived as more trustworthy, as claimed by Ward and Aronoff in 1991. Family business employees show more dedication, work harder, and stay longer with the company compared to employees at non-family firms, as reported by Ram and Holliday in 1993.

Family-owned businesses are often associated with having a strong sense of ethics and integrity, as well as cultivating enduring business relationships. This is because they prioritise family values over corporate values and family business managers are known for their honesty and uprightness (Lyman, 1991). Although family firms typically do not have formal codes of conduct, they establish expectations for behaviour through role modelling (Adams et al., 1996). In essence, family values become the bedrock of a family business's organisational culture, which is shaped by its history and social connections, as well as its beliefs, values, and objectives (Hall et al., 2001).

In family businesses, there is often a strong connection between the organisational culture and strategy, resulting in a greater commitment to achieving strategic goals. According to Davis (1984), these guiding beliefs are the foundation of a successful strategy, and when they are internalised by all members of the organisation, it leads to better performance (Dyer, 1986). Both Johnson (1986) and Schoenenberger (1997) have noted that firm culture plays a crucial role in shaping firm strategy. Family businesses typically have closely aligned family goals and business strategies, which ultimately leads to a more successful long-term strategy (Aronoff & Ward, 1994).

Research has shown that family-owned businesses are more agile in responding to changes in the business environment (Dreux, 1990), and are less dependent on external factors, making them more resilient to economic fluctuations (Donckels & Frohlich, 1991). This is because they tend to have a long-term vision and react less to economic cycles (Ward, 1997a). Furthermore, family members working in the same business have a better understanding of each other and the firm, making them more coordinated and adaptable when faced with changing conditions (Benedict, 1968; Ram & Holiday, 1993). Family firms also adopt a short-term planning approach in uncertain environments, and a longer-term strategy in stable environments (Whyte, 1996).

To sum up, culture is a powerful force that must be intentionally designed, cultivated, managed, and evolved. Family businesses understand that culture affects all aspects of the business, including attracting and retaining talent, decision-making, and communications. When the family members prioritise culture and set an example, employees follow suit. The culture expectations indirectly define a company's mission, vision, values, customer, and business model. Adapting a family business's culture is difficult but necessary for long-term success (Krishnan, 2020).

3.2.2 Family business governance

To begin with, according to the OECD glossary from the book Principles of Corporate Governance published in 2004, ‘corporate governance’ is “a set of relationships between the company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”.

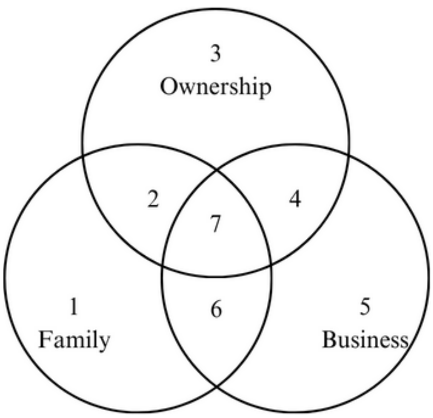
The governance system of a family enterprise is a complex and interconnected structure that encompasses the distinct governance frameworks of each of its entities. Family business governance encompasses the policies, procedures, and frameworks that facilitate decision-making and the management of family company matters. The main objective of governance is to enable investors to obtain an appropriate return on their investment in the firm (Amit et al., 2013).

Effective governance generates direction, values, and policies to guide organisation members. It also brings the right people together to discuss important issues. A governance system can be informal or formal, but the key is producing these outcomes. Effective corporate governance is crucial for the success of any business, but it becomes even more complex in the case of family-owned enterprises. This complication is a consequence of a culmination of two interacting systems, the family and the business. In such companies, the family, the business, and the ownership group all need governance. Lack of effective governance can cause organisational problems, which is why every business can benefit from improving governance (Wing, 2018).

Tagiuri and Davis (1978) proposed the Three Circles Model, shown in Figure 2. This model is composed of three interrelated and overlapping groups: family, ownership, and business. These three circles form seven sectors where individuals in a family business system can be categorised. The top circle represents owners (partners or shareholders), the left-hand circle is for family members, and the right-hand circle is for employees of the family company. The one with two roles is placed in an overlapping sector within two circles. A person who has only one role occupies only one circle. Family members who work in the business but have no ownership stake occupy the bottom-centre sector, while those who are family members and owners sit right in the centre of the three overlapping circles (Davis et al., 1997; Davis, 2018).

The key lies in individuals assuming various roles within a family business. Effectively navigating the distinct perspectives embedded in these roles and relationships can significantly contribute to comprehending the dynamics associated with any given issue or decision (Davis et al., 1997). The Three-Circle Model categorises individuals involved in a family business into seven groups shown in Figure 2 (Tagiuri & Davis, 1996).

Figure 2: Model of the three circles of the family-owned business



Source: Adapted from Tagiuri & Davis (1996).

The first circle includes family members who are not part of the business but are descendants or spouses/partners of owners. The second circle comprises family owners who do not work for the business, while the third circle consists of non-family owners who are not involved in the business operations. The fourth circle encompasses non-family owners who are also employed in the business, and the fifth circle is made up of non-family employees. The sixth circle represents family members working in the business but not holding ownership, and the seventh circle includes family owners who are actively engaged in business operations (Tagiuri & Davis, 1996).

In addition to the traditional three pillars of family business analysis—family, ownership, and business—some researchers propose integrating a fourth pillar: Leadership. The inclusion of Leadership as a fourth pillar emphasises the pivotal role of the CEO and other top-tier managers, who can either be a family member or an external hire (Viriri & Muzividzi, 2013).

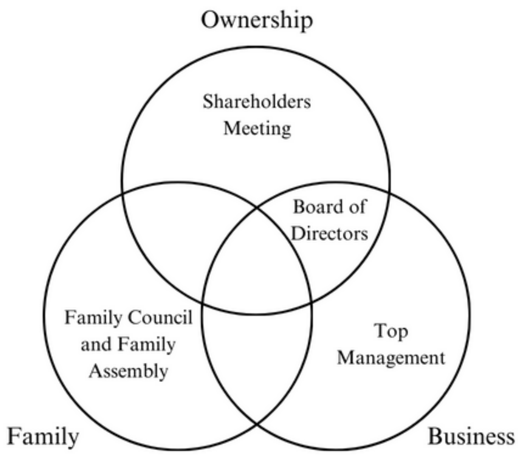
Upon examining this model, it is evident that family businesses frequently possess aligned ownership and management incentives, which can help minimise conflicts. Nonetheless, they may encounter a distinct challenge in the form of a potential conflict of interest between family members and non-family shareholders. Families which control the business may prioritise their own interests over the interests of other shareholders. It is essential to address this issue in governance discussions to ensure fairness and transparency (Amit et al., 2013).

Managing enterprise systems within a family can be a challenging responsibility. It requires balancing the interests of the business, family, and ownership groups. To address concerns that arise from the diverse perspectives and viewpoints of individuals, it is important to approach the situation with respect. Avoiding short-sighted methods, such as exclusion, secrecy, divide and conquer, or bribery, is crucial. Effective governance can help ease tensions and improve efficiency and harmony within these systems. Good governance involves three key elements: (1) establishing clarity around roles, rights, and responsibilities for all three groups, (2) encouraging responsibility, and (3) regulating family and owner involvement in business discussions (Wing, 2018).

Creating a flexible governance framework is crucial, ensuring that decision-making is perceived as equitable. In the event of a family's ownership of a business, there is a likelihood of a more intricate governance framework, incorporating a formalised structure for communication among the family members, shareholders, and business managers. This facilitates a mutual understanding between the family and the business, enhancing their ability to interact and provide support to one another (Davis, 2011).

Based on the model of the three circles from Figure 2, Davis (2011) further developed the three components of family governance shown in Figure 3. This model breaks down family governance into three main components: (1) periodic family assemblies, (2) family council meetings, and (3) a family constitution. The family assembly helps clarify the roles, rights, and responsibilities of family members. It also provides education on the business and updates members on any changes in the ownership. The family council is responsible for planning family assembly meetings and discussing current business, ownership, and family issues. It helps the family to make decisions and speak with one voice about its goals (Davis, 2011).

Figure 3: Basic governance structures of the family business system



Source: Adapted from Davis (2011).

The council should focus on achieving consensus decisions around family goals and policies, being open to various viewpoints, and maintaining significant transparency in company operations, decision-making, and ownership holdings. It is complementary to the board of directors and sets policies for the family. Finally, the family constitution outlines the family's policies, guiding vision, core values that regulate members' relationships with the business, and policies and guidelines that maintain family discipline (Davis, 2011).

3.2.3 Post-succession cultural changes in family business

‘Culture’ in a family business refers to the set of values, traditions, beliefs, and practices that shape the way members of the organisation interact with each other, clients, partners, and the broader community. Family-owned businesses place special emphasis on culture because it is closely linked with the history, vision, and values of the family that founded it. As the business grows and evolves over time, its culture also changes. The founder's beliefs, aspirations, and vision become ingrained in the company's DNA, and as new generations of family members and professionals join, they bring their own perspectives, ideas, and values. However, it is essential for the family and the leadership team to ensure that the culture remains aligned with the organisation's goals and mission (Krishnan, 2020).

Family-owned businesses often face the challenge of slowed growth after the founder steps down. This can be due to various reasons, such as market changes, risk aversion, and succession issues. However, one of the underlying reasons for slow growth is often a lack of alignment between leadership and the organisational culture. Therefore, companies need to adopt changes in market conditions and environments for long-term growth while maintaining a positive work culture (Fancher, 2009; Harvey & Evans, 1995; Krishnan, 2020).

The new leadership, with their values, knowledge, and experiences, can greatly influence decision-making and leadership. Companies must be aware of these changes and adjust their practices accordingly to maintain an effective governance system and a thriving culture. Hence, both positional authority and ownership should be passed down. The new leader should avoid being seen as a figurehead for the previous generation who still owns the business (Fancher, 2009; Harvey & Evans, 1995; Krishnan, 2020).

To continue, establishing solid relationships and cultivating a culture of personal commitment within a family business succession can result in long-term strategic advantages, even when resources are limited (Salvato & Melin, 2008). Despite the challenges that arise during a generational shift in family businesses, it is encouraging to hear that younger managers are enacting change in organisational culture and governance. The younger generation, which will replace the founders of many businesses, prioritises engagement, purpose, growth, learning, and development while promoting transparency, trust, and well-being. Furthermore, they believe in flexible benefits, recognition, and opportunities for their organisations' main stakeholders, as Kralova (2021) noted.

By effectively communicating intentions regarding family succession, nurturing strong relationships, and demonstrating the capabilities of the next generation's leaders, family enterprises can gain support from their non-family employees. This not only ensures a seamless transition of leadership but also fosters a sense of identification among non-family members with both the family and the company. As a result, the workforce becomes more productive and satisfied, ultimately driving the firm's success for years to come (Tabor & Vardaman, 2020).

Savolainen and Kansikas (2013) found that employees see company founders as heroes and cooperate well with them. However, in some of their cases, successors were seen as a threat due to their management style. Some successors tried to win employees' trust, but it was not seen as genuine. Work experiences with successors varied, with some having worked at the same level as employees and others exhibiting arrogance. In other cases, successors worked collaboratively with employees and had a participative leadership style.

In addition, research has shown that employees working in small family businesses may be more resistant to changes brought about by a succession plan. This resistance is often due to a strong sense of ownership and protection towards the company that is fostered by personal relationships and higher levels of commitment that are typical of small family businesses. Therefore, when planning for succession in these types of companies, managers and consultants need to understand the roots of this resistance. It is also important to note that the succession process in small family businesses is significantly different from that of larger companies (Savolainen & Kansikas, 2013).

3.2.4 Post-succession governance changes in family business

Between four and twenty years after succession, family businesses usually decide to reduce the degree of management, ownership, and control held by family members. The themes that emerge in this phase include emphasising managerial skills, having fewer family members involved in management, concentrating ownership, and renewing the business by adding outside talent and adopting new strategies. Family firms shift to a businesslike rationality by seeking a leader based on competency or merit. Commonly, the number of family members involved in management is reduced to gain efficiency in decision-making. By concentrating on leadership, business directions can be clearer, and family conflict can be avoided (Steier & Miller, 2010).

Initially, in family businesses, there is a focus on expanding the number of family members integrated into ownership and management. However, post-succession, there is a trend to reduce the number of family owners and concentrate ownership. This allows for clearer roles, less interference from family members, and better management. New leadership often brings fresh perspectives and change, including adding outside talent and adopting new strategies. Ultimately, there is a shift from inclusiveness to competency and merit-based management (Steier & Miller, 2010).

According to many consultants, the professionalisation of the family business must be one of the most important elements of any succession plan. Professionalisation is the transformative process wherein a company evolves from relying on a solitary key figure (the founder) to establishing an organisational framework. Within this revamped structure, management resources across all levels align with a transparent and accountable common vision (Gersick et al., 1997). Additionally, owner-managers delegate substantive decision-making authority to a proficient group of managers (Vola & Songini, 2015). Professionalisation should be addressed when the company grows too large for the founder to manage alone or when they intend to hand over management to another person. The sooner it is recognised as strategically important and implemented, the easier it will be for the company to survive the challenges. Professionalisation does not necessarily require hiring external managers, as family members can also perform management functions if properly trained and qualified (Kociper et al., 2019).

3.2.5 Possible conflicts after the succession

The process of succession in a family business involves more than just transferring leadership from one generation to the next. It is important to ensure that key stakeholders such as employees, investors, bankers, suppliers, and distributors approve of the new leadership. Any remaining conflicts after succession must be addressed to prevent future issues that may arise (Harvey & Evans, 1995). This period can be challenging for the incumbent and successor, as well as for the organisation and its stakeholders who may face some uncertainty and challenges (Haveman, 1993).

When new executives and team members adapt to new strategies, roles, routines, and relationships, it is crucial to maintain customer, supplier, and employee relationships for successful business succession. Neglecting these relationships can lead to increased costs, loss of key members, and negative word of mouth. The successor must assure everyone involved that they are valued and essential to the operation. Failure to do so can lead to losing loyal customers, suppliers, and employees and, ultimately, the downfall of the company (Gaumer & Shaffer, 2018).

During the process of family business succession, when a new leader takes over a business, long-term employees may leave. This is because the successor's bond with long-standing employees may not be as robust as that of the founder. This can also hurt customer loyalty because these employees have built relationships with customers and suppliers. When valued employees leave, customer satisfaction scores might drastically drop (Dyer, 1988; Gaumer & Shaffer, 2018).

Succession in a family business is a crucial issue that can be challenging to manage. Even the winner of the succession process may not be completely satisfied with the requirements, resulting in resentment that can negatively impact both business and personal relationships. The process of succession can create new roles within the company, causing tension, stress, and confusion, particularly among those who competed for positions of power. It may take some time for the parameters of each position to be fully established, leading to ambiguity and conflict (Beckhard & Pritchard, 1992).

Conflicts may also arise due to new appointees' attempts to manage their previous responsibilities. Business decisions made for the good of the company may have negative consequences for family members, leading to potential conflicts. For example, if one of the rival succession candidates is transferred to open a new division of the company after the reorganisation, there is potential for conflict if the decision is made by the new leader. It is important to remember that conflict may still occur even if the change is successful, as change itself can create the stimulus for conflict to arise (Harvey & Evans, 1995).

Succession planning in a family business can be a source of conflict, particularly if the leadership transition is unclear or unexpected. The level of conflict may be influenced by how quickly the succession process is carried out. A sudden succession due to an unforeseen event may generate high levels of uncertainty, anxiety and conflict. On the other hand, a well-organised and communicated succession process, based on shared values for the future of the business, may experience less disruption and conflict (Dunn, 1999; Cranston & Flamholtz, 1986).

Changes in family dynamics can also affect the degree of disruption during the transition period. There may be a period of adjustment where criticism is limited, error tolerance is high, and decision-making is slowed down. This can cause anxiety and stress within the business and create concerns among external stakeholders, such as board members, suppliers, and bankers (Cranston & Flamholtz, 1986). At the same time, family members may also be adapting to new roles and positions within the family structure, leading to potential conflicts. The success of the succession plan can be disrupted by interfamily tension and emotions, making the process challenging to navigate (Harvey & Evans, 1995).

Harvey and Evans (1995) discussed the three most common challenges that happen after a successfully completed succession planning: (1) The appointment of a new manager in a family business can create territorial issues that affect the manager's confidence. To make significant changes in the working relationship, the transfer of power should allow the new manager to manage without interference from the previous head of the family business. This can be challenging as family ties often result in a reluctance to move the physical attributes of the founder of the business, which can create conflict after the succession.

(2) Senior key employees, who have a long-standing relationship with the founder and have earned credibility within the organisation, are the most likely candidates to circumvent the new power structure. Their actions can damage the trust and support that were developed with the prior generation and undermine the fledgling power base of the next generation. (3) Succession in family businesses can bring about a change in the cultural foundation of the company. The extent of this change depends on the reason for succession and the duration of the succession process. If the succession is a natural evolution, then the change may be seamless. However, if the succession is forced by outside stakeholders, the resulting company culture may be drastically different. This change can create conflict with those who support the old culture.

To conclude, succession in family businesses involves managing conflicts, adapting to new roles, and maintaining connections with stakeholders. Conflicts may persist despite successful transitions due to territorial issues, employee resistance, and cultural shifts. Communication, respect, and a shared vision are key to navigating these challenges.

3.3 The impact of succession on the company's performance

A common trend shows that growth tends to slow down over time as generations pass, particularly after the founder steps down (Molly et al., 2010; Krishnan, 2020). According to the analysis conducted by Molly et al., (2010), the transfer of ownership from the first to the second generation appears to have a negative impact on the company's leverage. However, in subsequent generations of family businesses, this trend is reversed. Additionally, the growth rate of first-generation family firms significantly declines when the ownership is transferred to the second generation.

Family firms often experience financial structure and performance changes due to conflicts between family members and other stakeholders. Factors such as risk aversion, market changes, and succession issues contribute to slow growth, which can often be traced back to leadership not aligning with the family business culture. While misalignment can happen in any business, it is more apparent in family-owned companies, particularly in later generations (Krishnan, 2020).

Second-generation family firms are particularly susceptible to stagnation because of higher risk aversion and conflicts between the incumbent and successor. However, third or later-generation companies are usually less vulnerable to such disputes and have a smoother management transition between family members, who are already well-versed in navigating the transition from previous successions. The transition may therefore happen without harming the company's development (Davis & Harveston, 1999).

Studies on the impact of succession on the financial structure of family-owned businesses have produced varying results. While some studies have found a positive correlation between succession and debt financing, others have found a negative correlation. This variation can be attributed to various factors such as changing risk preferences, ownership dispersion, and conflicts within family firms over generations. Generally, succession leads to a decrease in the willingness of family firms to take on debt due to risk aversion and a desire to preserve wealth.

A study by Schulze et al. (2003) suggests that increased ownership dispersion and a shift towards risk-taking in later generations may lead to a higher willingness to take on debt. On the other hand, LeBreton-Miller and Miller (2006) and Gersick et al. (1997) argue that successful transitions improve long-term relationships, which makes it easier for next-generation family firms to attract debt. Blanco-Mazagatos et al. (2007) indicate that, based on agency theory, family ties may weaken over generations, potentially increasing the demand for debt financing. Despite conflicting perspectives, the literature shows that succession generally reduces the debt financing rate in family-owned businesses, with variations depending on generational transfers and evolving family dynamics (Bjuggren & Sund, 2001b, 2005; Davis & Harveston, 1999; Ward, 1997b).

To conclude, Krishnan (2020) points out that developing the right organisational culture is critical for the effective functioning and growth of family businesses. Cultural transformation is a necessary aspect to address for family business growth. Pursuing new market opportunities and family business growth requires new technology, talents, business models, and processes, hence professionalisation becomes a necessity (Gersick et al., 1997). New business models, products, market segments, methods, and technology adoption require a different mindset aligned with the strategic objective of the family business. Understanding the current culture and the necessary changes for growth is the starting point of successful succession.

4 A CASE STUDY OF A SUCCESSFULLY COMPLETED FAMILY BUSINESS SUCCESSION

This chapter delves into the comprehensive case study of Lotrič Metrology, a Slovenian family business known for its successful intergenerational transition. The study aims to explore the processes, challenges, and strategies that enabled a smooth leadership transfer from one generation to the next. By focusing on the experiences and practices at Lotrič Metrology, this chapter provides valuable insights into the dynamics of family business succession, highlighting the importance of meticulous planning, inclusive governance, and adaptability to change.

4.1 Methodology

In my study, I use case study research, following Yin's (2018) guidelines, to thoroughly examine the governance and cultural dynamics within the company. Case study research is well-suited for this investigation as it allows for a detailed exploration of complex phenomena within their real-life context. By analysing the entire employee population and incorporating multiple data sources such as questionnaires, interviews and internal document analysis, the research design ensures a comprehensive understanding of the subject.

The process of conducting a case study on a successful Slovenian family business that has smoothly transitioned from one generation to the next is a detailed and thorough undertaking. I have chosen Lotrič Metrology because it has a reputation in Slovenia as a company that has successfully navigated the generational transition. Additionally, the company has a documented history of a smooth transition, public recognition of its practices, and a demonstrated interest in sharing experiences (Štok, 2023; Urbančič, 2023; Bizovičar, 2023; Bertoncelj, 2023).

The data collection was done through a combination of a literature review and a semi-structured interview. The literature review involves analysing existing public articles, already published interviews, podcasts, and news to gain insight into the background, structure, and transition process of the family business.

I have conducted a semi-structured interview with the current CEO and successor, who is actively involved in the generational transition. The interview lasted around one hour and provided valuable first-hand insights into the challenges, strategies, and lessons learned during the transition process. I designed the interview to be open-ended, meaning that the interviewee is free to discuss any relevant topics that they feel are important. This approach allowed me for a more in-depth and nuanced understanding of the company's experience with generational succession.

After I had collected the data, I analysed it thematically to identify recurring patterns, critical success factors, and unique strategies employed by the family business. This analysis helped me to distil the wealth of information gathered during the study into a set of actionable insights and best practices that can be shared with other businesses that are facing similar challenges. Through this process, the case study of Lotrič Metrology provides valuable insights and guidance for other family businesses confronting the issue of successful transfer of business management.

4.2 Case study presentation

Lotrič Metrology d.o.o. is a highly esteemed Slovenian company that specialises in providing top-notch metrology services and solutions. With a strong dedication to precision and quality, Lotrič Metrology offers an extensive range of metrology services including calibration, testing, and measurement solutions, which are specifically tailored to meet the diverse requirements of different industries (Lotrič Metrology, n.d.).

Lotrič Metrology is well-equipped with state-of-the-art laboratory facilities and a highly skilled team of experts, enabling them to deliver highly accurate and reliable results that are in line with the highest industry standards. They are committed to ensuring that their clients receive top-notch services and solutions that not only meet their needs but also exceed their expectations (Humar, 2024; Beyond Leadership, 2023).

As a trusted partner to companies in various sectors such as automotive, aerospace, pharmaceuticals, manufacturing, and more, Lotrič Metrology prides itself on its technical expertise, customer-centric approach, and continuous innovation. They provide a wide range of services, including calibration of measuring instruments, testing of products and materials, and measurement solutions for various applications across diverse industries. They provide services to more than 20,000 customers. These include well-known names, such as Rimac, Sandoz, Novartis, Porsche Slovenia, Hisense Gorenje Europe and Atlantic Droga Kolinska (Humar, 2024; Lotrič Metrology, n.d.).

The group in question comprises ten companies, with three of them operating in Slovenia, and one each in Germany, Austria, Serbia, Bosnia and Herzegovina, Croatia, North Macedonia, and Saudi Arabia. The group's net sales for the previous year were an impressive 12 million euros, generating a net profit of one million euros. The largest company out of the ten is the parent company located in Selce, which had a turnover of about seven million euros last year (Humar, 2024; Lotrič Metrology, n.d.; Beyond Leadership, 2023).

Lotrič Metrology is a company that is deeply committed to delivering high-quality metrology services. They place great emphasis on values such as trust, precision, expertise, honesty, clarity, innovation, openness, and the endless potential of metrology. In every measurement that impacts health and environmental care, they prioritise quality and ensure precision through high-level metrological standards. Their experts are constantly trained to carry out complex metrological operations and implement best practices. Lotrič Metrology also encourages innovation by valuing and implementing client ideas and employee suggestions. They maintain transparency and integrity across all projects and embrace the infinite possibilities that their work brings to humanity and science (Lotrič Metrology, n.d.).

One of the company's core values is investing in research and development, with a substantial amount of its revenues, between eight to ten per cent, being dedicated to this area. A considerable chunk of this investment is focused on acquiring new equipment. Looking towards the future, the company plans to invest even more in digitalisation, particularly in optimising business routes (Humar, 2024; Lotrič Metrology, n.d.).

It is worth noting that Lotrič Metrology, like many Slovenian companies created after Slovenia's independence, is currently undergoing a second-generation transition. A year ago, Maja Brelih Lotrič, the youngest of the three siblings, took over as the CEO of the company. Her brother Mitja Lotrič is the CEO of the subsidiary company, Lotrič Certification, while her sister Katja Lotrič Kejžar is the CFO. All three siblings also acquired ownership stakes in the company, with each holding 12.5 per cent through a family constitution that was established in 2017 (Lotrič Metrology, n.d.).

4.3 Case study analysis

The interview was analysed based on four key themes: (1) the intergenerational succession process, (2) pre- and post-succession culture, (3) governance, and (4) company performance. Each of these themes highlights distinct aspects of the family business's transition and its impact on various areas of operations and leadership. A detailed summary of the findings can be found in Appendix 9.

4.3.1 Intergenerational succession process

Towards the end of 2022, LOTRIČ Metrology and the LOTRIČ Metrology Group began transitioning their management positions. On January 18, 2023, the transition period, during which the CEO Marko Lotrič was elected to the position of President of the National Council of the Republic of Slovenia, came to an end. Consequently, he ceased to hold his remaining positions. Effective January 1, 2023, Maja Brelih Lotrič, the youngest daughter of Mr Lotrič, became the CEO of LOTRIČ Metrology.

However, Maja faced the considerable challenge of assuming leadership and rapid change in leadership dynamics without a formal handover process due to her father's immediate full-time commitments. Additionally, her recent return from maternity leave added to the initial period of turbulence.

The successor approached her role with a mix of expectations and a strong sense of responsibility. As she says: “I was aware that I was going into the situation with full confidence in the team, knowing that I was also returning from a long absence and that I would be spending a lot of time gathering information about the current situation in the company". Maja had been an active member of the company for seven years prior to taking over management. She did not receive traditional mentoring for her role, nor did she expect it from her father. Instead, she actively participated in various areas of the business from the very beginning. Working closely with her father gave her direct insight into strategic planning and decision-making at the highest level, while rotating at all levels of the company and being active in different areas within the company and the group allowed her to learn first-hand about different functions, from R&D to marketing and logistics. According to her: "It is this breadth that has been the most important preparation I have been able to do". In her case, this approach "allowed me to gradually prepare myself for running a business without being overwhelmed or feeling unprepared".

Despite facing obstacles with the short transition period, she wanted to be closely engaged with the company's operations across various departments from an early stage, which provided her with invaluable insights into the workings of the company. Maja efficiently conducted annual discussions with all 110 employees in the parent company. The discussions took her approximately two full months to complete. The discussions began with all employees and their line managers filling in questionnaires. The questionnaire covered various aspects of the working relationship, including feedback on employee satisfaction, motivators, challenges, and suggestions for improvement. Maja then used the answers to the questionnaire as a starting point for a deeper conversation with each employee. During the discussions, Maja and the employees talked about several topics including salary, job content, motivators, suggestions, and potential problems. They also discussed cultural values and attitudes, which is an area of focus for the company. This was not a new or unusual practice as it was already established by Maja's father.

These discussions helped shape the focus of the organisation for the next few years. Although the company had a clear strategic direction, these conversations offered a more nuanced understanding of the current standing of the organisation. Maja stated: "My colleagues are definitely my best compass, apart from my customers, to dictate the direction of development".

One of the key challenges of transferring ownership to the younger generation is precisely the lack of inauthenticity in its management. At the beginning of her leadership, she tried very hard to make the transition as smooth as possible and to make sure that employees did not feel a big change. "I wanted to maintain the continuity and stability that characterised my father's leadership. But I soon realised that this was not very effective and that I had lost some of my authenticity in the process."

After reflecting on herself and receiving feedback from mentors and colleagues, Maja realised that honest communication and inclusivity are crucial in leadership. She found that these traits facilitated a more collaborative and innovative environment. Overcoming challenges or solving problems was always approached by talking to and involving different colleagues. This has taught her that "as long as we have the same goal, there are no unsolvable problems or difficulties, we just see different paths". The process also taught her that embracing team diversity and leveraging individual strengths enhanced the decision-making processes and problem-solving within the company. As stated: "Each member has their own strengths – some are quick to react to unexpected situations, others are masters of communication, others are calm listeners".

In addition, balancing tradition with innovation has been crucial for Lotrič Metrology. The company invests significantly in research and development to ensure that traditional quality standards do not hinder innovation. This strategic balance has enabled the company to remain competitive and adaptable, reflecting the dynamic changes in the market and industry standards. To conclude, Maja defines a family business as a place where "we feel accepted, where mistakes are tolerated, where we stand together to achieve results".

4.3.2 Pre- and post-succession culture

Lotrič Metrology's organisational culture was deeply shaped by the personal values and leadership style of Maja Lotrič's father. His approach was characterised primarily by inclusiveness and understanding, and the foundational mindset was "anything can be achieved if we work together with the right approach". This mindset permeated every aspect of the company's operations, fostering a cooperative environment where challenges were met with collective efforts and a "can-do" and "how are we going to do it" attitude. The culture emphasises values, such as critical thinking, inclusiveness, and practical problem-solving.

As Maja Lotrič assumed her role, one of her main objectives was to maintain the cultural elements that defined the company under her father's leadership. However, she soon realised the importance of evolving the company culture to align with modern business practices while retaining its foundational values. This evolution involved maintaining traditional practices that worked well while being receptive to innovations that drive business forward, such as enhancing decision-making processes and integrating more rigorous analytical approaches.

After the leadership change, the culture at Lotrič Metrology gradually shifted, integrating the dynamics of the new generation into its core while preserving the existing values. She believes that: "values do not change with the next generation, all that matters is that the path and the new goals change". Maja pointed out that it was too early to answer the question about noticeable changes in culture after her takeover. She stated: "Sixteen months is not a long time to make big changes in the culture of an organisation, which usually evolves over years". She believes that: "these changes should come naturally, not be forced and too fast, otherwise there may be resistance". Additionally, the involvement of employees in shaping the future through active participation in meetings, workshops, and improvement teams has been vital. This ongoing engagement has fostered a sense of belonging and co-creation among staff, reinforcing a culture of inclusivity and collective ambition.

Family dynamics played a significant role in shaping the organisational culture of the company as according to Maja, success is assured if "family members are well-coordinated, talk a lot, avoid conflict and move towards the same goals". This alignment is essential in maintaining a stable yet progressive business environment where traditional values merge seamlessly with innovative practices.

Despite the leadership change, the fundamental values and good practices of Lotrič Metrology remain "unchanged, as it has worked well so far". The commitment to quality, precision, and trust continues to guide the company, ensuring that all operations align with these enduring principles. The leadership ensures that these values are not only preserved but are also reflected in every aspect of the business, from internal management to customer interactions.

In summary, the cultural transition at Lotrič Metrology represents a careful balancing act between preserving valuable traditional practices and embracing necessary innovations. The leadership's approach to gradually integrating changes while respecting the company's heritage has positioned Lotrič Metrology to continue its success and relevance in a rapidly evolving industry.

4.3.3 Pre- and post-succession governance

Lotrič Metrology was founded in 1991 by Marko Lotrič, who led the company as the general director. His wife initially oversaw the finance department, but over time, their elder daughter Katja Lotrič Kejžar took over financial responsibilities, becoming the financial director. Additionally, their son Mitja managed a subsidiary and played a role as a proxy in the ADI region. Maja Lotrič, before assuming general leadership, gained diverse experience as a project manager and director of another subsidiary, PSM Measuring Systems. All family members were integral parts of the strategic council, influencing major decisions and strategies.

In 2017, the family began the formal transition process, drafting a family constitution to ensure a smooth transfer of leadership to Maja Lotrič. This structured approach was supported by all family members, providing Maja with guidance and support. This phase was critical in preserving the core values and strategic objectives of the company while integrating fresh perspectives and innovative approaches necessary for growth in the modern business environment. In 2017, the family constitution was used to split the ownership of the company, in addition to the distribution of operational and management roles. Founder Marko Lotrič is still the majority owner with 38 per cent, followed by Lotrič d.o.o. with 24.50 per cent and 12.5 per cent each of his three children (Gvin, n.d.).

External consultants played a crucial role in the formal transition process by helping to establish the family constitution, which was a significant step towards ensuring a structured and harmonious leadership transition. The constitution was designed to define family values, outline conflict resolution mechanisms, and establish clear succession planning. This meticulous approach was aimed at preserving the company's core values and strategic objectives while promoting unity and providing a fresh perspective necessary for the company's growth in a dynamic business environment. Despite the inevitable conflicts that arise in family and business relationships, the family's commitment to open communication and separate discussions ensures consistency and unity in decision-making processes, safeguarding the cohesion and continuity of the organisation (Marko Lotrič for SPIRIT Slovenija, n.d.; Slovenian Business Club, 2023).

After Maja assumed leadership, the governance structure expanded from five to eight members, introducing roles such as CTO and heads of sales, marketing, and logistics. Maja continued the tradition of inclusive governance but placed a greater emphasis on quantitative analysis and data-driven decision-making. This approach has enabled more proactive management and an effective response to market dynamics (Lotrič Metrology, n.d.).

Maja's leadership strategy is closely aligned with the company's culture, maintaining strong communication, flexibility, and employee development. Her main aspect of good leadership is that "we lead only by example". Maja says that "what they see in me and my actions also embodies the values of the company, from honesty, openness, quality assurance and so on".

In conclusion, Lotrič Metrology's governance has evolved significantly through the succession process, blending tradition with innovation and maintaining familial unity while involving main employees in their board of management to more easily adapt to the challenges of the global market. This balance of continuity and change has been crucial in navigating the complexities of family business succession and setting the stage for future growth and innovation.

4.3.4 Company performance after the succession

Lotrič Metrology has experienced significant improvements in its operational and financial performance since Maja Lotrič took over as the new leader, ushering in a transition of leadership to the younger generation. Her style of leadership, which is characterised by a focus on employee well-being and result-oriented strategies, has proven to be highly effective. Under her leadership, the company has made significant strides in expanding its market reach, embracing digitalisation, and establishing new business partnerships. In 2023, the group of companies Lotrič Metrology achieved a significant milestone, with its revenues reaching 12 million euros, indicating 11 per cent growth and the success of the newly implemented strategies (Humar, 2024). As Maja likes to emphasise: "when management focuses on employees and results, this is the best combination".

One of the major achievements under Maja's leadership has been the strengthening of ties with major industrial partners like Volkswagen. In one of the interviews for Slovenian Business Club (January 2024), Maja stated: "My father taught me first and foremost to recognise new opportunities and the importance of networking. I am not afraid of alliances with multinationals (even competitors) because I believe in our knowledge and the digital tools we have developed, which put us at the top of European - if not global - laboratories". Lotrič Metrology's accreditation as an approved testing laboratory by such a significant industry player as Volkswagen not only enhances its credibility but also opens up new opportunities and markets. This development reflects the trust in Lotrič Metrology's services on an international scale and its ability to meet high industry standards (Slovenian Business Club, 2023).

Accelerating digital transformation has been as well a critical aspect of Maja's strategy to improve the company's competitiveness. As a group, they plan to invest much more into digital transformation in order to improve operational efficiency and enable the rapid development and integration of new technologies. The proactive adaptation to industry changes and the emphasis on maintaining competitiveness have positioned Lotrič Metrology as a leader in the metrology field.

The generational transition has brought new dynamics to the company while preserving its foundational values. Maja's vision for the company's future includes creating fulfilling and motivating jobs as an employer as her vision is to "be an employer that creates jobs that fulfil, motivate and give back to people", as well as to "offer global growth and outstanding solutions to our business partners". This vision aligns with the company's long-standing commitment to quality and innovation, ensuring that Lotrič Metrology remains at the forefront of the metrology industry.

Overall, the succession has not only ensured continuity but has also brought in fresh perspectives essential for adapting to the evolving business landscape. The strategic blend of traditional values with innovative approaches under Maja's leadership underscores a bright future for Lotrič Metrology.

5 A CASE STUDY OF AN ONGOING FAMILY BUSINESS SUCCESSION

The transition of leadership from one generation to the next within a family business is an impactful event, not only for the owner and the successors but also for employees and other stakeholders. It is a pivotal moment in the organisation's history, which requires careful consideration. This chapter explores the perspectives of stakeholders involved in the intergenerational succession of the family business JAKA&I, a company that my brother and I are taking over from our parents at the time of writing this Master's thesis. It provides unique insights into both the challenges and triumphs we are facing in this pivotal transition. The aim is to merge theoretical knowledge from extensive literature reviews with practical insights gathered from a detailed case study of Lotrič Metrology, providing a comprehensive analysis that is deeply rooted in real-world experiences.

The choice to focus on JAKA&I is driven by several compelling reasons. Firstly, the business's reputation and substantial impact within its industry make it an exemplary case of successful family entrepreneurship. Secondly, my close relations with the business have allowed for an in-depth understanding of its operational, cultural, and strategic nuances, which are crucial for analysing the implications of leadership succession. Lastly, this study intends to explore the often complex dynamics that interplay among different stakeholders, such as family members, employees, clients, and broader business partners. Their roles and reactions significantly influence the outcome of succession processes. This research work allowed me to put myself in the shoes of a researcher, which allowed me to see the situation from an external perspective.

By integrating findings from the literature and the Lotrič Metrology case study with observations and data from JAKA&I, this chapter provides valuable insights into the practices, potential pitfalls and strategic considerations that can guide family businesses through the delicate process of leadership transition. This analysis contributes to the academic discourse on the governance of small and medium-sized family businesses in Slovenia and provides useful strategies for businesses facing similar challenges currently or in the future.

5.1 Methodology

To ensure that the findings are valid and reliable, I use the triangulation method in this study, a methodological strategy that improves the accuracy and credibility of qualitative research by using multiple data sources and perspectives. Triangulation, as described by Denzin (1970, 1978), involves combining different types of data, researchers, theories, and methods to gain a comprehensive understanding of the research subject.

The methodology chapter outlines a comprehensive approach incorporating document and observational analysis, the OCAI questionnaire, and interviews to investigate key stakeholders' perspectives on the intergenerational succession process at the family company JAKA&I. Document analysis reveals formal structures and values, while observational analysis uncovers implicit norms and behaviours. The OCAI questionnaire evaluates the organisational culture, and interviews with four main stakeholders offer an interactive platform for sharing their views on the future of the company's culture and governance and facilitating collaborative discussions on succession dynamics.

5.1.1 Company internal document repository analysis

As part of this study, I use document analysis as a complementary methodology to comprehensively examine the formalised aspects of culture and governance within the family business. To achieve this, existing internal organisational documents such as mission statements, values statements, policies, and procedures are reviewed to identify the explicit norms, values, and governance mechanisms that the company adheres to. This approach allows for a deeper understanding of how organisational culture and governance are codified, communicated, and implemented within the company. By systematically analysing these documents, the study aims to examine the alignment between documented practices and observed behaviours, as well as employee perceptions of these formalised structures (OpenAI, 2024, 22 February).

5.1.2 Observational analysis

Furthermore, I use an observational analysis as another part of the methodology to gain a comprehensive understanding of the cultural and governance dynamics within JAKA&I. This approach involves directly observing and documenting organisational practices, behaviours, and interactions to uncover implicit norms, values, and decision-making patterns that may not be easily revealed through self-report measures alone. To achieve this, I immersed myself within the organisational context, attended meetings, observed team interactions, and documented day-to-day operations. This method enables the identification of subtle nuances in communication styles, power dynamics, and adherence to formalised governance protocols (OpenAI, 2024, 22 February).

5.1.3 Organisational culture assessment instrument

The Organisational Culture Assessment Instrument (OCAI) (Cameron & Quinn, 1999) is a questionnaire based on the Competing Values Framework (CVF) (Quinn & Rohrbaugh, 1983) to assess organisational culture. The questionnaire identifies four primary culture types: Clan, Adhocracy, Hierarchy, and Market. By comparing the current and preferred culture profiles, organisations can identify gaps and areas for improvement. The OCAI offers a systematic approach to understanding and assessing organisational culture, enabling organisations to identify strengths, weaknesses, and opportunities for cultural change and alignment with strategic objectives (Organisational Culture Assessment Instrument (OCAI), n.d.).

I made sure to conduct the questionnaire with the entire workforce, including employees at all levels, to gain a comprehensive understanding of the organisational culture. For my thesis, I obtained responses from all 18 employees at JAKA&I. All the participants are listed in Table 1.

Participants are later segmented into four groups based on their roles and tenure within the organisation. The first group includes the owners of the business, consisting of the two current owners. Their responses provide insights into the cultural orientations and strategic priorities from the perspective of organisational leadership and ownership. The second group comprises the successors, allowing for a focused examination of their perspectives and priorities as the next generation of leaders who drive the company forward.

Table 1: List of employees participating in the OCAI questionnaire

Code	Stakeholder	Position	Age	Years employed
1.	Owner	Founder and director	63	32
2.	Owner's wife	Director and financial manager	59	24
3.	Successor - son	Technical and development manager	34	10
4.	Successor - daughter	Operations manager	26	2
5.	Employee	Sales and procurement manager	38	14
6.	Employee	Sales representative	24	2
7.	Employee	Sales representative on the field (S, W)	26	2
8.	Employee	Sales representative on the field (N, E)	40	1
9.	Employee	Accountant	49	19
10.	Employee	Marketing and graphic design assistant	24	1
11.	Employee	Technical store manager (BU 1 & 2)	45	16
12.	Employee	Technical shop assistant (BU 1)	58	24
13.	Employee	Technical shop assistant (BU 2)	44	18
14.	Employee	Technical shop assistant (BU 2)	35	1
15.	Employee	Technologist and Production Assistant	26	4
16.	Employee	Production Assistant	31	0,5
17.	Employee	Warehouseman and delivery driver	54	32
18.	Employee	Warehouseman	54	13

Source: Own work.

The third group consists of employees who have been employed for more than 10 years (also referred to as “Long-term employees”). This group represents a cohort with extensive experience and institutional knowledge within the company. Their responses offer a longitudinal perspective on cultural dynamics and organisational evolution over time. The fourth group consists of employees who have been with the company for less than 10 years (also referred to as “Short-term employees”). This group represents a newer cohort that may be influenced by recent organisational changes and cultural shifts. By dividing participants into these distinct groups, the analysis aims to capture a comprehensive understanding of the organisation's cultural landscape and its implications for strategic decision-making and succession planning.

5.1.4 Interviews

To gain a comprehensive understanding of the culture, governance, and performance of company JAKA&I, the interviews are conducted with representatives from all four stakeholder groups. The purpose of these interviews is to gather valuable insights and perspectives from each group. To ensure that our sample is representative of each group, one interviewee from each group was randomly selected (as outlined in Table 2). Each interview lasted approximately 60 minutes, providing ample time for a thorough exploration of the participant's viewpoints and experiences.

The interviews follow a semi-structured format to ensure key topics related to culture, governance, and company performance are addressed while allowing for flexibility and spontaneity in responses. Open-ended questions are used to probe participants' perceptions, experiences, and attitudes towards these areas.

The focus group interview was audio-recorded with participants' consent and transcribed verbatim for analysis. Thematic analysis was applied to identify recurring themes, patterns, and divergent viewpoints across the focus group discussion. The data analysis process involved coding and categorising responses related to culture, governance, and company performance to derive meaningful insights and inform subsequent discussions.

Table 2: List of interview participants

Code	Stakeholder	Position	Age	Years employed
1.	Owner	Founder and director	63	32
2.	Successor - son	Technical and development manager	34	10
3.	Long-term employee	Sales and procurement manager	38	14
4.	Short-term employee	Sales representative	24	2

Source: Own work.

Throughout the research process, ethical guidelines were adhered to, including obtaining informed consent from participants, ensuring the confidentiality of sensitive information, and respecting participants' autonomy and privacy (OpenAI, 2024, 22 February).

5.2 Company presentation

JAKA&I is a family-owned company that was established in 1992, specialising in selling and servicing electrical and lighting products. The company is 100 per cent owned by a single individual, who is also the founder and current director. Over the years, the company has expanded, and in 1999, the founder's wife joined as the finance manager. In 2010, the founder's elder son joined the company as the Technical and Development Manager, and later, his younger daughter joined as well as a full-time member of the company's team.

The company has grown over the years, and as of now, it employs 20 people. In 2023, the company's sales reached almost 2.6 million EUR in revenue and concluded the year with 0.1 million EUR in profit.

For the past decade, the company has focused on designing and manufacturing custom lighting solutions for industrial, office, and residential applications. They have successfully established a strong presence in the Slovenian market and abroad, serving a diverse clientele ranging from retailers and electrical installers to project managers, architects, and interior designers.

5.3 Case study analysis

5.3.1 Company's succession plan

Company JAKA&I has developed a succession plan that aims to ensure a smooth transition of leadership and ownership. This plan follows best practices observed across other successful family-run enterprises. The current owner intends to distribute shares among the spouse and two successors. This strategic move anticipates a gradual shift in leadership roles, with the owner transitioning to an external consultant role. Eventually, this role evolves into an active consultancy alongside the spouse. Such a phased transition is designed to maintain continuity and stability within the company, ensuring that future leaders are well-prepared to sustain the business's legacy.

After the owner's retirement, the spouse assumes directorship for an interim period of about five years before also moving into a consultancy role. This allows for a gradual but defined transfer of responsibilities, reducing potential disruptions within the company's operations. Over the next decade, provided the company remains successful, a plan is in place for the primary shareholder to equally divide his shares between the successors, establishing a fifty-fifty ownership structure.

The founder's emphasis on transparent communication underpins the entire succession strategy. By openly discussing the succession plans, including detailed responsibilities and the future direction of the company, all employees and stakeholders are kept well informed. This openness is intended not only to inspire confidence in the continuity of leadership but also to foster an inclusive atmosphere where everyone feels their role and contribution are valued during times of change.

Transparent communication extends beyond internal dynamics to involve external stakeholders, such as clients, suppliers, and business partners. This strategy ensures that all external parties are also aware of the company’s long-term strategies and leadership dynamics, which is crucial for maintaining trust and continuity in business relationships.

The overarching theme of the succession plan is to maintain the integrity, accountability, and sustainability of the business. These principles are expected to guide the new leadership in preserving the company’s reputation and fostering a positive work environment for all involved. This approach aligns with modern corporate governance standards and ensures that the company remains resilient and adaptable in the face of future challenges.

5.3.2 Document and observation analysis

After reviewing essential company documents, including the mission and values statements, it is clear that the organisation emphasises core principles such as: “loyalty, humanity, innovation, mutual respect and teamwork”. These foundational documents outline the company's purpose and guiding beliefs, setting the tone for its operations. Additionally, the employee handbook outlines various policies aimed at supporting employee well-being and professional growth. Based on its values and mission, the company also aligns its strategy annually, adapting it to the market and its human resources.

The mission of the company states: “JAKA&I will continue to offer a wide variety of architectural lighting solutions and to provide attractive and competitive quotations to its customers. The JAKA&I's development team will always be looking for better and innovative solutions. Both stores will strive to offer customers a diversified range of electrical materials and luminaires and to provide them with professional support and fast response. The JAKA&I team will do its best to establish and maintain long-term partnerships with suppliers and customers. The company will be constantly evolving, investing in product and people development and digitalisation”.

Recently, the organisation has been strengthening its workforce with young talents who have brought fresh perspectives and vitality into the organisational environment. This infusion of youthful energy has contributed to a rejuvenated atmosphere characterised by greater creativity, innovation and business development. On the other hand, the strong connections formed among employees who have worked together for more than ten years have created a culture of friendship, trust, and support. This teamwork highlights a culture of working together respectfully, leading to a positive and efficient workplace.

On-site observations revealed a warm and inclusive working environment characterised by frequent social interactions and spontaneous expressions of collegiality. Long-tenured employees participated in informal conversations and collaborative problem-solving, indicating a strong sense of belonging and mutual support within teams. The observed leadership behaviour emphasised a relationship-oriented leadership style, characterised by empathetic leadership behaviour and personal communication. Managers demonstrated a hands-on approach to employee development, encouraging professional growth and mentoring through frequent one-on-one meetings and coaching. Participation in team meetings provided insights into the participative nature of decision-making in the company. Observations of inclusive dialogue and shared decision-making highlighted a culture of transparency and collaboration, where employees were empowered to contribute ideas and feedback to strategic initiatives. In addition, a review of the physical workspace revealed subtle but significant symbols of the company's family identity, which reinforced a sense of pride and belonging among employees.

However, even if the company has a strong internal culture that promotes fellowship and stability, this culture also has some drawbacks that may hinder long-term sustainability and growth. One of the main concerns is the possibility of stagnation, as long-term employees may dominate the workforce and inadvertently impede innovation and progress. With limited turnover and fresh perspectives, the company may struggle to keep up with market trends and take advantage of new opportunities.

The company also faces challenges in hiring and retaining highly knowledgeable employees, particularly in the sales team. The technical nature of the company's products requires a long learning curve, which incurs significant costs for the firm. Additionally, the geographical location of the company limits the candidate pool.

To address these challenges, the owner has prioritised recruiting younger, open-minded individuals who learn fast and can be moulded to align with the company's goals. While this approach brings diversity and vitality to the organisational culture, it also carries risks. Mentoring and developing junior staff may divert attention from immediate operational needs and strain the existing workforce.

Two years ago, the director announced his plan to gradually hand over the running of the family business to his son and daughter. This led to a period of transition, characterised by mixed emotions and adjustments among the employees. While some felt excited about the new leadership, others were uncertain about the changes. The fact that some employees had known the director's children since they were young made things a bit complicated at times.

The owner's commitment to transparent communication further strengthens trust also among other stakeholders, such as clients, suppliers and other partners. Being kept informed about the succession plan is appreciated and witnessing the owner's dedication to grooming the next generation of leadership fosters a sense of optimism about the company's long-term prospects. However, after observing the reactions of clients and suppliers, it became clear that there was a mix of emotions when they learned that the owner of the company would soon be replaced by his two children. Initially, there is some apprehension due to the uncertainty about the future direction of the company and the potential impact on their business relationships. However, as the owner explains his plans to stay actively involved and support the company for at least another 10 years, a sense of relief takes over. This reassurance not only alleviates immediate concerns but also instils confidence in the company's continuity and stability during the transition period.

The son has been with the company for ten years and is considered an outstanding innovator and experienced technical leader. He is often consulted for advice and assistance on technical matters, consultancy and pressing industry and business challenges. However, he feels that he lacks the necessary skills in people management, finance, sales and administration to run the business on his own. This is where the owner's daughter comes in. She has recently joined the family business. Together, they work in sync and encourage employees to rethink old ways of working and explore new possibilities to grow the business and digitise certain processes.

The founder still holds the leadership of the company but is gradually handing over simpler tasks to his successors. He offers them support and help so that they do not make the same mistakes he made in the early days. As the two successors become more empowered, they are increasingly involved in the decision-making process. They have also re-established weekly company meetings with key employees to allow them to share their thoughts and ideas on the company's future development. This inclusive approach makes employees feel more valued and involved in shaping the future of the company.

In addition to his children, the owner has involved one of his most experienced and loyal employees in the transfer of management. This employee was appointed Sales Manager after the transfer, which brought several additional tasks and responsibilities, including the management of his own sales team and sales strategy. As a result, all five members of the board (CEO, CFO, CPO, COO, CSO) meet every month to make important decisions on strategy and plan for the future. These regular meetings serve as a forum for joint discussion and planning, where each member's contributions and views are taken into account.

5.3.2.1 All employees

An Organisational Culture Assessment Instrument (OCAI) survey was conducted among a group of 18 employees on all levels of the organisation. Each employee was given the survey on the same day, ensuring consistency and accuracy in the data collected. The results of the survey were analysed and used to develop strategies for further enhancing the organisation's culture.

Table 3 indicates the current and preferred states of organisation culture based on all employees' answers. The data is presented also in the form of a radar chart (Figure 4) depicting the current and preferred values for each organisational culture type.

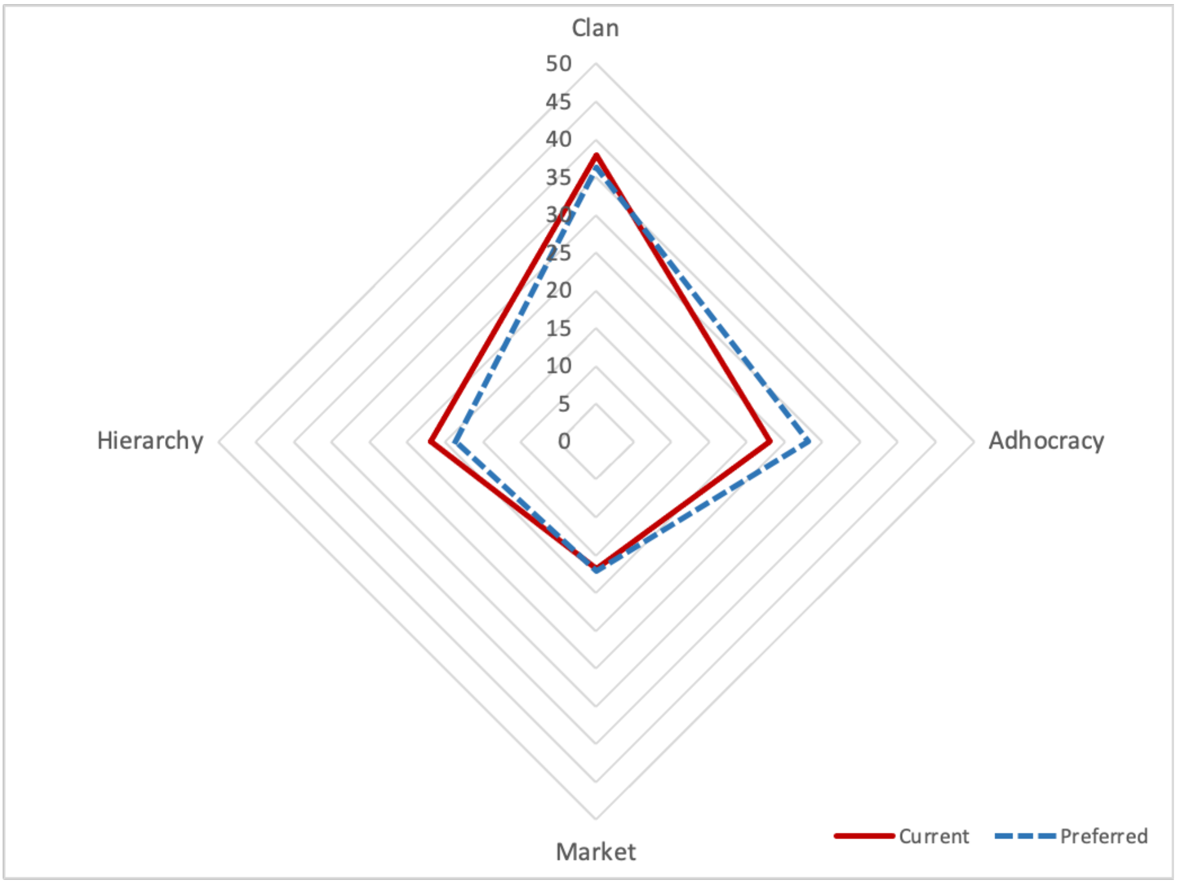
Table 3: OCAI questionnaire results for all employees

	Current (C)	**Preferred (P)**	**Difference (P - C)**
Clan	37.87	36.29	-1.58
Adhocracy	23.05	28.13	5.08
Market	16.79	17.04	0.25
Hierarchy	21.83	18.64	-3.19

Source: Own work.

The analysis suggests that the organisation's culture is predominantly Clan-oriented, with a strong emphasis on collaboration, mentorship, and loyalty. The highest average score was for Clan culture, indicating that the organisation is perceived as a very personal place resembling an extended family. Adhocracy culture was the second-highest average score, indicating some degree of emphasis on dynamism, entrepreneurship, and risk-taking, although it is considerably lower than Clan. Market and Hierarchy cultures received lower scores, indicating less emphasis on competitiveness, result-orientation, and formal structures compared to Clan and Adhocracy. Overall, the organisation exhibits elements of an Adhocracy culture, such as innovation and risk-taking, while also emphasising collaboration, mentorship, and loyalty.

Figure 4: General profile of organisational culture



Source: Own work.

Upon comparing the preferred culture profile, it has been found that the preferred cultural style for the organisation still remains the Clan culture, indicating a desire for a close-knit and family-like environment where teamwork and collaboration are highly valued. Based on the results of the assessment, employees prefer leadership characterised by mentoring and nurturing, and management styles that encourage teamwork, consensus, and participation. Furthermore, it has been found that there is a noticeable shift towards Adhocracy, which indicates a desire for greater focus on innovation and risk-taking within the organisation.

The preferred organisational values are based on human development, innovation, and exploring new opportunities. Interestingly, there has been a significant decrease in the preference for Hierarchy culture, which implies a perceived need for reduced emphasis on stability and control.

These findings indicate a potential opportunity for cultural change and alignment with strategic objectives, particularly in fostering a more innovative and collaborative work environment. It is crucial for organisational leaders to carefully analyse these results and facilitate discussions to interpret the findings, engaging employees at all levels to ensure comprehensive insights into the organisational culture and its alignment with the company's goals and strategies.

5.3.2.2 Owners

The context refers to the two owners of the business, which include the current sole legal owner and his spouse. Although the wife may not have a formal shareholder position in the business, she has made a significant investment in it. She is actively involved in the organisation's activities and contributes informally to its governance and ownership. Therefore, it was decided that this part of the analysis includes her as well.

Table 4 indicates the current and preferred states of organisation culture based on owners' points of view. The data is presented also in the form of a radar chart (Figure 5), depicting the current and preferred values for each organisational culture type.

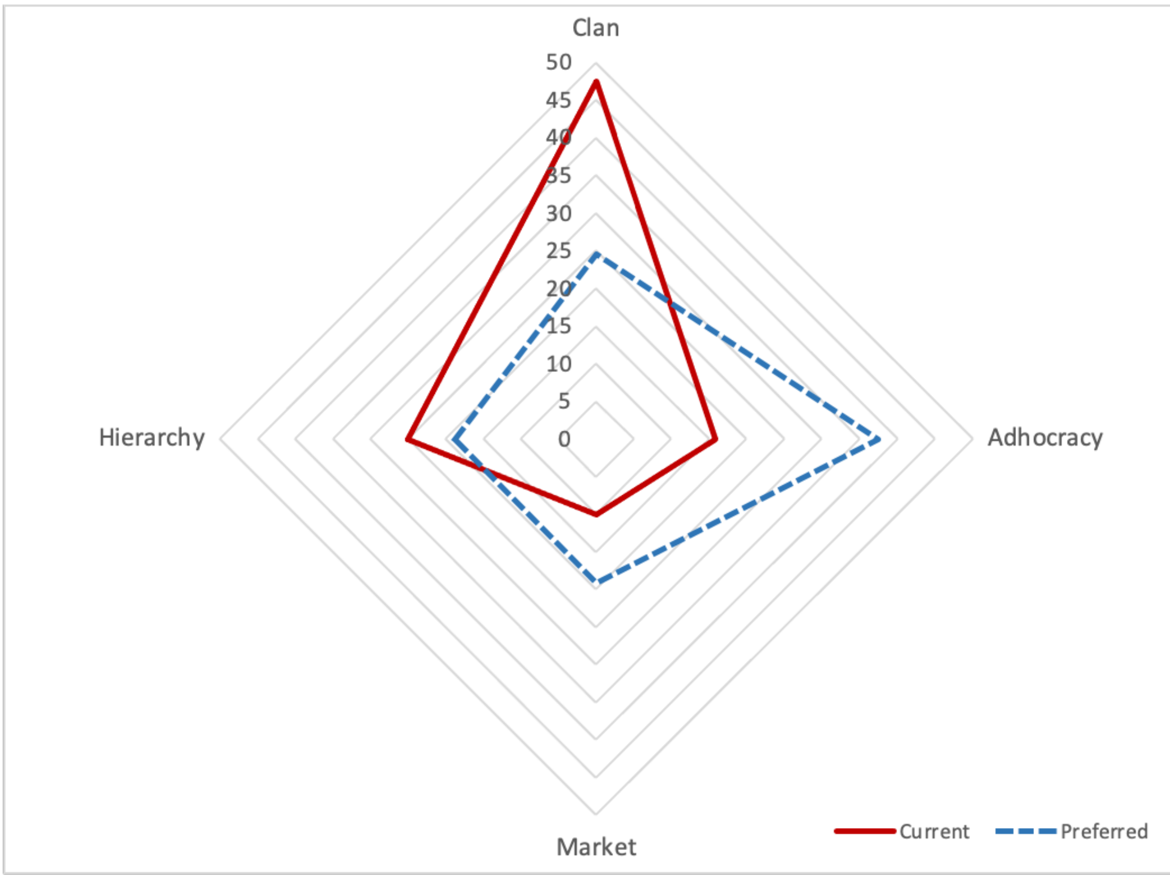
Table 4: OCAI questionnaire results for the two owners

	Current (C)	**Preferred (P)**	**Difference (P - C)**
Clan	47.50	24.58	-22.92
Adhocracy	15.83	37.50	21.67
Market	10.00	19.17	9.17
Hierarchy	25.00	18.75	-6.25

Source: Own work.

Upon comparing the average cultural preferences of both owners, significant changes in their organisational culture aspirations can be observed when compared to the current cultural profiles. First and foremost, there is a considerable decrease in the preference for Clan culture, indicating a move away from a familial-oriented and collaborative work environment. On the other hand, both owners have a marked inclination towards an Adhocracy culture, indicating a heightened desire to promote innovation, risk-taking, and entrepreneurial endeavours within the organisation. Furthermore, there is a notable increase in the preference for Market culture, suggesting an augmented emphasis on competitive dynamics, achievement, and result-driven strategies. Conversely, a decline in preference for Hierarchy culture is noticeable, reflecting a mutual inclination away from rigidly structured and centralised organisational frameworks. To sum up, these findings highlight a shared vision between the proprietors to create an environment that fosters innovation, market competitiveness, and adaptability, while simultaneously reducing the importance of familial bonds and hierarchical conventions within the organisational framework.

Figure 5: Organisational culture from owners' point of view



Source: Own work.

5.3.2.3 Successors

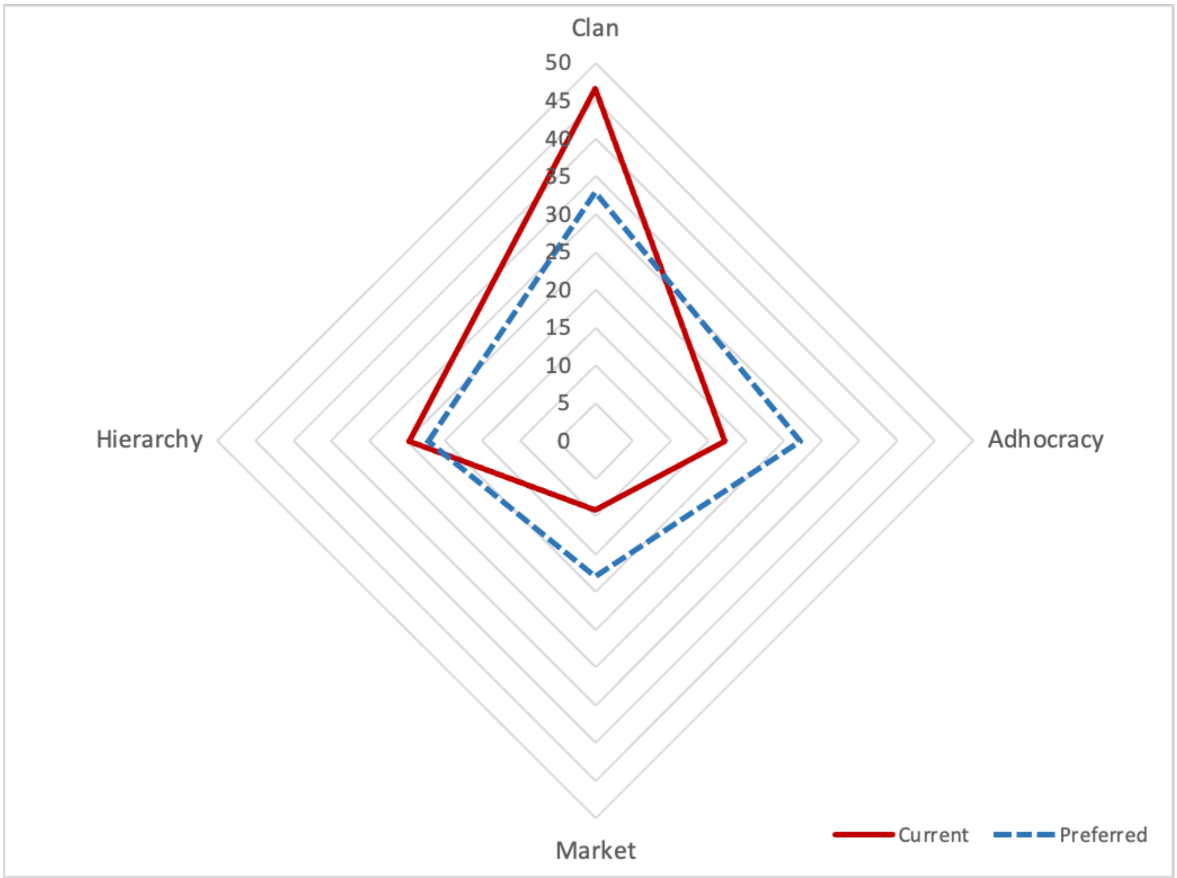
Table 5 indicates the current and preferred states of organisation culture based on successors' points of view. The data is presented also in the form of a radar chart (Figure 6), depicting the current and preferred values for each organisational culture type.

Table 5: OCAI questionnaire results for the two successors

	Current (C)	Preferred (P)	Difference (P - C)
Clan	46.67	32.92	-13.75
Adhocracy	17.08	27.08	10.00
Market	9.17	17.92	8.75
Hierarchy	24.58	22.08	-2.50

Source: Own work.

Figure 6: Organisational culture from successors' point of view



Source: Own work.

Following a review of the average cultural tendencies of the two successors, it is evident that there have been notable shifts in their organisational culture aspirations in comparison to the current cultural profiles. Firstly, there is a noticeable decrease in the preference for Clan culture, which indicates a reduced inclination towards a familial and collaborative organisational ethos. In contrast, both successors show an increased preference for Adhocracy culture, which signifies a heightened interest in promoting innovation, risk-taking, and entrepreneurial ventures within the organisation. Additionally, there is a significant uptick in the preference for Market culture, suggesting a greater focus on competitive dynamics, achievement, and results-driven strategies. Conversely, there is a marginal decline in the preference for Hierarchy culture, implying a modest departure from rigidly structured and hierarchical organisational paradigms. Overall, these findings highlight a common vision among the successors to foster an organisational environment conducive to innovation, market competitiveness, and adaptability, while simultaneously reducing the emphasis on familial ties and hierarchical structures within the organisational framework.

5.3.2.4 Long-term employees

Besides the owners and one of the successors, there are seven people employed for more than 10 years, more precisely, on average 19.4 years.

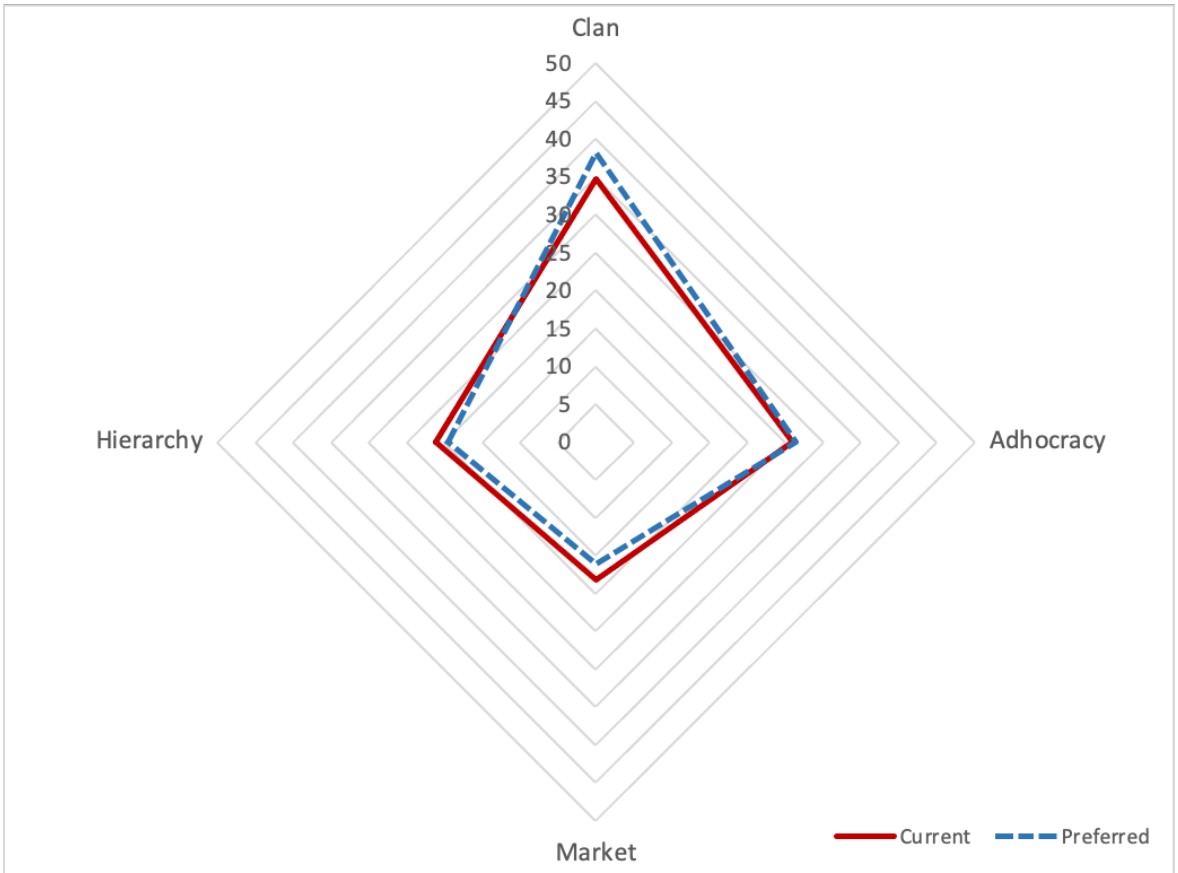
Table 6 indicates the current and preferred states of organisation culture based on long-term employees' points of view. The data is presented also in the form of a radar chart (Figure 7), depicting the current and preferred values for each organisational culture type.

Table 6: OCAI questionnaire results for long-term employees

	Current (C)	Preferred (P)	Difference (P - C)
Clan	34.76	38.21	3.45
Adhocracy	25.93	26.40	0.48
Market	18.17	16.14	-2.02
Hierarchy	21.14	19.48	-1.67

Source: Own work.

Figure 7: Organisational culture from long-term employees' point of view



Source: Own work.

In evaluating the data provided, it becomes quite evident that employees who have been associated with the organisation for more than a decade exhibit a slightly divergent pattern in cultural preferences when compared to both the owners and successors. The study reveals that there are variances in the extent of change across each cultural dimension, but the overarching trends suggest a nuanced outlook.

The analysis of the data indicates that there is a modest uptick in preference for the Clan culture among long-standing employees, which suggests a stronger inclination towards fostering a familial and collaborative atmosphere. The Adhocracy culture among these employees exhibits marginal shifts, indicating a relatively stable stance regarding innovation and individual risk-taking. On the other hand, there is a minor dip in preference for the Market and Hierarchy cultures among these employees, hinting at a subtle departure from a competitive environment, a structured and controlled organisational approach.

When comparing these findings with the cultural preferences of the owners and successors, it is evident that long-standing employees exhibit a more tempered response, with less pronounced shifts in their preferred cultural orientations. This observation implies that their tenure within the organisation may have shaped their perspectives, leading to a relatively consistent outlook on organisational culture.

5.3.2.5 Short-term employees

Besides one of the successors, there are seven people employed for less than 10 years, more precisely, on average 1.6 years.

Table 7 indicates the current and preferred states of organisation culture based on short-term employees' points of view. The data is presented also in the form of a radar chart (Figure 8) depicting the current and preferred values for each organisational culture type.

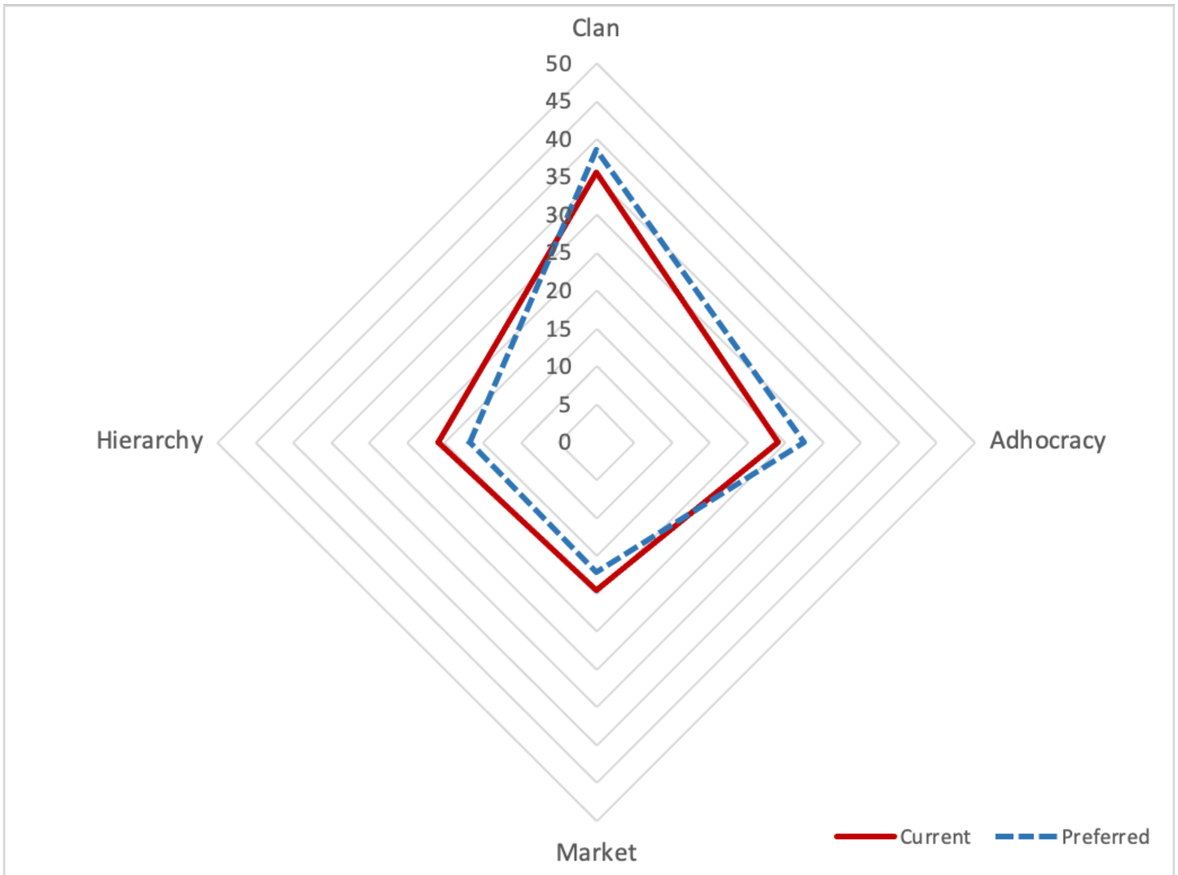
Table 7: OCAI questionnaire results for short-term employees

	Current (C)	**Preferred (P)**	**Difference (P - C)**
Clan	35.71	38.67	2.95
Adhocracy	23.93	27.48	3.55
Market	19.52	17.07	-2.45
Hierarchy	20.83	16.79	-4.05

Source: Own work.

The analysis of employees who have worked in the company for less than ten years reveals notable changes in their cultural preferences compared to their counterparts who have longer tenure and organisational leaders. There are discernible shifts across the cultural dimensions, indicating the evolving perceptions and preferences within this group. The most significant change is the increase in preference for the Adhocracy culture, which suggests a growing inclination towards innovation, risk-taking, and flexibility. This trend aligns with the broader societal emphasis on adaptability and creativity in the face of rapid change and uncertainty.

Figure 8: Organisational culture from short-term employees' point of view



Source: Own work.

Conversely, the preference for both Market and Hierarchy cultures has declined, reflecting a decreased emphasis on competitiveness and control, respectively. These shifts may signify a departure from traditional organisational paradigms towards more agile and dynamic approaches to work and collaboration. Notably, there has been a modest increase in the preference for the Clan culture, indicating a continued appreciation for familial and team-oriented environments, albeit to a lesser extent than the Adhocracy culture. Overall, these findings underscore the dynamic nature of organisational culture and highlight the need for organisations to continually reassess and adapt their cultural frameworks to align with evolving employee values and expectations.

5.3.3 Interview analysis

This section provides an analysis of the interviews conducted, focusing on the intergenerational succession process, pre- and post-succession culture, governance, and company performance. During the research, four semi-structured in-depth interviews were conducted with four main stakeholders: the owner, one of the successors, an employee who has been with the company for more than 10 years, and an employee who has been with the company for less than 10 years. A detailed summary of the findings can be found in Appendix 7.

5.3.3.1 Intergenerational succession process

It has been over a year since the current owner and founder announced his decision to retire. The company will be taken over in the near future by both of his children. He also revealed that he would be active as a proxy for another five years, after which he would like to step down from the management position completely. To achieve this, the company has reorganised its vision, strategy, objectives, and also one part of the team. The two successors are gradually assuming responsibilities and supporting the current owner. They are also modernising processes, implementing digitalisation across the company, and reorganising production and storage facilities to increase capacity for future operations.

The interview with a long-term employee, who has been with the company for over ten years, sheds light on the intergenerational succession process. The interviewee expressed deep respect for the current leader, underscoring his pivotal role in ensuring the company's ongoing success. This sentiment is captured in the following remark:

“For me, D. [the current leader] is the “father figure” and the boss, and I have immense respect for him. As long as he is here, I believe the company will continue to thrive.” (Long-term employee)

The short-term employee sees this transition between generations as a normal phenomenon in the life cycle of the company. He finds reassurance in the owner's presence in the future, which gives him confidence in the process.

“We can all be a little reassured that the owner is still so involved in the business itself that he will still stand by you and help you in the future.” (Short-term employee)

The successors are seen to bring new energy and perspectives that are essential for modernisation and growth. Although employees recognise their competence and dedication, they understand that the successors need time to gain the necessary experience to fully step into their roles. The successors are seen as capable of balancing innovation with the company's core values, driving the business forward while maintaining its familial atmosphere. Their proactive approach and vision for the future are expected to lead the company into a new era of success and development.

“In my opinion, I can say that the successors are more than responsible and committed, and all the new changes and investments that are currently taking place in the company show that. I think they bring a new energy and a new perspective that is important for the modernisation of this business. They are both very committed to the business and to some innovative approaches, which I think is absolutely necessary for further progress. Of course, as with everything, it will take time to learn and adapt to become good leaders." (Short-term employee)

At the same time, the long-term employee highlighted the complementary skills of the successors. One successor is recognised for international and theoretical knowledge, while the other is noted for technical proficiency. This balance is seen as crucial for effective leadership:

"She has a lot of international and theoretical knowledge, and she needs to step forward and show what she stands for. J., on the other hand, is technically oriented and diligent. Together, they form an excellent team." (Long-term employee)

On the other hand, it is acknowledged that the successors need additional experience to fully step into their roles. The interviewee remains optimistic about the future, expecting the transition to infuse the company with enthusiasm and optimism:

"I believe the generational transition will bring excitement and optimism. We are eager to see where the new leadership will take us." (Long-term employee)

The owner has a pragmatic and cautiously optimistic view of the intergenerational succession process. He acknowledges the current familial culture within the company but emphasises the need for a shift towards greater productivity and responsibility to ensure continued success. Reflecting on his own experience, he recognises the importance of creating a strong leadership team and a clear division of responsibilities to handle the growing complexity of the business. He advises the successors to be decisive and strategic.

"Being a responsible entrepreneur means that you are constantly thinking of new ideas and that you are able to pass these ideas on to others. And surround yourself with people who will be able to give you different ideas back. And when those ideas come together, you can make a great story out of it. But that's why the right and motivated people need to be together. That is why I will say that you have to be determined in these matters." (The owner)

While confident in the successors' abilities, he underscores the challenges they face, emphasising the necessity for continuous growth and adaptation.

"It's like that, if you don't go up, you go down. When a company stops growing, it goes down. That is the law of entrepreneurship. Do not need think that you will reach a certain point and then spend the next ten years doing nothing." (The owner)

The owner views the successors with a blend of confidence and high expectations, recognising that they share similar values and attributes due to their upbringing. He acknowledges their genetic and familial similarities.

“As for my successors, I am not afraid because they are, after all, my children, who are like me and my wife, and genetics is genetics. With some responsibility, they do not have to be different from me. But the only problem is that of experience and that of knowing what entrepreneurship really means.” (The owner)

However, he also highlights the challenge posed by their lack of experience and understanding of what entrepreneurship truly entails. The owner points out the differences between the successors, noting that they exhibit different emotional responses and behaviours, and emphasises the importance of open communication to manage these differences.

“You both need to take this relationship seriously and discuss it seriously. Above all, you need to stand up for yourself if you want to lead this company well.” (The owner).

The owner underscores the need for mutual support and regular, honest discussions to ensure that conflicts are addressed promptly, which is essential for their successful collaboration and the future of the company.

“I would like you both to sit down together many times and talk honestly about this. Tell each other what's bothering you. Be diplomatic and firm about what you want from each other. If you don't build your relationship on this basis, you will have problems.” (The owner)

While confident in their abilities, the owner is aware that gaining the necessary experience takes time, and he is committed to mentoring them through the transition, imparting his experience and knowledge to help them succeed in leading the company into a prosperous future. He sees the succession as an opportunity to balance innovation with the company's core values, driving the business forward while maintaining its familial atmosphere. The owner's guidance and support are aimed at helping the successors navigate the complexities of leadership and achieve long-term success for the company.

Furthermore, the successor sees the intergenerational succession process as a transformative phase for the company. He emphasises the need to balance innovation with maintaining core values and recognises the challenges inherent in the transition but is optimistic about the future.

“We need to lead decisively and create a team of equals who can contribute new ideas.” (The successor)

The successor has a pragmatic and cooperative view of the relationship with his sister in the context of their roles as successors in the company. He expects her to perform her duties diligently and conscientiously, acknowledging her role as critical to the company's success.

“I just want you to do your part of the job well and conscientiously, with a healthy understanding of my peculiarities. Just as it is expected of me to ensure production runs smoothly, innovatively, and with quality products, it is also expected that your management of the company will be good, high-quality, and full of innovative ideas.” (The successor)

The successor emphasises the importance of each fulfilling their respective responsibilities effectively, which he believes naturally prevent conflicts and strengthen their collaboration.

“As long as we all do our tasks well, there are no problems. I don't want conflicts. I see it as something we do for a common good future, which will only strengthen our relationship.” (The successor)

He highlights the importance of honesty and trust, noting that their long-standing familiarity helps them address issues promptly and effectively.

“What I would highlight in this business is honesty and trust… It all depends on us, how we take time for each other and talk honestly.” (The successor)

In conclusion, the successor's perspective is grounded in a pragmatic approach to leadership, focusing on strategic innovation while fostering a supportive and collaborative environment with his sister.

5.3.3.2 Pre- and post-succession culture

The company's current culture is characterised by a strong familial atmosphere that fosters a sense of belonging and support among employees. This environment has been cultivated over the years by the founder, who has emphasised the importance of trust, loyalty, and mutual respect. Employees appreciate this family-oriented culture, feeling valued and accepted, which has contributed to a supportive and cohesive work environment. As one long-term employee noted:

“Family as a value has always been important here. Also help and support, from my point of view. As many times as D. [the current leader] said to me "You did great, Bravo", no one ever said that to me at home. There was always grumbling at home, but D. was the first one to give me that feeling of appreciation. There was always some encouragement, some support. You appreciate that over the years.” (Long-term employee)

Similarly, a newer employee highlighted the inclusive nature of the company.

“I have been with the company for almost two years, and I must say my feelings are quite positive. When I joined the team, I was impressed by the open and friendly work environment. This has not changed; I feel that my opinion matters and that I can truly contribute to the success of our company.” (Short-term employee)

In this company, teamwork is vital as it integrates the diverse skills and perspectives of employees to foster innovation and efficiency. This collaborative spirit is essential for maintaining the supportive and cohesive work environment that has been a hallmark of the company's culture, ensuring that everyone works together towards common goals and drives the company forward.

"We work as a team. I like to show what I know and share it with everyone, but also thank God that someone knows more and shows it. That way we can learn from each other. Also, in the past in our company, there was never any rivalry. D. [the current leader] has always been against it and he has always stressed that we have to cooperate, help each other, ask questions. Even during meetings, he always stressed that we are here together, that we are not going anywhere, that the door is always open." (Long-term employee)

However, the leadership recognises the need for a cultural shift to incorporate greater innovation, responsibility, and competitiveness to sustain growth and adapt to market changes. The successor articulated this vision by emphasising the need for proactive contribution and self-initiative from employees.

"I wish for more innovation, self-initiative, and ideas from employees. Not so much that I expect them to think for us and to formulate ideas. But to service us with their insights into the operations of the company through their work and their presence of mind at work and, of course, to bring new ideas for the field and thus give us appropriate guidance. Based on this, we, the owners, as some visionaries of this company, will then chart the way in which we will go." (The successor)

The owner views the company's culture as a combination of family-like support and the necessity for increased responsibility and competitiveness. He recognises the strong sense of family and loyalty that has been developed over the years, which creates a supportive environment for employees. However, he stresses the need to evolve this culture to ensure the company's success, advocating for a shift towards greater innovation, efficiency, and accountability. The owner believes that while maintaining a familial atmosphere is important, the company cannot thrive solely on this; it must also embrace a culture of productivity and professional growth to remain competitive in the market.

"Currently, the company has a familial and family-oriented culture, but I want it to be different. I understand that employees want more family-like interactions and less responsibility, but the company can't thrive on that alone." (The owner)

The owner and the successor explain the differences between the leadership's and employees' visions for the company's future culture. The leaders are centred on enhancing operational efficiency, and productivity, and fostering a competitive yet collaborative environment, while the employees prefer a comfortable and safe working environment.

“As an owner, you always want to see some efficiency, more productivity and, as a result, some healthy internal competition and rivalry, but you also want everyone to accept the responsibilities that come with their jobs.” (The owner)

“As owners, we see the workplace differently from the employees. We look at it from the perspective of making our employees as productive as possible. A lot is expected of them because they help us to earn our bread. They are expected to be hardworking and professional. On their side, it's the opposite, and they come here and they want to feel good first, to create a comfortable environment for themselves, like another family, before they can start functioning well.” (The successor)

This introduction sets the stage for a detailed exploration of how the company’s culture is expected to evolve with the succession, balancing its cherished familial values with the necessary drive for innovation and competitiveness.

The successor echoes this sentiment, emphasising the need for innovation and proactive contribution from employees while understanding the meaning of them feeling safe.

“I want employees to take the initiative and be creative, offering suggestions and insights without needing to be constantly asked” ... “When they feel a certain security and a certain belonging, they give themselves over to creativity.” (The successor)

Both the owner and the successor agree that more needs to be done in the future to change the way employees think and perceive their work and responsibilities. They believe that fostering a more innovative company culture can be achieved by shifting employees' mentality and encouraging them to take more initiative and responsibility, working for their own value rather than solely for the owner.

“It is important to continually remind them that they are working for their own value. Once they have acquired the knowledge, especially the commercial knowledge, and are familiar with all the customers, suppliers, materials, and processes in this industry, their market value increases significantly.” (The owner)

“[…] when you have an individual who comes from a family that has never taken any risks, the first step is to establish new foundations. They are now becoming a member of their new “family”, and the initial focus is on shifting their mindset and introducing new perspectives. The question everyone is likely asking is, how do we do that?” (The successor)

On the other hand, both long-term and newer employees recognise the importance of a supportive environment but also express a suitable style of leadership. The long-term employee values the family-like atmosphere but also highlights the need for a balance between rules and flexibility.

“There has to be some control and direction; otherwise, everyone would go their own way. People need common guidelines and leadership.” (Long-term employee)

The long-term employee also highlights that he noticed differences between the different generations of employees and how they are motivated in very different ways.

“The older generation operates more on the principle of strict rules, and they function better under pressure and a stern voice. Whereas with the new generation of employees, you have to be quite careful. It's a bit of a carrot-and-stick principle. You have to be a good mentor to them in the first place, to stroke them, praise them, and nurture them, so that you can then criticise and comment on what is not good. They are very vulnerable and easily offended.” (Long-term employee)

Despite these anticipated changes, the long-term employee believes that the core family values persist, even as the company embraces digitalisation and technological advancements.

“I think the family spirit will continue, but there will be more focus on technological progress and digitalisation under the new leadership.” (Long-term employee)

The newer employee emphasises the importance of feeling valued and accepted while also seeking opportunities for growth and increased responsibility.

“We seek a place where we feel valued and accepted. The company promotes a sense of belonging, community, and loyalty, which is extremely important to me.” (Short-term employee)

The company's future culture, as envisioned by a new employee, is expected to focus on innovation, pursuing new opportunities, and maintaining a strong sense of responsibility and competitiveness in the market. The employee anticipates that the new leadership brings fresh ideas on how to adapt the company to current market challenges, which will likely lead to cultural changes. Despite these anticipated changes, there is a belief that the leadership aims to uphold the core values of the company's culture, ensuring that the supportive and familial atmosphere remains intact. This balance between innovation and traditional values is seen as essential for navigating the risks associated with current decisions while fostering a dynamic and resilient organisational culture.

“The successors bring new energy and perspectives that are important for modernising the business. Both are very engaged and committed to innovative approaches, which I believe will be crucial for further progress.” (Short-term employee)

5.3.3.3 Pre- and post-succession governance

The company's current governance structure is characterised by centralised decision-making, with the founder playing a crucial role in both strategic and operational decisions. This hierarchical approach has ensured tight control over company operations and clear accountability. The owner emphasises the importance of maintaining control and responsibility, especially in key areas, such as market strategy and operational efficiency.

Employees view this structure as a source of stability but also recognise the growth potential. Long-term employees value the clear directives and strong leadership provided by the founder, which has historically guided the company through various challenges.

“At the moment, the majority of the decision-making is still with the current owner and founder, but I have the impression that the successors are increasingly involved. Recently, we have increased the number of regular quick meetings where everyone can come up with suggestions and we can work together to find solutions.” (Short-term employee)

As the company transitions to new leadership, the future governance model is expected to become more inclusive and collaborative. It balance strong leadership with greater employee empowerment. The successors envision a governance structure that retains the clear accountability and strategic oversight provided by the current centralised model while incorporating mechanisms for more employee input and shared decision-making. This shift is seen as essential for fostering innovation and ensuring the company remains agile in responding to market challenges.

The owner believes that the key to successful future governance lies in formalisation so creating a professional management team comprised of internal employees, who will be like-minded and responsible entrepreneurs.

“What I see as the solution for the expansion and success of this company is to create a management team within this company. To define the main tasks of this management team and to hand over responsibility. You lead the management team and they lead the rest. Now how to achieve that is another question. That is one foundation and I always say, if you want to be king of the jungle, behave like a king, if you want to be an entrepreneur, behave like an entrepreneur, not like some village handyman thinking about how you are going to sell something under the table. Being a responsible entrepreneur means constantly thinking of new ideas and being able to pass on those ideas to others. At the same time, surround yourself with people who will be able to give you different ideas back. And when those ideas come together, you can make a great story out of it. But that's why the right and motivated people have to be together. That is why I will say that you have to be determined in these matters.” (The owner)

During the transition period of the succession, the company has already started to build up its management team by inviting one of its employees to join the board and promoting him to head of sales. He has now taken over responsibility for the management of the sales department and has become a member of the now five-member board which now combines the director, financial director, production manager, operations manager and sales manager.

"Being welcomed into the sales management team has given me an extra boost and I'm even more driven." (Long-term employee)

The successor acknowledges that the future governance of the company will significantly differ from the past due to substantial changes in the company's structure and market demands. He notes that during their parents' tenure, the business focused primarily on trading, purchasing, and selling. However, over time, the company has increasingly integrated production processes, evolving from merely processing semi-finished products to focusing on the design, manufacturing, and installation of lighting solutions. This shift necessitates a more specialised and segmented approach to governance. The successor envisions that his sister will oversee operational leadership, while he will concentrate on technical aspects, including production, service, and technical support.

In addition, the successor and the owner explain that the changes will lead to a more inclusive and collaborative governance model. They believe that incorporating diverse perspectives and fostering a culture of shared responsibility will be crucial for the company's evolution. This transition aims to balance the need for strong leadership with the benefits of empowering employees at all levels, ensuring that governance adapts to support both stability and innovation.

The current owner concludes this topic with advice on the importance of being a good leader:

"Work on these people you have, not to the point where they can do whatever they like, but so that they are respected and wanted, but at the same time they have one big responsibility. And you have to be a decisive leader. A decisive leader is one who manages people and keeps the team together. You don't have to do it alone; you have to have a good team behind you." (The owner)

5.3.3.4 Pre- and post-succession company performance

The current performance of the company, as perceived by various stakeholders, reflects a business in a transitional phase, characterised by a mix of stability and readiness for innovation.

The company's current performance is strong and is built on long-standing relationships and trust with clients. A long-term employee stresses the importance of honesty, consistency, and building trust over time.

"Ninety-nine per cent of what we have done so far is because we work honestly, conscientiously and out of trust and relationship with clients." (Long-term employee)

While the company has faced challenges in the past regarding perceptions of product quality, recent improvements in offering higher-quality products have been recognised as beneficial. However, the employee also emphasises the crucial need for aggressive and innovative sales strategies to maintain competitiveness, noting that their products do not sell themselves like those of more established brands.

They are all united that the future performance of the company is expected to undergo significant changes under new leadership. The focus will shift towards higher-value services such as lighting design, consulting, and project-based solutions, moving away from traditional retail and wholesale models.

"I see it more as some technical consultancy, also to end customers and close cooperation with architects. We will emphasise the solutions for professional lighting, yes. But I have always said that we will also add this architectural lighting. It will be more about working closely with the end customers, the architects, the designers, the electricians." (Long-term employee)

This strategic shift aims to capitalise on market trends and consumer preferences for customised, high-quality lighting solutions. The new leadership envisions a more streamlined and efficient company, with a stronger emphasis on innovation and close collaboration with architects and designers, ensuring that the company remains at the forefront of industry developments. This transformation is expected to result in a more specialised and agile organisation, better equipped to meet future market demands and achieve sustainable growth.

They are also unanimous about the huge potential in international markets and are keen to expand.

"The Slovenian market is quite saturated, but we are everywhere. But let's say we also have potential abroad." (Long-term employee)

"I want this company to become a well-known brand not only locally but also internationally." (Short-term employee)

On the other hand, the owner perceives the future performance of the company through a pragmatic lens, grounded in the principle that continuous growth is essential for survival. He emphasises that stagnation is not an option in the business world, as a company must either grow or face decline. Reflecting on the nature of business dynamics, he underscores the risks of rapid expansion, which could lead to equally swift downturns if not managed carefully. The owner advocates for a strategic transformation of the company, moving away from its traditional segments toward a more focused approach to project-based work and production. He highlights the necessity of having a stable market to ensure organic growth.

"It is more realistic that you will have to completely transform yourself, that you will put some parts away, that there will be only some project work and production. For that, you need to have a stable market." (The owner)

The owner also stresses the importance of the successors' active involvement in market development and networking, cautioning against over-reliance on sales personnel for strategic growth. He recounts his own experience of managing internal problems while delegating critical market relationships, a mistake he advises the successors to avoid. Networking and maintaining strong relationships with clients and partners are deemed crucial for sustained growth.

“Now, if you both know how to hold the sale in your hands, at least partially, make some connections, get some potential people around you and network, the business will grow. If you leave everything to employees, you will be on very thin ice when someone leaves you.” (The owner)

The owner advises the successors to be ambitious, proactive, and resilient, leveraging their youthful energy and enthusiasm to drive the company's development.

“But this must be a challenge for you. When I started, I was charged with this youthful energy and I never doubted, I knew I would make it. And you have to use that energy to develop.” (The owner)

Lastly, the successor expects production and installation capacities to double within the next five years due to increased demand for services and a shift towards architectural lighting design and project-based work. Traditional retail operations are expected to decrease during this time. Over ten years, there will be a further decline in retail operations and a stronger focus on specialised production and installations to meet market demands. Building a strong brand and centralised business operations will be crucial for supporting this growth.

“I think it is only on production that the value is added. Everything else, like stock on the shelves, has no value. The brand itself is important here. How you position it, where your brand appears, etc. Then there is no problem, you can sell the brand and get on with it.” (The successor)

Looking ahead twenty years, the successor remains optimistic about the company's potential. He envisions the company's value being largely dependent on its physical assets, inventory, and brand strength. The goal is to establish the brand as synonymous with lighting in Slovenia, enhancing market position and opening up possibilities for international expansion. Strategic planning and capacity building, along with innovative products and efficient operations, will be key to achieving this vision. It is vital to align the company’s resources and capabilities with market demands to ensure sustained growth and competitiveness in the long run.

6 DISCUSSION

6.1 Main findings

This Master's thesis has thoroughly examined the critical aspects of intergenerational succession in family businesses, focusing on the changes in culture and governance that occur when a new generation takes over leadership. Through an in-depth analysis of theoretical frameworks, the Lotrič Metrology case study as a benchmark, and the ongoing transition in my family business JAKA&I, several key findings and valuable lessons have emerged.

The process of intergenerational succession in family businesses can benefit from a thorough analysis of case studies and theoretical insights. It is crucial to plan succession well in advance, involving all stakeholders and setting clear timelines. Early planning allows for the identification and preparation of potential successors. While it is important to preserve the core values and traditions of the family business, integrating innovative practices and new technologies is essential for maintaining competitiveness and relevance in the market. Bringing in non-family professionals for key managerial positions can bring fresh perspectives and promote more objective decision-making based on merit. A strong, adaptive culture aligned with the company's strategic goals can greatly facilitate the transition process. Emphasising collaboration, continuous learning, and open communication fosters a supportive environment for both existing employees and new leaders. Transparent communication and active engagement with stakeholders, including employees, customers, and suppliers, build trust and support for the succession process, which is crucial for maintaining business continuity and morale. Investing in the development of future leaders through training, mentorship, and exposure to various aspects of the business ensures that they are well-prepared to take on leadership roles. Additionally, actively listening to employees and consulting with them is essential for making well-informed decisions and fostering a sense of inclusion and trust within the organisation.

6.2 Theoretical implications

The results of this research are in line with and add to several important theories in the literature on family business succession, culture, and governance. By studying the transition processes in Lotrič Metrology and JAKA&I, this study offers practical insights that improve our comprehension of these theoretical concepts.

This Master's thesis research highlights the importance of strategic succession planning, which is extensively discussed in the literature. For instance, Sharma, Chrisman, and Chua (2005) and LeCouvie and Pendergast (2014) emphasise that effective succession planning involves early identification and development of potential successors. The detailed planning and gradual transition processes observed in the Lotrič Metrology case study support this theory, showing that such strategies can ensure smoother transitions and better preparedness of new leaders.

The research highlights the significance of effective governance structures and a resilient, adaptable culture for the success of intergenerational succession in family businesses. It contributes to our understanding of how culture adjusts when leadership changes, expanding on Schein's (2010) concept that organisational culture is shaped by the values, beliefs, and behaviours of its members. When leadership transitions occur, there are often significant cultural shifts that can greatly impact internal communication and external brand perception. Lotrič Metrology's successful implementation of new strategies and technologies while upholding core values serves as an example of how culture in family businesses is continuously evolving. This aligns with Dyer's (1986) assertion that maintaining and evolving culture is essential for maintaining a competitive advantage during leadership changes. Therefore, family businesses should strive to balance traditional values with innovative practices to sustain their competitive edge and ensure long-term viability.

In addition to cultural changes, effective governance is critical for the success of intergenerational succession. Family businesses often face unique challenges in governance due to the intersection of family and business interests. This Master's thesis emphasises the importance of inclusive governance structures, which align with the Three-Circle Model of family business governance proposed by Tagiuri and Davis (1996). The incorporation of non-family professionals in managerial positions at Lotrič Metrology and the establishment of a family council at JAKA&I demonstrate how these governance frameworks can bring diverse perspectives, improve decision-making, and ensure transparency. This is consistent with the conclusions of Ward (2004) who asserts that formal governance mechanisms are crucial for managing the complex interaction between family and business interests.

Moreover, the focus on professionalising family businesses, as observed in both case studies, contributes to the theoretical debates described by Gersick et al. (1997) who propose that professionalisation aids family businesses in adapting to market changes and improving their operational efficiency. The real-life instances from Lotrič Metrology and JAKA&I illustrate how professionalisation, such as incorporating external talent, can help achieve smoother transitions, ensure long-term sustainability and maintain competitiveness in a rapidly evolving market environment.

In conclusion, this research not only reinforces existing theories on family business succession but also provides concrete examples of how these theories can be applied in practice. By bridging the gap between theory and practice, the study offers valuable insights for family business owners, successors, and other family business stakeholders, contributing to a deeper understanding of the complex dynamics involved in intergenerational succession.

6.3 Practical implications

The successful transition at Lotrič Metrology highlights the importance of strategic succession planning and the early involvement of potential successors. By gradually introducing Maja Lotrič to various leadership roles, the company ensured that she acquired the necessary skills and experience to lead effectively. Similarly, family businesses should prioritise the early identification and development of future leaders to ensure they are well-prepared for their roles. This process should include opportunities for successors to gain practical experience and build relationships with key stakeholders within the organisation.

Both Lotrič Metrology and JAKA&I have emphasised the importance of balancing the preservation of core values with the adoption of new strategies and innovations. Lotrič Metrology maintained its emphasis on precision, trust, and innovation, even as it expanded its market reach and prioritised digital transformation. For family businesses, it is crucial to uphold the foundational values that define the company while remaining open to new ideas and practices that can drive growth and competitiveness. This balance helps to ensure continuity and stability during periods of change.

The transition processes in both case studies show the value of inclusive governance structures. Lotrič Metrology involved non-family professionals in managerial roles, bringing diverse perspectives and expertise to the leadership team. JAKA&I's approach of forming a family council and drafting a family constitution to include non-family employees in the decision-making process also highlights the importance of inclusive governance. Family businesses should consider implementing governance frameworks that allow for broad participation from both family and non-family members, ensuring transparency, accountability, and effective decision-making.

Transparent communication and active engagement with employees are critical for managing transitions smoothly. The successors at Lotrič Metrology and JAKA&I emphasised the importance of listening to employees and involving them in the transition process. This approach fosters a sense of inclusion and trust, which can mitigate resistance to change and maintain high levels of employee morale and commitment. Family businesses should prioritise open communication channels and seek to involve employees in discussions about the company's future direction.

Professionalising the management structure by delegating decision-making authority to qualified managers is a key element for successful transitions. This includes both hiring external talent and training family members to take on management roles. Professionalisation helps to ensure that the business is run efficiently and can adapt to changing market conditions. Family businesses should focus on building a management team with the skills and expertise needed to drive the business forward while maintaining a strong connection to the company's values and culture.

Continuous training and mentorship are vital for preparing successors for leadership roles. Both Lotrič Metrology and JAKA&I have invested in ongoing development programs for their new leaders, enhancing their capabilities and ensuring they are well informed about the operational and strategic aspects of the business. Family businesses should establish structured training programs and mentorship opportunities to support the growth and development of their future leaders.

Potential conflicts, both within the family and among non-family employees, can arise during transitions. Effective governance and clear communication can help to address these conflicts proactively. For example, setting up family councils and constitutions, as seen in both cases, can provide a framework for resolving disputes and ensuring that all parties are aligned with the company's goals. Family businesses should establish mechanisms for conflict resolution and foster a collaborative environment where different viewpoints can be heard and reconciled.

By applying these practical insights, family businesses can navigate the complexities of intergenerational succession more effectively, ensuring a smooth transition of leadership and sustained business success.

6.4 Limitations and future research

This study provides valuable insights into the cultural and governance changes during intergenerational succession in family businesses. However, several limitations should be acknowledged, which also point towards directions for future research.

Firstly, the scope of this research is limited to a small sample of family businesses, specifically focusing on the case studies of Lotrič Metrology and JAKA&I. While these case studies provide detailed and in-depth understanding, the findings may not be generalisable to all family businesses. Future research could expand the sample size to include a more diverse range of family businesses across different industries and cultural contexts, which would enhance the generalisability of the results.

Secondly, the data collection methods relied heavily on qualitative approaches, such as interviews, documents, and article analysis. Although these methods provide rich and detailed insights, they may be subject to biases such as the interviewees' subjective perspectives and the researchers' interpretations. Additionally, since I was in the position of both researcher and successor/future manager, this dual role might have influenced the objectivity of the responses from my employees, despite clarifying at the beginning of each interview that they should view me solely as a researcher. Future research could incorporate quantitative methods, such as surveys or statistical analysis, to complement the qualitative data and provide a more robust and comprehensive understanding of the phenomena under study.

Thirdly, the Lotrič Metrology case study primarily focuses on the perspectives of a family member involved in the business. While this is crucial for understanding the dynamics of family business succession, it may overlook the perspectives of non-family employees, customers, and other stakeholders who also play significant roles in the business's success. Future research should include these perspectives to gain a more holistic view of the impact of intergenerational succession on their organisational culture and governance.

Additionally, the study examines the transition process within a specific timeframe. However, as Maja Lotrič mentioned in her interview, a couple of years is too short to observe significant changes in such a complex area. Cultural and governance changes are ongoing processes that may evolve over a longer period. Longitudinal studies could be conducted to track these changes over time, providing deeper insights into how family businesses adapt and evolve post-succession. By observing these companies over several decades, researchers could identify patterns and trends in how cultural values and governance structures either adapt to or resist change. Such studies would shed light on the factors contributing to the sustainability or decline of family businesses, including changes in management styles, strategic decision-making, and stakeholder engagement. The potential for failure could be analysed from various perspectives, such as inadequate succession planning, intergenerational conflicts, resistance to innovation, and external economic pressures. Understanding these dynamics would provide a comprehensive view of the critical success factors and common pitfalls in intergenerational succession, offering valuable lessons for family businesses aiming for long-term success.

Another limitation is the potential influence of external factors such as economic conditions, industry trends, and regulatory changes, which were not extensively explored in this research. Future studies could examine how these external factors interact with internal family dynamics and governance structures during succession.

Finally, while this study highlights the importance of professionalisation and the integration of non-family executives, it does not delve deeply into the challenges and best practices associated with these processes. Future research could focus on identifying the specific strategies and mechanisms that family businesses can use to successfully professionalise their management and integrate external talent, thereby enhancing their competitiveness and sustainability.

In conclusion, this study offers significant contributions to the understanding of cultural and governance changes in family businesses during intergenerational succession. However, by addressing the identified limitations and exploring the suggested areas, the research could further enrich the field and provide even more comprehensive and actionable insights for family businesses navigating succession challenges.

7 CONCLUSION

This Master's thesis is a significant contribution to understanding family business succession and its impact on culture and governance. It also offers practical recommendations for family business owners, successors, and other stakeholders. As family businesses continue to play a crucial role in global economies, it is vital to comprehend and execute effective succession strategies for their long-term success and expansion.

In a time of economic volatility and a wave of retirements among family business owners, the insights from this research are particularly timely and relevant. The findings provide a roadmap for owners and successors to prepare in advance, ensuring that succession is managed smoothly and effectively. By adopting strategic succession planning, professionalisation of management, and inclusive governance structures, family businesses can enhance their resilience and adaptability in the face of internal and economic challenges.

The practical recommendations derived from this research can help family business leaders better anticipate and navigate critical situations that await them in the future. These strategies will enable them to maintain stability, foster growth, and secure the future of their enterprises in an unpredictable economic landscape. As a significant proportion of the global workforce is employed by family businesses, the successful implementation of these succession strategies will have far-reaching positive effects on the broader economy, contributing to sustained economic growth and stability.

On a personal note, conducting this research has provided me with invaluable insights into the future challenges and opportunities that await my family's business. I now have a clearer understanding of how the culture and governance of our family company are likely to evolve and what proactive measures I can take to ensure a smoother transition for all stakeholders. This awareness will enable me to apply best practices in succession planning, engage effectively with both family and non-family members, and foster a supportive and inclusive environment that aligns with our core values and strategic goals.

In conclusion, this research underscores the importance of proactive and well-planned succession strategies for family businesses. By implementing the findings of this study, family business owners and successors can ensure that their businesses remain robust, competitive, and capable of thriving in a rapidly changing economic environment.

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APPENDICES

Appendix 1: Summary in Slovene

Podjetja v družinski lasti igrajo ključno vlogo tako v svetovnem, kot tudi v slovenskem gospodarstvu. Ta podjetja, kjer na odločanje vpliva več generacij družine, se lahko razlikujejo po velikosti, od majhnih in srednje velikih podjetij (MSP) do velikih konglomeratov. Edinstvena kombinacija družinskih vezi in poslovanja ustvarja zapleteno okolje, kjer se prepletajo osebni in profesionalni interesi. Družinski člani, ki delujejo kot poslovni vodje in sorodniki, se soočajo z edinstvenimi izzivi in priložnostmi, ki so drugačni od tistih, s katerimi se soočajo ne-družinska podjetja.

Svetovno gospodarstvo se trenutno sooča z ranljivim obdobjem zaradi prihajajočega vala upokojitev lastnikov družinskih podjetij. Družinska podjetja so pomemben del svetovnega gospodarstva, saj pomembno prispevajo k BDP držav, zaposlovanju in inovacijam. Študije kažejo, da se med 50 in 80 odstotki lastnikov družinskih podjetij namerava v naslednjem desetletju upokojiti. Ta demografski premik tako predstavlja kritično točko za ta podjetja in svetovno gospodarstvo.

Ranljivost izhaja iz več dejavnikov. Prvič, pomanjkanje načrtovanja nasledstva lahko privede do nenadnih sprememb v vodenju, kar ustvarja nestabilnost in lahko moti kontinuiteto poslovanja. Drugič, čustvena in medosebna dinamika znotraj družin lahko oteži proces nasledstva, kar vodi do konfliktov in različnih vizij o prihodnosti podjetja. In kot zadnje, prihajajoča generacija se lahko sooča s težavami pri pridobivanju zaupanja in spoštovanja obstoječih zaposlenih, strank in drugih deležnikov, kar lahko negativno vpliva na poslovno uspešnost in ugled podjetja.

V tem magistrskem delu raziskujem ključne vidike medgeneracijskega nasledstva v družinskih podjetjih, s poudarkom na spremembah v kulturi in načinu upravljanja, ki se pojavijo, ko nova generacija prevzame vodstvo. Skozi poglobljeno analizo teoretičnih vidikov, preteklih raziskav, študijo primera Lotrič Meroslovje in študijo primera prehoda na novo generacijo v svojem domačem podjetju JAKA&I sem prišla do pomembnih zaključkov.

Raziskava uporablja kombinirano metodologijo, ki združuje kvalitativne in kvantitativne metode za celovito razumevanje teme. Kvalitativni del vključuje študijo primera uspešnega medgeneracijskega nasledstva družinskega podjetja Lotrič Meroslovje v Sloveniji, ki služi kot »benchmark«, ter poglobljene intervjuje z glavnimi deležniki mojega družinskega podjetja, ki je trenutno v procesu medgeneracijskega prehoda. Kvantitativni del vključuje OCAI vprašalnik, namenjen merjenju trenutne in zaželene kulture podjetja po prehodu na vodstvo nove generacije.

To magistrsko delo temelji na dveh glavnih hipotezah: (1) učinkovite strukture upravljanja pomembno prispevajo k uspehu medgeneracijskega nasledstva v družinskih podjetjih in (2) močna, prilagodljiva kultura znotraj družinskega podjetja omogoča bolj gladke prehode in izboljša splošno uspešnost po nasledstvu.

Smer raziskovanja v temu delu pa so vodila tri glavna raziskovalna vprašanja: (1) Kako se kultura in način upravljanja podjetja spremeni po medgeneracijskem nasledstvu? (2) Kakšne ukrepe je mogoče sprejeti za zagotavljanje stabilne kulture podjetja med prehodom? (3) Kako je mogoče razviti učinkovit sistem upravljanja za obvladovanje zapletenosti medgeneracijskega nasledstva?

Ta magistrska naloga je sestavljena iz petih glavnih poglavij. Prvo poglavje poglobljeno raziskuje teorijo na področju družinskih podjetij, vključno z njihovo definicijo, pomenom v Evropi in edinstvenimi značilnostmi v Sloveniji. Obravnava kompleksnost definiranja družinskih podjetij, njihovo vlogo v gospodarski rasti in izzive pri prenosu lastništva. Drugo poglavje se osredotoča na proces prenosa družinskega podjetja na naslednjo generacijo, preučuje izzive, dejavnike uspešnega prehoda ter vpliv na kulturo in upravljanje podjetja. Tretje poglavje podrobno opisuje študijo primera uspešnega prehoda Lotrič Meroslovje, poudarja prehodni proces in uspešne strategije. Četrto poglavje analizira perspektive različnih deležnikov v procesu trenutnega medgeneracijskega prehoda v podjetju JAKA&I, poudarja pomen komunikacije, zaupanja in sodelovanja. Peto poglavje predstavlja ugotovitve, posledice za družinska podjetja in ponuja priporočila za upravljanje nasledstva, poudarjajoč robusten okvir upravljanja in prilagodljivo kulturo, ter naniza možnosti nadaljnje raziskave te tematike.

Skozi pregled literature in preteklih raziskav sem ugotovila, da so učinkovite strukture upravljanja in močna, prilagodljiva kultura ključni za uspeh medgeneracijskega nasledstva. Kulturni modeli, kot so nadzor, sodelovanje, kompetence in kultivacija, zagotavljajo celovit vpogled v to, kako lahko družinska podjetja prebrodijo ta obdobja. Teoretični temelji kažejo, da morajo družinska podjetja uravnotežiti tradicionalne vrednote z inovativnimi praksami, da ohranijo konkurenčno prednost in zagotovijo dolgoročno uspešnost.

Uspešen prehod v Lotrič Meroslovje je pokazal pomen skrbnega načrtovanja in vključevanja ne-družinskih strokovnjakov v strukture upravljanja. Ključni dejavniki, ki so prispevali k njihovemu uspehu, vključujejo strateško načrtovanje nasledstva, ohranjanje temeljnih vrednot in vključevanje strokovnega managementa. Za razliko od običajnih postopnih prehodov se je Lotrič Meroslovje soočilo s hitro spremembo vodstva, ko je ustanovitelj zaradi karierne priložnosti nenadoma zapustil podjetje. Kljub temu je Maja Lotrič, skupaj s svojo sestro in bratom uspešno prevzela vodstveno vlogo, zanašajoč se predvsem na svoje prejšnje izkušnje v podjetju in obstoječi močan okvir upravljanja. Ključen element, ki ga je Maja poudarila, je bil pomen poslušanja zaposlenih in posvetovanja z njimi za sprejemanje informiranih odločitev. Ta pristop ji ni le pomagal pridobiti dragocenih vpogledov, ampak je tudi spodbudil občutek vključenosti in zaupanja med zaposlenimi.

Na drugi strani pa primerjam vse ugotovitve z dogajanjem v svojem družinskem podjetju JAKA&I, ki se trenutno sooča s prenosom vodstva na mlajšo generacijo. Ta študija primera poudarja zapletenost in realne izzive, s katerimi se soočajo med medgeneracijskim nasledstvom. Analiza je pokazala, da se ob prevzemu vodstvene vloge nove generacije pojavlja opazen premik k bolj sodelovalni in inovacijsko usmerjeni kulturi. Te spremembe so bistvene za prilagajanje tržnim dinamikam in ohranjanje konkurenčne prednosti. Podjetje JAKA&I aktivno reformira svoje strukture upravljanja, da vključijo jasnejše vloge, odgovornosti in procese odločanja. Nasledniki so dali velik poudarek na sodelovanje z zaposlenimi, dobavitelji in strankami za izgradnjo zaupanja in podpore za prehod lastništva. Ta pristop je ključnega pomena za zmanjšanje odpora in spodbujanje nemotenega prehoda vodenja. V podjetju JAKA&I se daje veliko poudarka na zagotavljanje stalnega usposabljanja in mentorstva novima dvema vodjama. To ne le izboljšuje njune vodstvene sposobnosti, ampak tudi zagotavlja, da sta dobro seznanjena z operativnimi posebnostmi podjetja in strateškimi cilji.

Iz celovite analize obeh študij primerov in teoretičnih vpogledov izhaja več pomembnih lekcij za družinska podjetja, ki se soočajo z medgeneracijskim nasledstvom. Nasledstvo je treba načrtovati dovolj zgodaj, z jasnimi časovnicami in vključitvijo vseh deležnikov. Zgodnje načrtovanje pomaga pri prepoznavanju potencialnih naslednikov in njihovi predpripravi na prihajajoče vloge. Medtem ko je ključno ohraniti temeljne vrednote in tradicije družinskega podjetja, je vključevanje inovativnih praks in novih tehnologij bistveno za ohranjanje konkurenčnosti in relevantnosti na trgu. Vključevanje ne-družinskih strokovnjakov v ključne vodstvene položaje lahko zagotovi sveže perspektive in usmeri podjetje k bolj objektivnemu odločanju. Močna, prilagodljiva kultura, ki je v skladu s strateškimi cilji podjetja, lahko bistveno olajša prehodni proces. Poudarjanje sodelovanja, stalnega učenja in odprte komunikacije spodbuja podporno okolje za obstoječe zaposlene in nove vodje. Transparentna komunikacija in aktivno sodelovanje z vsemi deležniki, vključno z zaposlenimi, strankami in dobavitelji, gradita zaupanje in podporo za nasledstveni proces. Ta vključenost je ključna za ohranjanje kontinuitete poslovanja in morale. Vlaganje v razvoj prihodnjih vodij s pomočjo usposabljanja, mentorstva in izpostavljenosti različnim vidikom poslovanja zagotavlja, da so dobro pripravljeni na prevzem vodstvenih vlog. Poleg tega je aktivno poslušanje zaposlenih in svetovanje z njimi bistveno za sprejemanje dobro informiranih odločitev in spodbujanje občutka vključenosti in zaupanja v organizaciji.

Appendix 2: Organisational culture assessment instrument

A. OCENJEVANJE TRENUTNEGA KULTURNEGA PROFILA

Ime in priimek: ______________________

Navodila za izpolnjevanje vprašalnika

Pri ocenjevanju vsakega vidika razdelite 100 točk med štiri možnosti. Večje število točk dajte alternativi, ki je najbolj podobna vaši organizaciji, in manj točk ali nič točk alternativi, ki je najmanj podobna vaši organizaciji.

1. Prevladujoče značilnosti podjetja

_____ Naše podjetje je zelo oseben prostor. Je kot razširjena družina. Zdi se, da ljudje delijo veliko o sebi in podjetje predstavlja velik del njihovega življenja.

_____ Organizacija je zelo dinamičen podjetniški prostor. Ljudje so pripravljeni stopiti v ospredje in tvegati.

_____ Organizacija je zelo usmerjena v rezultate. Glavna skrb je, da se delo opravi. Ljudje so zelo tekmovalni in usmerjeni k dosežkom.

_____ Organizacija je zelo nadzorovana in strukturirana. Formalni postopki in urejeni procesi na splošno urejajo, kaj ljudje počnejo in kako to počnejo.

2. Organizacijsko vodenje

_____ Vodstvo v organizaciji daje veliko poudarka na kakovostno mentoriranje, daje možnosti vsem in spodbuja ter neguje potencialne kadre.

_____ Za vodstvo v organizaciji na splošno velja, da je zgled podjetništva, inovativnosti ali prevzemanja tveganja.

_____ Za vodstvo organizacije na splošno velja, da je zgled brezobzirne, agresivne in v rezultate usmerjene usmerjenosti.

_____ Za vodstvo organizacije na splošno velja, da je zgled usklajevanja, organiziranja in nemotenega učinkovitega delovanja.

3. Ravnanje z zaposlenimi

_____ Ravnanje z zaposlenimi v organizaciji temelji na timskem delu, soglasju in sodelovanju.

_____ Ravnanje z zaposlenimi v organizaciji temelji na individualnem prevzemanju tveganja, inovativnosti, svobodi in edinstvenosti.

_____ Ravnanje z zaposlenimi v organizaciji temelji na grobi tekmovalnosti, visokih zahtevah in dosežkih.

_____ Ravnanje z zaposlenimi v organizaciji temelji na varnosti zaposlitve, skladnosti, predvidljivosti in stabilnosti odnosov.

4. Glavna vez organizacije

_____ Glavna vez, ki drži organizacijo skupaj, sta zvestoba in medsebojno zaupanje. Zavezanost tej organizaciji je zelo visoka.

_____ Glavna vez, ki drži organizacijo skupaj, je zavezanost k inovacijam in razvoju. Poudarek je na tem, da je organizacija v samem vrhu.

_____ Glavna vez, ki drži organizacijo skupaj, je poudarek na dosežkih in izpolnjevanju ciljev.

_____ Glavna vez, ki drži organizacijo skupaj, so formalna pravila in politike. Pomembno je ohranjanje nemotenega delovanja organizacije.

5. Strateški poudarki

_____ Organizacija poudarja človekov razvoj. Ohranjajo se visoko zaupanje, odprtost in sodelovanje.

_____ Organizacija poudarja pridobivanje novih virov in ustvarjanje novih izzivov. Cenjeno je preizkušanje novih stvari in iskanje priložnosti.

_____ Organizacija poudarja konkurenčno delovanje in dosežke. Prevladujeta doseganje zastavljenih ciljev in zmaga ter prevlada na trgu.

_____ Organizacija poudarja stalnost in stabilnost. Pomembni so učinkovitost, nadzor in nemoteno delovanje.

6. Merila uspešnosti

_____ Organizacija opredeljuje uspeh na podlagi razvoja človeških virov, timskega dela, predanosti zaposlenih in skrbi za ljudi.

_____ Organizacija opredeljuje uspeh na podlagi tega, da ima najbolj edinstvene ali najnovejše izdelke. Je vodilna na področju izdelkov in inovatorka.

_____ Organizacija opredeljuje uspeh na podlagi zmage na trgu in prehitevanja konkurence. Ključnega pomena je vodilni položaj na trgu.

_____ Organizacija opredeljuje uspeh na podlagi učinkovitosti. Ključnega pomena so zanesljiva dobava, nemoteno načrtovanje in nizkocenovna proizvodnja.

B. OCENJEVANJE ŽELENEGA KULTURNEGA PROFILA

Ime in priimek: _______________________

Navodila za izpolnjevanje vprašalnika

Pri ocenjevanju vsakega vidika razdelite 100 točk med štiri možnosti. Večje število točk dajte alternativi, ki je najbolj podobna vaši organizaciji, in manj točk ali nič točk alternativi, ki je najmanj podobna vaši organizaciji.

1. Prevladujoče značilnosti podjetja

_____ Naše podjetje je zelo oseben prostor. Je kot razširjena družina. Zdi se, da ljudje delijo veliko o sebi in podjetje predstavlja velik del njihovega življenja.

_____ Organizacija je zelo dinamičen podjetniški prostor. Ljudje so pripravljeni stopiti v ospredje in tvegati.

_____ Organizacija je zelo usmerjena v rezultate. Glavna skrb je, da se delo opravi. Ljudje so zelo tekmovalni in usmerjeni k dosežkom.

_____ Organizacija je zelo nadzorovana in strukturirana. Formalni postopki in urejeni procesi na splošno urejajo, kaj ljudje počnejo in kako to počnejo.

2. Organizacijsko vodenje

_____ Vodstvo v organizaciji daje veliko poudarka na kakovostno mentoriranje, daje možnosti vsem in spodbuja ter neguje potencialne kadre.

_____ Za vodstvo v organizaciji na splošno velja, da je zgled podjetništva, inovativnosti ali prevzemanja tveganja.

_____ Za vodstvo organizacije na splošno velja, da je zgled brezobzirne, agresivne in v rezultate usmerjene usmerjenosti.

_____ Za vodstvo organizacije na splošno velja, da je zgled usklajevanja, organiziranja in nemotenega učinkovitega delovanja.

3. Ravnanje z zaposlenimi

_____ Ravnanje z zaposlenimi v organizaciji temelji na timskem delu, soglasju in sodelovanju.

_____ Ravnanje z zaposlenimi v organizaciji temelji na individualnem prevzemanju tveganja, inovativnosti, svobodi in edinstvenosti.

_____ Ravnanje z zaposlenimi v organizaciji temelji na grobi tekmovalnosti, visokih zahtevah in dosežkih.

_____ Ravnanje z zaposlenimi v organizaciji temelji na varnosti zaposlitve, skladnosti, predvidljivosti in stabilnosti odnosov.

4. Glavna vez organizacije

_____ Glavna vez, ki drži organizacijo skupaj, sta zvestoba in medsebojno zaupanje. Zavezanost tej organizaciji je zelo visoka.

_____ Glavna vez, ki drži organizacijo skupaj, je zavezanost k inovacijam in razvoju. Poudarek je na tem, da je organizacija v samem vrhu.

_____ Glavna vez, ki drži organizacijo skupaj, je poudarek na dosežkih in izpolnjevanju ciljev.

_____ Glavna vez, ki drži organizacijo skupaj, so formalna pravila in politike. Pomembno je ohranjanje nemotenega delovanja organizacije.

5. Strateški poudarki

_____ Organizacija poudarja človekov razvoj. Ohranjajo se visoko zaupanje, odprtost in sodelovanje.

_____ Organizacija poudarja pridobivanje novih virov in ustvarjanje novih izzivov. Cenjeno je preizkušanje novih stvari in iskanje priložnosti.

_____ Organizacija poudarja konkurenčno delovanje in dosežke. Prevladujeta doseganje zastavljenih ciljev in zmaga ter prevlada na trgu.

_____ Organizacija poudarja stalnost in stabilnost. Pomembni so učinkovitost, nadzor in nemoteno delovanje.

6. Merila uspešnosti

_____ Organizacija opredeljuje uspeh na podlagi razvoja človeških virov, timskega dela, predanosti zaposlenih in skrbi za ljudi.

_____ Organizacija opredeljuje uspeh na podlagi tega, da ima najbolj edinstvene ali najnovejše izdelke. Je vodilna na področju izdelkov in inovatorka.

_____ Organizacija opredeljuje uspeh na podlagi zmage na trgu in prehitevanja konkurence. Ključnega pomena je vodilni položaj na trgu.

_____ Organizacija opredeljuje uspeh na podlagi učinkovitosti. Ključnega pomena so zanesljiva dobava, nemoteno načrtovanje in nizkocenovna proizvodnja.

Appendix 3: Summary of employees' answers to the OCAI questionnaire

Owners' responses

	CURRENT CULTURAL PROFILE			PREFERRED CULTURAL PROFILE		
	1	2	Average	1	2	Average
1. Predominant Characteristics of the Company						
Extended Family	80	50	65,00	20	10	15,00
Dynamic Entrepreneurial Space	20	0	10,00	40	40	40,00
Results Orientation	0	20	10,00	30	20	25,00
Controlled and Structured Organization	0	30	15,00	10	30	20,00
2. Organizational Leadership						
Mentoring and Nurturing of Staff	70	40	55,00	20	30	25,00
Entrepreneurial Leadership	10	40	25,00	50	50	50,00
Aggressive Leadership	0	0	0,00	0	0	0,00
Effective Leadership	0	20	10,00	30	20	25,00
3. Employee Management						
Teamwork	50	30	40,00	30	30	30,00
Individuality and Risk-taking	10	20	15,00	40	40	40,00
Competitiveness	0	0	0,00	10	5	7,50
Safety and Stability	40	50	45,00	20	25	22,50
4. Main Binding Force of the Organization						
Loyalty and Trust	60	50	55,00	30	20	25,00
Innovation and Development	20	10	15,00	30	40	35,00
Achievements and Goals	20	20	20,00	30	30	30,00
Formal Rules and Policies	0	20	10,00	10	10	10,00
5. Strategic Emphases						
Human Development	40	20	30,00	20	40	30,00
Acquisition of New Resources	20	10	15,00	30	30	30,00
Competitive Operation	20	20	20,00	40	20	30,00
Stability and Consistency	20	50	35,00	10	10	10,00
6. Criteria of Success						
Human Resource Development	50	30	40,00	20	25	22,50
Innovation	10	20	15,00	30	30	30,00
Market Leadership	0	20	10,00	20	25	22,50
Efficiency	40	30	35,00	30	20	25,00

Successors' responses

	CURRENT CULTURAL PROFILE			PREFERRED CULTURAL PROFILE		
	3	4	Average	3	4	Average
1. Predominant Characteristics of the Company						
Extended Family	85	40	62,50	50	30	40,00
Dynamic Entrepreneurial Space	0	0	0,00	15	30	22,50
Results Orientation	5	0	2,50	0	30	15,00
Controlled and Structured Organization	10	30	20,00	35	10	22,50
2. Organizational Leadership						
Mentoring and Nurturing of Staff	70	40	55,00	40	30	35,00
Entrepreneurial Leadership	20	40	30,00	30	30	30,00
Aggressive Leadership	0	0	0,00	0	10	5,00
Effective Leadership	10	20	15,00	30	30	30,00
3. Employee Management						
Teamwork	50	40	45,00	40	40	40,00
Individuality and Risk-taking	30	0	15,00	30	20	25,00
Competitiveness	0	0	0,00	0	5	2,50
Safety and Stability	20	60	40,00	30	35	32,50
4. Main Binding Force of the Organization						
Loyalty and Trust	50	40	45,00	30	30	30,00
Innovation and Development	20	20	20,00	30	40	35,00
Achievements and Goals	20	10	15,00	30	20	25,00
Formal Rules and Policies	10	30	20,00	10	10	10,00
5. Strategic Emphases						
Human Development	25	40	32,50	25	30	27,50
Acquisition of New Resources	25	20	22,50	20	30	25,00
Competitive Operation	25	10	17,50	40	30	35,00
Stability and Consistency	25	30	27,50	15	10	12,50
6. Criteria of Success						
Human Resource Development	50	30	40,00	25	25	25,00
Innovation	10	20	15,00	25	25	25,00
Market Leadership	20	20	20,00	25	25	25,00
Efficiency	20	30	25,00	25	25	25,00

Long-term employees' responses

	CURRENT CULTURAL PROFILE								PREFERRED CULTURAL PROFILE							
	5	8	10	11	12	17	18	Average	5	8	10	11	12	17	18	Average
1. Predominant Characteristics of the Company																
Extended Family	50	50	30	28	25	60	30	39,00	40	50	30	28	35	50	100	47,57
Dynamic Entrepreneurial Space	20	50	24	26	30	10	10	24,29	40	50	24	26	25	20	0	26,43
Results Orientation	20	0	24	26	20	20	50	22,86	10	0	24	26	25	20	0	15,00
Controlled and Structured Organization	10	0	22	20	25	10	10	13,86	10	0	22	20	25	10	0	12,43
2. Organizational Leadership																
Mentoring and Nurturing of Staff	50	35	30	30	25	30	50	35,71	40	30	30	30	30	40	70	38,57
Entrepreneurial Leadership	30	30	30	30	25	30	20	27,86	30	40	30	30	30	30	30	31,43
Aggressive Leadership	10	0	10	10	25	10	10	10,71	10	0	10	10	20	10	0	8,57
Effective Leadership	10	35	30	30	25	30	20	25,71	20	30	30	30	20	20	0	21,43
3. Employee Management																
Teamwork	50	45	40	33	40	40	40	41,14	60	35	40	33	50	50	60	46,86
Individuality and Risk-taking	30	10	30	29	20	20	50	27,00	30	35	30	29	25	20	20	27,00
Competitiveness	0	0	5	5	10	20	10	7,14	0	0	5	5	0	10	10	4,29
Safety and Stability	20	45	25	33	30	20	0	24,71	10	30	25	33	25	30	10	23,29
4. Main Binding Force of the Organization																
Loyalty and Trust	50	40	25	25	30	40	30	34,29	30	40	25	25	30	40	40	32,86
Innovation and Development	10	40	25	25	30	40	20	27,14	40	20	25	25	20	30	30	27,14
Achievements and Goals	30	20	25	25	20	10	30	22,86	20	20	25	25	20	10	30	21,43
Formal Rules and Policies	10	0	25	25	20	10	20	15,71	10	20	25	25	30	10	0	17,14
5. Strategic Emphases																
Human Development	30	40	25	25	30	40	20	30,00	30	30	25	25	25	30	30	27,86
Acquisition of New Resources	20	40	25	25	25	10	50	27,86	30	30	25	25	25	20	30	26,43
Competitive Operation	30	10	25	25	25	40	20	25,00	20	30	25	25	25	40	20	26,43
Stability and Consistency	20	10	25	25	20	10	10	17,14	20	10	25	25	25	10	20	19,29
6. Criteria of Success																
Human Resource Development	30	30	30	29	30	30	20	28,43	40	30	30	29	30	50	40	35,57
Innovation	30	30	15	15	20	20	20	21,43	30	20	15	15	20	10	30	20,00
Market Leadership	10	20	30	28	25	10	20	20,43	20	20	30	28	30	10	10	21,14
Efficiency	30	20	25	28	25	40	40	29,71	10	30	25	28	20	30	20	23,29

Short-term employees' responses

	CURRENT CULTURAL PROFILE								PREFERRED CULTURAL PROFILE							
	6	7	9	13	14	15	16	Average	6	7	9	13	14	15	16	Average
1. Predominant Characteristics of the Company																
Extended Family	10	40	20	25	30	60	50	33,57	10	30	100	40	30	70	50	47,14
Dynamic Entrepreneurial Space	20	20	20	30	20	30	20	22,86	30	30	0	20	20	20	15	19,29
Results Orientation	30	30	50	25	25	10	20	27,14	30	30	0	20	30	10	20	20,00
Controlled and Structured Organization	40	10	10	20	25	0	10	16,43	30	10	0	20	20	0	15	13,57
2. Organizational Leadership																
Mentoring and Nurturing of Staff	30	40	60	30	30	80	50	45,71	40	30	70	30	25	50	40	40,71
Entrepreneurial Leadership	30	30	10	30	20	0	15	19,29	30	30	30	30	30	10	40	28,57
Aggressive Leadership	20	5	10	20	30	0	15	14,29	15	10	0	20	25	0	10	11,43
Effective Leadership	20	25	20	20	20	20	20	20,71	15	30	0	20	20	40	10	19,29
3. Employee Management																
Teamwork	40	40	60	50	35	50	40	45,00	40	30	60	50	30	40	33	40,43
Individuality and Risk-taking	20	30	10	25	25	20	20	21,43	30	40	40	30	30	30	33	33,29
Competitiveness	20	0	0	0	15	0	10	6,43	15	10	0	0	15	0	1	5,86
Safety and Stability	20	30	30	25	25	30	30	27,14	15	20	0	20	25	30	33	20,43
4. Main Binding Force of the Organization																
Loyalty and Trust	20	50	30	40	20	30	50	34,29	25	30	50	40	25	25	33	32,57
Innovation and Development	30	20	10	20	30	30	20	22,86	25	40	30	10	20	25	33	26,14
Achievements and Goals	20	20	50	20	35	30	20	27,86	25	20	20	10	35	25	33	24,00
Formal Rules and Policies	30	10	10	20	15	10	10	15,00	25	10	0	40	20	25	1	17,29
5. Strategic Emphases																
Human Development	20	25	20	40	25	25	35	27,14	30	30	70	25	25	30	33	34,71
Acquisition of New Resources	40	25	60	25	25	25	35	33,57	30	30	20	25	25	30	33	27,57
Competitive Operation	20	25	10	25	25	25	20	21,43	20	20	5	25	25	20	33	21,14
Stability and Consistency	20	25	10	10	25	25	10	17,86	20	20	5	25	25	20	1	16,57
6. Criteria of Success																
Human Resource Development	20	30	10	50	30	30	30	28,57	25	30	70	30	25	30	45	36,43
Innovation	20	20	50	20	15	20	20	23,57	25	30	20	30	20	40	45	30,00
Market Leadership	20	30	10	20	15	25	20	20,00	30	30	5	20	15	30	10	20,00
Efficiency	40	20	30	10	40	25	30	27,86	20	10	5	20	40	0	0	13,57

Appendix 4: Interview questions - Current leader

1. Kakšni so občutki in misli, ko pomislite, da se počasi umikate in nova generacija prevzema vodenje podjetja?

KULTURA

Razlaga rezultatov vprašalnika

2. Zakaj toliko razlike v Clan in več v Adhocracy?
3. Kaj bi radi videli od kulture podjetja, ko boste nekega dne spremljali podjetje kot zunanji svetovalec?

UPRAVLJANJE

4. Kaj si želite, da se v prihodnosti spremeni v smislu upravljanja podjetja in kaj pričakujete od vaših naslednikov?
5. Ali zaznavate kakšen strah pred predajo kontrole podjetja vašim otrokom? Ali imate kdaj občutek, da boste s tem izgubili možnost kontrole in spoštovanja med ljudmi?
6. Kako ste se lotili priprave ter razvoja znanja in sposobnosti naslednikov? Kakšen načrt imate pri razvoju njunih vodstvenih sposobnosti? Ali imate občutek, da bosta sposobna prevzeti vodenje ljudi?

SPLOŠNO

7. Kako ste se lotili priprave predaje nalog, funkcij in administrativnih zadev, ki pridejo na vrsto pri prevzemu podjetja? Ali vam pri tem pomagajo kakšni zunanji svetovalci?
8. Kakšen je vaš odnos z naslednikoma? Kako vidite odnos med njima? Kakšen se vam zdi odnos zaposlenih z bodočima vodjama? Ali se vam pojavlja kakšen dvom glede upravljanja teh odnosov v prihodnje?

PRIHODNOST

9. Kako si podjetje predstavljate čez 5 let / kako čez 10 let / kako čez 20 let?

Appendix 5: Interview questions - Successor

1. Kakšni so občutki in misli, ko pomislite, da vam bo zaupano vodenje družinskega podjetja? Kakšni občutki prevladajo, ko pomislite, da prevzemate to odgovornost?

KULTURA

Razlaga rezultatov vprašalnika

2. Zakaj ste po vašem mnenju ocenili, da prevladuje Clan kultura?
3. Zakaj si želite manj Clan in več Adhocracy? Kako boste to dosegli?
4. Kaj bi še dodali na to temo? Kako boste v prihodnje upravljali s kulturo tega podjetja? Katere vrednote in cilje želite poudarjati? Katere tradicionalne prijeme boste ohranjali in katere posodobili?

UPRAVLJANJE

5. Kako boste v prihodnje upravljali podjetje? Si želite kaj spremeniti, kar je bila praksa do sedaj?
6. Kakšna so vaša pričakovanja od vaše sestre, ki bo prav tako z vami prevzela podjetje?
7. Kako si bosta razdelila vloge? Kdo bo prevzel čigave funkcije in kako bo potekal prevzem vlog?
8. Kakšen je vajin odnos? Ali želite, da se karkoli spremeni?

PRIHODNOST

9. Kako si podjetje predstavljate čez 5 let / kako čez 10 let / kako čez 20 let?

Appendix 6: Interview questions - Employees

1. Za uvod, kakšne so bile vaše prve misli in občutki, ko je direktor naznanil, da se počasi umika in da bo podjetje prevzela nova generacija?
2. Ali vidite naslednika kot sposobni vodji, ki bosta čez nekaj časa sposobna nadomestiti trenutnega direktorja?

KULTURA

Razlaga rezultatov vprašalnika

Kultura podjetja se nanaša na niz vrednot, norm, običajev in praks, ki oblikujejo delovno okolje in vedenje zaposlenih v organizaciji.

3. Skozi vaše oči, zakaj taki rezultati?
4. Kako bi po vaše lahko v prihodnje dosegli želeno stanje? Kaj je treba narediti?
5. Kako bi vi s svojimi besedami opisali prevladujočo kulturo v družinskem podjetju JAKA&I?
6. Katere so ključne vrednote in norme, ki usmerjajo vedenje in odločanje v podjetju?
7. Kako si predstavljate, da se bo kultura razvijala ob prehodu na novo generacijo vodstva?

UPRAVLJANJE

8. Lahko opišete trenutno upravno strukturo in procese odločanja v družinskem podjetju JAKA&I?
9. Kakšne so prednosti in slabosti upravnega okvirja v trenutnem stanju?
10. Kakšne spremembe pričakujete v praksah upravljanja ob prehodu na novo generacijo?

USPEŠNOST

11. Kako ocenjujete celotno uspešnost družinskega podjetja JAKA&I v trenutnem stanju?
12. Katere ključne kazalnike uspešnosti štejete za najpomembnejše pri merjenju uspeha podjetja?
13. Kako si predstavljate spremembe v metrikah in ciljih uspešnosti pod vodstvom nove generacije?

PRIČAKOVANJA ZA PRIHODNOST

14. Kakšna so vaša pričakovanja glede kulture v podjetju, upravljanja in uspešnosti podjetja z novo generacijo? Kaj zares si želite od njih?
15. Kako si podjetje predstavljate čez 5 let / kako čez 10 let / kako čez 20 let?

Appendix 7: Summary of the interviews with four stakeholders by main themes

Themes	Owner	Successor	Employee >10 years	Employee <10 years
Intergenerational Succession Process	* Transition process concerns * Importance of proper leadership	* Transition is natural * Successors are responsible and dedicated	* Founder is respected and trusted this company will function as long as he is present * Successors are reliable and capable	* Natural proceedure * Successors are committed and bring new perspectives * Feeling confident as long as the owner is still present * Many changes, new ideas, approaches, modernisation * Will take some time to become really good leaders
Pre- and Post-Succession Culture	* The value of belonging, work, sacrifice and knowing that you are in the same boat	* Emphasis on innovation and self-initiative * Supportive environment	* Importance of settled environment and belonging * Shift from money to personal fulfillment * Encourage showcasing achievements * Maintain hierarchy with flexibility * Emphasis on teamwork and no competition * Integration of all employees in one location * Continued growth and development * Trust and support within the family * Digital and technical development focus	* Positive and inclusive workplace * Values belonging and contribution * Company that promotes belonging, loyalty, hard work * Expect a balance of innovation and clan culture * New leaders have different approaches to addapt to the market, which will also change culture toward adhocracy
Pre- and Post-Succession Governance	* Managing while balancing between family and business values * Distribution of responsibilities - assume the role in the company * Include key employees in the board	* Define clear roles for successors * Emphasize strategic planning	* Task delegation and distribution from owners to successors and other employees * Include key employee to participate in board meetings and in decision-making * One successor as the production manager and technical support and the other as the operations and finance manager	* Hierarchical but consultative structure * Weekly meetings for inclusive decision-making
Pre- and Post-Succession Company Performance	* Honest and conscientious work * Historical innovation leadership * Expansion abroad * Move towards technical consultancy and specialized lighting	* Focus on high-value services and manufacturing * Vision for company's evolution	* Continued dedication to quality and innovation * Leveraging historical success * Focus on professional growth and contribution	* Growth in market presence * Emphasize innovation and project-based work * Long-term vision of sustainability and responsibility

Appendix 8: Case study questions for Maja Lotrič (Lotrič Metrology)

1. V prejšnjih intervjujih ste rekli, da se je prenos zgodil praktično čez noč. Ko pomislite na trenutek pred tem trenutkom, kakšno je bilo vaše razmišljanje in s kakšnimi mislimi in občutki ste se soočali?

Postopek prenosa družinskega podjetja

2. Kako je torej zgledala priprava na vašo novo vlogo v družinskem podjetju? Ali ste bili deležni kakšnega posebnega usposabljanja ali mentorstva?
3. Zasledila sem, da ste takoj na začetku z vsemi svojimi sodelavci opravili letne razgovore. To se mi zdi izjemno zanimiva taktika. Ali mi lahko na kratko predstavite vprašanja in teme, o katerih ste z njimi debatirali? Ste od njih dobili kako zanimivo informacijo, ki vam je služila kot odskočna deska?
4. Kateri so bili ključni izzivi, s katerimi ste se soočili med postopkom nasledstva? Oziroma se morda srečujete še danes?
5. Kako ste te izzive premagali in kaj ste se iz njih naučili?
6. Kako uravnotežiti ohranjanje tradicije družinskega podjetja s potrebo po inovacijah in prilagajanju trgu? Ali lahko navedete primere pobud, ki odražajo to ravnovesje?

Organizacijska kultura

7. Kako bi opisali organizacijsko kulturo vašega družinskega podjetja pred zamenjavo generacij, ko je bil na poziciji vodje še vaš oče?
8. Ali lahko navedete posamezne vrednote in norme, ki so bile značilne za vašo organizacijsko kulturo?
9. Ali ste opazili kakšne spremembe v organizacijski kulturi po zamenjavi generacij? Ali ste te spremembe uvedli namerno ali je do njih prišlo naravno?
10. Kako so te spremembe usklajene z vrednotami in cilji nove generacije?
11. V kolikšni meri družinska dinamika med vami vpliva na organizacijsko kulturo?
12. Ali obstajajo posebne družinske tradicije ali vrednote, ki so vplivale na poslovno kulturo? Imate katere vrednote, od katerih ne odstopate kot organizacija, tudi po spremembi vodstva?

Vodenje

13. Kako je bilo organizirano upravljanje vašega družinskega podjetja pred vašim nasledstvom? Kakšno vlogo ste imeli vsi družinski člani pri odločitvah in upravljanju?
14. Ali se je struktura upravljanja po prevzemu spremenila in kako?
15. Kako se razlikujejo procesi odločanja pod novo generacijo?
16. Kako je upravljanje usklajeno z organizacijsko kulturo?
17. Na kakšen način upravljanje odraža vrednote in norme družinskega podjetja?

Vpliv na uspešnost podjetja

18. Po vašem mnenju, kako je prenos podjetja na mlajšo generacijo vplival na delovanje podjetja, njegovo učinkovitost in tudi na finančno uspešnost?
19. Kakšna je vaša vizija za prihodnost družinskega podjetja pod vašim vodstvom?

Zaključek

20. Če bi se lahko vrnili na začetek vaše vodstvene pozicije, katere izmed odločitev bi spremenili in katere zagotovo ponovili?
21. Če bi lahko dali en nasvet mladi sebi pred prevzemom družinskega podjetja, kaj bi to bilo?

Appendix 9: Summary of the interview with Maja Lotrič by main themes

Themes	Main points
Theme 1: Intergenerational succession process	•Special attention to annual interviews with all employees, listening to their goals and points of view, and gathering as much information as possible on the current state of the company. •Engaging from the start in all areas of the business and gaining insight into the breadth of the company's operations •Leadership inauthenticity due to providing a stable environment at the time of takeover and over-following the father's patterns •Overcoming initial challenges by communicating with the team and getting to know a diversity of people •Innovation and tolerance of mistakes brings the team together and contributes to results
Theme 2: Pre- and Post-Succession Culture	•The culture before its takeover was very inclusive and understanding, shaped by an "anything can be done" mentality •The three main values are critical thinking, inclusiveness and the question "how are we going to do this?" •It is too early to assess the changes in the company's culture after the takeover, as 16 months is a short time for changes to happen slowly over the years. Otherwise, if the changes were too great, there would be resistance. •An optimistic view of the situation is contributed by colleagues who show a desire to create a common future •Values should not change with a new generation, only the newly set goals and the way to achieve them •Consistency of thinking and attitudes between family members is important •They do not change values or traditions that have so far proved to be effective
Theme 3: Pre- and Post-Succession Governance	•Before the takeover, my father was CEO and my mother was CFO, Maja was project manager and later also director of the subsidiary. •After the takeover, my mother became Proxy, my sister Katja took over as CFO, my brother Mitja is the CEO of the subsidiary and Proxy of the other companies in the ADI region. Maja became CEO •All family members are part of the company's board. After the takeover, new members were admitted to the board, so that there are now 8 members instead of 5. •Maintaining the inclusive approach that has characterised previous generations of governance, while now placing even greater emphasis on numerical analysis and the use of quantitative data to inform our decisions. •The management strategy is based on clear values and objectives, strong communication within and outside the company, awareness of the responsibility in management, the importance of flexibility and support for staff development. •Leading by example.
Theme 4: Pre- and Post-Succession Company Performance	•Positive impact on the company performance, development of new foreign markets, new partnerships and digitalisation processes. •They see many new opportunities for improvement •In the future, they want to be an employer that creates fulfilling and motivating jobs and gives back to people. They want to offer global growth and outstanding solutions to our business partners.