Knowledge Management in Intra-Family Succession

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Introduction

- Knowledge transfer = strategic importance
- SMEs:
  - informal organization structures
  - restrictive information policy applied by the main entrepreneur,
  - higher levels of tacit knowledge.

- succession → risk, that tacit knowledge leaves the firm
This paper aims at

- identifying management requirements for the knowledge transfer
- and at deriving coping strategies for the succession process of small and medium sized family firms
Overview

Line of argumentation:

1. identifying management requirements within the family business succession process
2. → typology of transfer constellations
3. → derivation of coping strategies
4. implications for knowledge management within the intra-family succession process
Definition ‘family firm’

- several family members hold capital shares and/or work in the firm as contributory staff members
- capital majority is held by family members making strategic decisions
- the family depends on the economic development of the firm or the firm has an important influence on the mind-set and lifestyle of the family members
1. Challenges of Knowledge Management within Succession

entrepreneur = central information source = leaves the firm

➔ questions:

- which knowledge possesses the predecessor?
- is the firm going to lose this knowledge?
- or will it be transferred to the successor?
- or to another employee?
- or will it be secured within the firm, independent of individual people?
a) Identification problem I

- Tacit knowledge? Explicit knowledge – stored in which media?
  - Knowledge of predecessor

- Area of 'unlearning'
- Knowledge transfer

- Knowledge of successor

- Additional learning

- Knowledge necessary to direct the firm
  - Successfully tacit knowledge of the successor? of other company-internal individuals? Explicit knowledge - stored in which media?
a) Identification problem II

Identification difficult

- restrictive information policy
- less resource-intensive storage of explicit knowledge
- no necessity to distribute knowledge due to low turnover of CEO

- deficits in the knowledge documentation
- nevertheless, the tacit knowledge of the predecessor, of the successor, of employees and the explicit knowledge of the firm have to be identified
- deriving the necessary knowledge transfer
b) Transfer problem I

- transfer problem
  - high proportion of tacit knowledge
  - inadequate technical infrastructure
  - no routines in knowledge transfer
  - informal communication exacerbates the externalization of knowledge
b) Transfer problem II

- **Transfer of explicit knowledge**
  - easily available
  - can be recorded and transferred
  - can be used by variety of people

- **Transfer of implicit/tacit knowledge** (Nonaka/Takeuchi)
  - socialization
    - knowledge remains tacit
    - learning through observation, imitation, trial and error
    - disadvantage: time-consuming
  - externalization
    - tacit knowledge is made explicit
    - transferable through direct communication
    - prerequisite: predecessor is able to translate tacit knowledge into suitable coding (language, figures, etc.)
b) Transfer problems III

interlocking of the systems ‘family’ and ‘firm’

shift of power has consequences on family and firm
b) Transfer problems IV

System “firm” versus system “family”

- Refusing knowledge transfer → ensuring influence and position within the family
- Role conflicts hamper the knowledge transfer
- Family conflict → successor and predecessor cannot communicate
- Successor disrespects the predecessor due to his socialization (e.g. member of another stirps)
Factors constituting the problem constellations:

- **Predecessor is**
  - aware of the relevance of his knowledge
  - willing to transfer the knowledge

- **Successor is**
  - aware of his knowledge deficits
  - willing to demand knowledge from the predecessor
2. Problem Constellations II

**Predecessor...**

- is aware of the relevance of this knowledge
  - yes
  - no
  - is willing to transfer the knowledge to the successor
    - yes
    - no

**Successor...**

- is aware of these deficits
  - yes
  - no
  - is willing to demand knowledge from the predecessor
    - yes
    - no
    - (2) offered, but not accepted KT
    - (4) no KT
    - (3) demanded, but not supplied KT
    - (1) bilateral, active KT
3 Coping Strategies

- Socialization:
  Improving constellations promoting interpersonal knowledge transfer

- Externalization:
  Converting intrapersonal knowledge to organizational knowledge
a) Promoting Socialization I

(1) internal social capital

(2) commitment to change

(3) quality of relationship between actors
a) Promoting Socialization II

(1) social capital
- repeated interactions / density of communication
- delineation: distinction between insiders and outsiders

(2) commitment to change \( \rightarrow \) willingness to transfer knowledge
- situations where the predecessor can see that the successor can contribute to the firm’s success
- integrating the successor into the management team in time

(3) Quality of relationship
- strengthen ability to handle conflicts
- actors share their experiences in a shares context
b) Promoting Externalization

- If knowledge is offered but not accepted → externalization of the knowledge
  - debriefing methods
  - securing parts of his expertise at databases, check lists, etc.

- If knowledge is demanded but not supplied
  - task a knowledge broker with the collection of knowledge
  - use other family members as knowledge sources
# 4. Implications as to the Knowledge Management

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<th>KT supplied</th>
<th>KT not supplied</th>
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<td><strong>Case 1</strong></td>
<td><strong>Case 2</strong></td>
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<td>Continuation according to the ideas of the successor</td>
<td>Continuation without knowledge (some of the predecessor’s tacit knowledge is made explicit through other people)</td>
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<td><strong>Case 3</strong></td>
<td><strong>Case 4</strong></td>
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<td>Continuation without knowledge (only the explicable share of the predecessor’s knowledge is available)</td>
<td>harmonious road to continuation without knowledge</td>
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<td><strong>Case 5</strong></td>
<td><strong>Case 6</strong></td>
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<td>harmonious road to continuation of operation according to the ideas of both parties (by joint reflection of conventional knowledge)</td>
<td>Continuation according to the ideas of the successor (forced break-up with conventional knowledge)</td>
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<td><strong>Case 7</strong></td>
<td><strong>Case 8</strong></td>
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<td>Continuation according to the ideas of the successor (break-up with conventional knowledge)</td>
<td>harmonious road to continuation according to the ideas of the successor (break-up with conventional knowledge)</td>
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Concluding Remarks

- Constellations of Knowledge transfer, based on stock, supply and demand of knowledge have been identified.
- Consequences of these constellations have been derived.
- A taxonomy for empirical research has been developed.
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