

LEADERSHIP SUCCESSION

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Abstract: *The issue of management succession is becoming increasingly important in modern organisations, particularly in the context of globalisation, rapidly changing markets and the challenges of the labour market. Succession is not only about filling management positions, but also about ensuring the long-term survival and success of the organisation. Succession planning and implementation needs to take into account a number of factors, such as identifying current and future leadership skills, developing potential successors, and maintaining organisational culture and strategic objectives. The process of successful leadership succession involves selecting the right candidates who not only have the necessary technical and management skills, but are also capable of addressing the future challenges of the organisation. To do this, organisations need to proactively identify and develop talent by providing long-term mentoring programmes and training for future leaders. A key element of succession planning is the retention and transfer of organisational knowledge, based on collaboration between experienced leaders and newly appointed leaders. Such processes allow the organisation to run smoothly during leadership transitions, minimising potential disruption and preserving continuity of organisational culture. In addition, succession planning can also serve as a strategic tool for the organisation, providing an opportunity to rethink and optimise organisational structure and processes. This can ensure not only the smooth filling of management positions, but also the long-term growth and competitiveness of the organisation. Succession is therefore not a simple task, but a complex, multi-dimensional process that requires careful planning and implementation to sustain organisational success. In my future research, I would like to examine the succession of managers in Hungarian organisations working with older people. I am interested in the extent to which this is a problem for the organisation and whether the candidates will be drawn from the former members or whether an outsider will fill the post. I am also concerned about the reasons for the difficulty of succession.*

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1. Introduction

Managers of companies, family businesses and organisations have to make decisions on an ongoing basis during their time as a manager. Some of these decisions have a less decisive impact on later life, but others affect the life of the whole organisation. Leadership succession is a strategic process by which an organisation ensures continuity and stability of leadership positions. This process is

not only about appointing a new leader, but also about shaping the future of the organisation, as appropriate succession can have a significant impact on the performance and culture of the organisation. Through succession planning, companies can prepare for the unexpected in advance, minimising disruption from transition, while ensuring that the new leader has the competencies and strategies needed to ensure the continued success of the organisation. Succession planning therefore focuses not only on filling the position, but also on preparing for future leadership challenges.

2. The succession

According to Gasson and Errington (1999), succession is the transfer of managerial control over the use of assets.

In every family business, there comes a time when the current leader is forced to hand over the organisation/business to his or her successor, because the current leader is tired, needs to rest or is forced to do so for health reasons. Succession is the process of transferring control and ownership of a business/organisation to the next generation. It is stressful for the financial and legal aspects of the organisation, but also involves emotional, psychological and social factors (Konczosné Szombathelyi - Kézai, 2018).

Choosing the right successor is not an easy task, so the following questions and considerations should be taken into account:

- Are you committed to the mission of your company/organisation?
- Is he/she capable of good judgment and independent thinking?
- Does he or she have the leadership skills to motivate effectively and to take tough decisions?
- Do you have the skills to help the company/organisation move forward (Leach, 2007)?

Succession is a process that is a fundamental part of life. People often make sure that their heritage and knowledge is passed on to the next generation. This can be through family transmission, education, mentoring or any other form of transmission. Succession contributes to social development and continuity of identity, while also providing opportunities for new ideas and perspectives. The importance of leadership succession is paramount for the long-term success of an organisation. This process is not only about who takes over the leadership role after a leader's departure or retirement, but also ensures the continuity and stability of the organisation through the selection and preparation of the right person.

3. Models of succession

A change of leader is not a single event, but a process in which the future leader does not take over the company or organisation overnight, but through a multi-step process. There are two theoretical approaches to understanding the succession process. One is the life-cycle model, the other is the stage and continuum model. The two models interpret the process of succession differently, while the latter model interprets succession as a periodic iterative process, the former tries to

interpret the life of the leader in an organization along different factors (Bogdány, 2019)

According to Handler (1989), the intermittent and continuous model is appropriate for small organisations, and can be used to measure the state of management handover. This model is also called the 'dance of succession'. It can be divided into two phases, before and after the arrival of the successor. In the first phase, the predecessor appears as the sole manager, with the main activity being the performance of basic and initial management tasks. In this phase, the organisation does not yet think about succession and the role of the successor does not yet appear. In the next phase, the predecessor assumes a dominant role, which means a pre-eminent power over the organisation, aimed at maintaining its viability. At this stage, the successor is already present as a facilitator. He or she learns the functioning of the organisation and performs functional tasks. The most critical point in the handover is when the predecessor takes on the role of the transferor, thus passing on responsibility to his successor, who takes over the management of the firm as manager. This process depends on mutual trust and can take a long time. In the last stage, the predecessor is present as a board member, acting in an advisory role, but is not actively involved in the running of the business. Succession is completed by the transfer of ownership.

Researchers on life-cycle models have observed various obstacles, such as unprofessional management and intergenerational rivalry. They see family and business as two partially overlapping systems, each with its own set of values, norms, rules and organisational structure.

Gersick et al. (1997) developed a three-circuit model of family business along the lines of previous research, which characterizes family businesses as having three overlapping but distinct subsystems. The three subsystems are: family, business, and ownership. Three dimensions of development are attached to each of the three subsystems.

Family development starts with young business development in parallel with business development and ends with the passing of the baton, ownership development starts with the owner-controlled phase and ends with the cousin consortium, while business development starts with start-up and continues until the maturity phase. In the beginning, ownership is one-man, with no other owner, if any, taking an active role in the management of the company. In the final stage, the ownership of the business is extended to the extended family and the structure includes both employee and non-employee owners. The family's development is parallel, with the older generation at the beginning being under 40 and the younger generation, i.e. children, still very young. At this stage, the main goal is to enable the owner to create a business that is suitable for managing work, marriage and raising children. The last stage is about passing on the baton, the older generation being over 60. In this phase, the main objective is to let go of the company and the transfer of family management takes place. Business development is characterised by a start-up phase, an informal business structure with the owner-manager at the centre. In the final stage, strategic re-focus is the main objective, stability is supported by an organisational structure, this is the maturity stage. (Gersick, et al., 1997)

4. Leadership succession issues and strategy

The succession situation needs to be analysed in detail and comprehensively, and then it is worth formulating a succession strategy that defines the desired outcome and the path to achieve it. There are three ways of writing the succession strategy: the owner alone, with some legal assistance; the owner, with the help of his family, defines and develops the succession strategy; professional helpers (lawyer, banker, accountant) are used to define the strategy (Bálint, 2004).

According to Kovács (2020b), successful generational change requires a serious planning process, and the family, among others, plays an important role in this process. Few businesses or firms have a specific succession strategy or plan, despite the fact that the importance of planning is widely recognised. This is the case for first-generation businesses, while second- and third-generation businesses are already paying a lot of attention to succession planning.

According to Warren Boeker and Jerry Goodstein, internal succession is less disruptive and better at maintaining balance than external succession. In the latter case, the new manager may replace existing employees and hire new ones, creating internal disruption (Boeker-Goodstein, 1993).

Empirical studies of the effects of managerial succession on organisational and strategic change have emphasised the important role of managerial succession in overcoming inertia and changing organisational strategy (Boeker, 1997).

5. Generational change in family businesses

Bogáth (2016) examined the succession and generational change of family businesses. A particular type of leadership change in family businesses is generational change, in which the parent usually passes the management of the firm or business to the child. This is usually a process that can last for decades, because the successor, i.e. the child, is constantly involved in the life of the business, being given age-appropriate tasks. A possible process could be the following:

1. Pre-entrepreneurial phase: the child (offspring) is still young, around 2-5 years old, and is getting to know the environment through play, a kind of playground.
2. Introductory phase: the child is around 6-14 years old. It is at this stage that he or she becomes familiar with the enterprise.
3. Introductory activity phase: around 14 to 20 years old, at this stage you can entrust some tasks to your successor. The successor can be around 14 to 14 years old. The primary activity in this phase is learning. The role to be played in the family business plays an important role in the choice of the direction of further education.
4. Operational phase: The successor is already working full-time in the company, but not yet in a managerial position, and is aged between 18 and 30. In this phase, he/she is getting to know the different jobs.
5. Advanced operational phase: not yet an executive, working in a managerial position in the company. Approximately 25-35 years old.
6. Early succession phase: the successor takes up a director position. Approximately 35-45 years old. The predecessor often takes on the actual management role, but does not yet retire.

7. Mature succession phase: the successor becomes the actual manager of the company. The predecessor withdraws from company affairs completely.

According to Tobak et al (2018), the existence of a supportive environment is crucial for the success of generational change, and it is therefore recommended to put the values of the economy in writing to avoid disputes later. The process of generational change can be divided into two phases, which are the issues concerning the predecessor and the successor. It is essential that both parties are prepared for the succession process by being aware of the appropriate steps to take. Engagement is of paramount importance in the process of preparing the successor. It is the responsibility of the predecessor to set clear expectations of the successor, which includes continuously developing the successor's skills and encouraging the successor to take ownership by listening to and supporting his or her ideas. Planning is the most important part of the predecessor's job, the first step of which is to plan the financial side of his or her retirement, which can be a financial support for the predecessor's retirement. Then the next step is to plan for the ownership side of the retirement, where the most important issue is whether or not ownership will be transferred, or whether it will be partial or full, if the predecessor decides to transfer. On this question, it is worthwhile to seek the opinion of an expert for the predecessor.

6. Research and theories on succession

According to Bogáth (2019), a prominent feature of family business succession is that it is passed from parent to child, even across generations. In Hungary, the change of regime provided the opportunity for the emergence of family businesses, whose managers are nowadays reaching retirement age.

According to Kása et al (2018), in family businesses where succession is an issue in the next 10 years or may have already taken place in the last 5 years, 26% of the businesses surveyed are most likely to transfer leadership within the family, while 55% choose the next leader entirely from within the family, but 12.8% plan to transfer some or all of the leadership to an external leader. Nevertheless, even if the third option is chosen by the previous manager, it does not mean that the family character and characteristics of the business will be lost, as ownership can be retained.

Krankovits et al. (2020) report that family businesses face issues during the succession process, such as guarantees, asset sharing, management and ownership interest, risk and strategy, among others. Generational change requires the application of management techniques that they did not need before, and it is not necessarily certain that they have the knowledge to do so.

According to Konczosné and Kézai (2018), succession is a process, not an event, which can be understood as the transfer of ownership and control from one generation to another. This includes social, psychological and emotional factors in addition to financial and legal factors.

Katalin Kovács Éva (2020a) argues that generational change is an important risk factor for family farms. She investigated the role of the older generation in the process of generational change. According to Kovács, the young generation is demotivated by the older generation's insistence on control and ownership, and the

young generation's willingness to take risks and to take advantage of development opportunities is greatly limited.

Kovács et al (2021) studied family farms in Karcag from the perspective of generational pressures. According to them, family farms are endangered due to a lack of communication, which is reflected in the fact that the family does not discuss succession issues among themselves because the predecessor thinks it is clear that his successor will continue the activity he started.

Sebestyén (2022) writes that a particular situation in terms of generational change is when the ancestor (father) of the older generation and the offspring (son) of the younger generation work within the framework of a single enterprise. In this case, the issue of succession is constantly at the forefront of the young farmer's mind.

7.Conclusions

The role of the leader is of paramount importance in the life of an organisation. In many cases, he or she is identified with the organisation and is the 'face' of the organisation. The issue of succession is also important in the life of an organisation because it influences the future life of the organisation, the direction it takes and the goals it sets. It is essential to plan for succession, because it makes it easier for family businesses to be handed over, and for predecessors to pass the baton to the younger generation with greater peace of mind.

However, the issue of leadership succession is not only a huge decision or cardinal change for family businesses, but it is also worth exploring how succession is shaping the future goals and survival of the organisation in retirement organisations.

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