STRATEGIC MANAGEMENT OF LEADERSHIP SUCCESSION AND RELEVANT ECONOMIC ACTORS

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Abstract: *Leadership succession is a process of strategic importance in the life of every organization, as the successful transfer of management and ownership rights has a fundamental impact on long-term competitiveness, sustainability, and value creation. Succession is not a one-time event, but a complex, multi-step process shaped by organizational, human, and environmental factors.The aim of this study is to present the theoretical and practical aspects of succession, with particular emphasis on the gradual transfer of management functions and the economic challenges that arise from this. The literature distinguishes between two basic approaches: gradual models, which emphasize the step-by-step nature of succession, and life cycle theories, which link leadership change to the phases of organizational development. Handler's "legacy dance" model describes in detail the process of role transformation between predecessor and successor. In the initial phase, the predecessor plays a dominant role, while the successor gradually increases their decision-making competence and eventually becomes a full-fledged leader. The predecessor retreats into an advisory role, facilitating the gradual transfer of knowledge and maintaining organizational stability. The success of succession is influenced by the motivation of both parties, generational differences, and differences in leadership styles and values. The personality, age, and decision-making willingness of the founder are decisive factors, while the preparedness, motivation, and leadership competencies of the successor are key. In family businesses, succession is a particularly sensitive process due to the intertwining of ownership and management functions, but the issue is also relevant in the case of non-profit and community organizations, such as associations, where a change in leadership affects institutional legitimacy and the maintenance of trust. The literature distinguishes between three main models: the rational model, which emphasizes efficiency; the vicious circle model, which attributes succession failures to organizational disruptions; and the ritual scapegoating model, which interprets leadership change as a symbolic response to crisis. According to the integrative approach of the latest research, the success of succession is influenced not only by individual and organizational factors, but also by the industry and macroeconomic environment. Overall, succession is a strategic process based on trust, gradual transfer of responsibility, and intergenerational cooperation, which is one of the keys to the long-term economic survival of organizations.*

Keywords: *leadership; succession; participants; process*

JEL Classification: *Z13 (other special topics, Economic Sociology; Economic Anthropology; Language; Social and Economic Stratification)*

1.Introduction

The issue of succession is of strategic importance in the life cycle of organizations, as the effectiveness of the transfer of management and ownership rights fundamentally determines the long-term competitiveness, sustainability, and growth potential of the company. Succession is not merely a legal or formal act, but a complex organizational and human process in which decision-making powers, areas of responsibility, and knowledge are gradually transferred from the predecessor to the successor. The success of the process is determined by factors such as the maturity of human resources, organizational culture, and trust and cooperation among stakeholders.
The literature agrees that succession cannot be considered a one-off event, but rather a gradual, multidimensional process that involves the transfer of experience, power, and decision-making competencies. During this process, the role of the predecessor gradually shifts from strategic management to an advisory function, while the successor's managerial autonomy and responsibility gradually increase.
The relevance of this topic is reinforced by the fact that a significant proportion of Hungarian businesses and civil society organizations—including associations working with the elderly—were founded in the 1990s, and their founders have now reached an age where planning for the transfer of leadership has become inevitable. As a result, succession management is not only a personal issue, but also a key element of organizational sustainability, which has a direct impact on economic stability and long-term operational efficiency.
The aim of this study is to present the theoretical and practical aspects of the succession process, with a particular focus on analyzing relevant models, research directions, and the economic and organizational characteristics of leadership transfer.

2.The process of succession

According to this definition, researchers agree that succession should be understood as a process rather than a single event (Churchill and Hatten, 1987). Succession is not a sudden transfer of control or ownership, but a gradual process that begins with the participation of successors in certain areas of the organization. The succession process can be understood using two main theoretical approaches:
· the stage model and continuity (Longenecker and Schoen, 1978), and
· the life cycle model (Greiner, 1998).
Gradual-sustainable models treat transfer as a repetitive and periodic process, while life cycle models attempt to describe the development of the organization and the "life path" leading to transfer based on various factors. Handler's (1989) model includes the process of transfer through leadership roles, which is consistent with

the main objective of my dissertation, namely the study of leadership roles. In addition, this model is very suitable for small organizations where leadership roles are clearly separated, making the process of leadership transfer easier to identify and measure.

One of the best-known models of continuous transfer is the model called the "succession dance" by Handler (1989). This model divides the transfer process into stages that cover both the period before and after the arrival of the successor (Handler, 1989). The model was developed by Handler (1990) based on interviews with 32 family businesses, in which members of the next generation of the family indicated that their roles had been shaped by their predecessors. Based on his findings, he describes a process based on a mutual role change, in which roles do not appear separately, but develop gradually during the transition. In this case, the successor does not play any role at the beginning, but first appears as an assistant, then as a manager, and finally as a leader. At the same time, the transferor initially acts as the sole executor, then takes on a dominant role, and finally participates in the process as a transferor and advisor.

The decline in the role of the owners can be interpreted as a process in which participation and capabilities within the organization gradually decline in response to individual factors (e.g., health, age, new interests), organizational factors (growth, need for change, technological development), and environmental factors (disruptions, uncertainty) (Pfeffer and Salancik, 2003). As I mentioned earlier, Handler calls this process of mutual role reversal the "succession dance" and describes it as a slow but thorough process. At the heart of this process is the gradual transfer of leadership experience, authority, decision-making power, and shares.

Based on Handler's (1990) research, we can distinguish four roles in the continuity process (four "transferors" and four "transferees"). In the first stage, the only leader is the predecessor, who is primarily concerned with establishing and initially managing the business. At this stage, the owner is effectively the sole leader. The role of the successor does not yet exist at this stage. This may be because the successor has not yet been born, the need for succession has not yet been realized, or changes in personality, organization, or environment have not yet resulted in sufficient pressure. Handler (1989) emphasizes that the age of the successor generation influences when the successor recognizes their role. At this stage, the company is characterized by centralized management and a patriarchal organizational culture.

In the second stage, the dominant role is played by the predecessor, who has exceptional power over the organization and whose main goal is the survival of the company. At this stage, the successor joins the organization as an assistant, performs functional tasks, and learns the manufacturing processes.

In the third stage, the previous generation hands over their role to the successors, gradually transferring responsibility and control to them, and begins to withdraw from the company. At the same time, the successors take on leadership roles, assume management responsibilities, and begin to actively participate in the management of the company. This process is the most important stage, and according to Handler (1989), many companies fail to achieve it. The transition requires mutual trust, the ability to share and delegate tasks, and the predecessor's recognition that they must

hand over the reins. Until this recognition occurs, the predecessor and successor often have to work together for a long time.
In the final stage, the predecessor takes on an advisory role, no longer performing active management activities but remaining a member of the organization. The most important task in this stage is how the predecessor copes with the difficult departure from the organization and how the successor consolidates his or her leadership role and fully takes over power, influence, and job responsibilities. According to Handler (1990), succession can be considered complete when ownership is transferred along with managerial authority.

3.The players in succession

Lansberg (1983) describes the process of selecting a successor as an interaction between various stakeholders, including founders, family members, managers, business owners, and the external environment. Below, we analyze the motivations of founders and successors in more detail. This is important because it helps to better understand the role of each actor in the succession selection process.

The predecessor (in some cases, the founder)
During succession, the predecessor may serve as founder, owner, manager, or hold several functions at once, as noted by Lansberg (1983), who defines the predecessor as the person who influences the family, the company, and the wider environment. According to Nelson (2003), the founder is the person who creates or initiates the business and plays an important role in its development, taking on the most important management functions. In the "management" phase, the founder decides on the ownership structure, size, organizational structure, and other key factors, using their influence. Nelson (2003) emphasizes that although the position of CEO or president is defined by law and formal norms, the founder can be considered a social category whose role is understood through language. As He and Yu (2008) note, the ideas and interactive characteristics of founders are reflected in their extensive participation in the social capital of the company and their long service in the organization, and this close relationship has a significant impact on their motivation, decision-making, and organizational relationships.
According to Lansberg (1983), managers often decide to retire from the day-to-day management of the company, but in many cases they simply transfer their managerial powers and retain ownership until their death. There are several reasons for this. First, they do not want to relinquish complete control. If they retain part of the ownership, they can return at any time and intervene in the management of the company. Second, if they feel that the values or norms they have created are being violated, their ownership stake provides them with the basis for restoring their original position.
Hambrick and Crozier (1985) refer to this as the "critical point" or "founder's trap." This occurs when the founder's experience and abilities are no longer sufficient to manage the company effectively. In this case, management must be handed over to professional managers, otherwise the organization's operations may be jeopardized. Rubenson and Gupta (1997) refer to this phenomenon as "initial transfer."

After the founder's departure, a unique "psychological attachment" develops (Pierce et al., 2003), which can be explained by the concept of psychological ownership. Pierce and colleagues (2003:299) define this phenomenon as "the state in which an individual feels that a goal or part of a goal is his or hers." These psychological ownership rights often result in the founder remaining part of the organization's life mentally and, in many cases, behaviorally, even after formally handing over leadership.

In my opinion, age is a very important factor in the process of selecting a successor from the perspective of the predecessor's role. However, there is relatively little research specifically examining the relationship between the age of the predecessor and the process of selecting a successor. It seems logical that the older the owner of the company, the greater the chance that they will hand over the company. At the same time, the question arises as to whether this trend also applies to the transfer of certain elements of management.

According to the literature, the age of the owner-manager is an important factor in succession decisions, which affects not only individual behavior but also the functioning of the organization (Brickley, 2003). This relationship is confirmed by Hambrick and Mason's (1984) "top management" theory. Demographic characteristics influence managers' decisions and behavior, according to one theory. According to the conclusions of Hambrick and Mason (1984), age can have the following effects:

· Younger managers are more often associated with organizational growth.

· Older managers have less mental and physical flexibility and are less open to new ideas and behaviors.

· With advancing age, the ability to effectively integrate information may decline, which can delay the decision-making process.

· Older leaders may be more strongly committed to maintaining the status quo within the organization.

· Financial and professional stability may be more important to them.

One of the biggest challenges of succession is the generational gap, which is closely related to the establishment of businesses during the transition period in Hungary. At that time, young people in their thirties saw the establishment of a business as an opportunity to realize their dreams.

Today, most of them are active owners and managers over the age of 50 who are retiring. According to Csákné's (2012) study, the majority of Hungarian businesses are currently facing or will face succession problems in the near future. Thirty-two percent of respondents indicated that this problem does not affect them.

Most entrepreneurs facing succession problems belong to the "baby boom generation," i.e., the generation born in the 1950s, during the Ratkó era. Their age can have a significant impact on how and to what extent they transfer control of their organizations.

The successor

Another important element in the succession process is the successor. Most studies focus primarily on the role of the predecessor or founder (Kets de Vries, 1993), but few address the role of the successor in the succession process (Davis and Tagiuri, 1989).

It is important to note that the reason for the successor's failure is often the indecisiveness of the predecessor or the successor themselves, or a lack of the skills necessary for leadership. Chrisman et al. (1998) classified the characteristics of successors into six main categories: relationship with the predecessor, relationship with other family members, family situation, abilities, personal characteristics, and participation in contemporary society.

When analyzing the characteristics of successors, the researchers sought to answer the question "what should a successor be like" rather than focusing on what they actually are.

According to Buoziute-Rafanaviciene et al. (2009), a successor is a person who will take over the leadership of an organization in the future and under whose leadership the organization will operate. The author points out that although numerous studies have addressed the origins of successors, insufficient research has been conducted on the specific characteristics of successors. Other studies, including the above-mentioned classification, also emphasize that successors can only have a positive impact on the performance of the organization if they are fully committed to succession.

In their study, Venter et al. (2005) identified the following factors as the most important for succession from the successor's point of view: the successor's motivation to take over the business, their level of preparedness, their relationship with the owner-manager, the remuneration system, trust in the successor's intentions and abilities, personal needs, and family harmony.

The role of family considerations in succession

According to Lansberg (1983), the family plays a major role in determining who will run the business. This effect is stronger in family businesses, while it is much weaker in non-family businesses. Experts agree that the most important characteristic of family businesses is that the family is actively involved in their management.

Chua et al. (1999), based on an analysis of more than 250 studies, found differences in the definitions of family businesses. The most important differences are as follows:

- Definitions often do not distinguish between the management and control of a business.
- Some definitions require family ownership and family management to coexist, while others require only one of these conditions to be met.
- Definitions requiring family ownership include different conditions: for example, ownership may be exclusively in the hands of one person or several members of the extended family.

4.Succession as a transfer of leadership within the family

According to Davis (1967), the essence of succession is that one generation transfers leadership to the next in order to ensure the survival of the family-related organization. Davis was the first to focus on the importance of succession, pointing out that the fundamental purpose of transferring leadership is to preserve the continuity of the family and the organization.

The procedural specifics of succession were analyzed in more detail by Handler (1990), who developed a process model. Handler's goal was to illustrate the "dance" between the parties during succession and to emphasize the role of planning, which involves assessing the situation of the organization and creating the conditions for succession.
Handler (1990) also highlighted the importance of conscious succession planning and had previously (1989) applied a model specifically to family businesses, where the transition of roles between predecessor and successor ultimately culminates in the transfer of management rights. Shepherd and Zacharakis (2000) take a similar approach when they describe succession as the process of transferring management rights from one generation to another, but their research is limited to family businesses.
In his classic work, The Succession Conspiracy, Lansberg (1988) presents a basic model for family businesses that focuses primarily on the motivations of those involved in the succession process and how these motivations evolve over time. As a result of nearly a decade of further development, the model has become a comprehensive conceptual framework that interprets the stages of development of family businesses in a life cycle perspective, linking them to the issue of succession. Based on their model, Lansberg and colleagues (1999) conclude that succession means the transfer of management and/or control powers. In this context, they raise several fundamental questions: who takes over the management of the organization, what changes accompany the transition, when does the new leader assume responsibility for performance, and how can the expected results be achieved.
In general terms, succession—as the process of transferring leadership roles within a family—is closely linked to the concept of family inheritance. In this approach, the literature explicitly interprets succession as the transfer of leadership functions exclusively within the family. A similar logic applies to organizations dealing with the elderly, where leadership responsibilities—whether formal or informal—are passed on within a small, internal circle, thereby promoting the continuity and stability of the organization's operations.

5.Succession as a transfer of leadership within and outside the family

The issue of succession involving the transfer of leadership within and outside the family has received relatively little attention in research on small and medium-sized enterprises (SMEs) to date. According to Beckhard and Burke (1983), succession is the process by which the founder transfers management authority to his or her successor, who may be a family member or even a professional manager from outside the family (Beckhard and Burke, 1983). Although this approach is rather general, it draws attention to important aspects, as the vast majority of previous literature has narrowed succession exclusively to leadership changes within the family.
Rubenson and Gupta (1997) applied a similar interpretation when they linked the succession of the founder—a phenomenon they called "early succession"—to the need for organizational transformation. According to their view, "early" succession is a context-dependent process in which the founder transfers control to other family members or external professionals.

Overall, succession can be understood as a process that involves the transfer of managerial powers. Based on this approach, the transfer of managerial powers begins with the owner or the original company manager, while the successor may be a family member or a person outside the family who is typically treated as a professional manager. In the case of associations working with the elderly, this means that the successor may be an existing member of the association, but may also be an external person who becomes involved in the association's operations and activities after being elected.

6.Conclusions

Overall, succession is not a static, one-time event, but a long-term, multi-stage organizational process during which the predecessor and successor gradually redefine their roles and responsibilities. The key factors for the success of the process are trust-based cooperation, the conscious sharing of decision-making and management competencies, and the efficiency of knowledge transfer between generations.

Although the literature primarily examines the succession dynamics of family businesses, it is becoming increasingly clear that the issue of succession is of strategic importance for all types of organizations, including the non-profit and public benefit sectors, and thus also associations working with the elderly. In the case of these organizations, succession not only ensures continuity of leadership, but also has a direct impact on the organization's social embeddedness, financial stability, and resource sustainability.

One of the most important tasks for future research and practical approaches is to develop strategic succession management models that not only facilitate effective leadership change but also support the long-term operational stability, innovative capacity, and economic and social value creation of organizations, including associations working with the elderly.

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