Extended Abstract

Mechanisms of intergenerational knowledge transfer among Indonesian family firms

Earlier studies on business survival, especially in the context of family enterprises have shown that only a few survived to the next generation (for example Varamaki, Pihkala, and Routama 2003). As an illustration, thirty percents of family firms in the UK survived until the second generation, and only seventeen percents survived until the third (Bridge, O'Neil, and Cromic 2003 cited in Chirico 2008). Similar pattern applies in Indonesia. Based on the study by *Boston Consulting Group* 2012 (SWA 2013), seventy percents of the Indonesian family firms failed to pass the torch to the second generation, and only sevent percents family firms survive through the third generation.

Main factor that affects the successful of intergenerational succession is inability to transfer knowledge from one generation into next generation (Kimhi 1997; Floren 2002; Chirico 2008). The process of intergenerational succession in family enterprises is difficult, time consuming and risky (Barach and Ganitsky 1995). Such process leads to instability and uncertainty in family businesses (Trevinyo-Rodriguez and Tapies 2006).

A family business is a company owned and run by one or more family members (Hollander and Elman 1988 cited in Floren 2002) and will be passed from one generation to another (Ward 1987 cited in Chirico 2008). In general, an intergenerational process emphasizes on three main factors that is power, managerial responsibility and competence (that is knowledge) (Trevinyo-Rodriguez and Tapies 2006; Varamaki, Pihkala, and Routama 2003). Thus, knowledge transfer becomes an important part in the succession process which happens in a family business (Varamaki, Pihkala, and Routama 2003).

The difficulties in transferring the business from one generation to the next generation particularly in the context of family firms make the topic relevant to be explored. The current study is intended to fulfill two gaps. First, most literatures on intergenerational succession in family businesses have been focused on the transfer of top leadership or power (for example Tatoglu, Kula, Glaister, 2008; Ganzaroli, Fiscato, and Pilotti 2006; Chrisman, Chua, and Steier 2003, Salvato and Corbetta 2013). Relatively few researches have focused on intergenerational knowledge transfer in family businesses (Chirico 2008; Varamaki, Pihkala, and Routama 2003).

Second, from managerial point of view, knowledge transfer is a foundation of intergenerational transfer in a family business (Higginson 2009). The transfer of knowledge is also a key to the continuity of a family business following transfer of responsibility from one generation to the next (Cabrera-Suarez, De Sea-Perez, and Garcia Almeida 2001). The succession process has been considered as transmisson for granted (Trevinyo-Rodriguez and Tapies 2006). The process where knowledge is created, dispersed, and transferred from one generation to another generation had not been studied thoroughly. However, intergenerational transfer of knowledge in a family business could not lightly be taken (Trevinyo-Rodriguez and Tapies 2006). In fact, understanding the mechanism of knowledge transfer in family businesses would enrich perspectives in the knowledge management literature, by providing guideline of knowledge transfer mechanism within family businesses.

Based on the abovementioned discussion, the current study aims to explore intergenerational knowledge transfer among Indonesian firms. More specifically, the focus of the study is the mechanism of transfer especially in preparing an heir to become the next leader. The study is intended to answer the following research questions: a) How is the mechanisme of knowledge transfer in family business?; and b) What is the role of actors in knowledge transfer within family business?

In this study, we combined two perspectives: family firm succession (for example Handler 1994) and knowledge transfer (for example Cabrera-Suarez, De Sea-Perez, and Garcia Almeida 2001) as lenses to understand the mechanism of knowledge transfer. The first perspective, the family firm succession explains the process of knowledge transfer from one generation into next generation which can be classified into two streams: process-based and variance-based. Process-based stream elaborates stages or critical events in a succession process. The succession "event" is a multistage process that typically involves the increasing participation of the successor and decreasing involvement of the predecessor until the real transfer takes place (Cabrera-Suarez, De Sea-Perez, and Garcia Almeida 2001; Motwani, Jaideep, Levenburg, Schwarz, and Blankson 2006). Variance-based stream identifies factors affecting the succession process, which can be classified into four levels: the individual (the owner), the group, the organizational level, and the environmental level (Handler and Kram 1988).

The second approach, the knowledge transfer perspective includes two approaches: a) factors affecting knowledge transfer process (for example Szulanski 1995); and b) process of knowledge transfer for example communication model (Shannon and Weaver 1949), and knowledge transfer scenario (Liyanage, Champika, Elhag, Ballal, and Li 2009).

This study used qualitative approach with a multiple-case-study. Firms were selected using theoretical sampling by considering the following characteristics: age of successor (younger or older); gender of predecessor and successor (different or the same); and number of successors (one or more). We used purposive sampling procedure to see participants in this study (23 participants from 14 firms). The criteria to select the participant: 1) the firm was already run by the next generation and 2) the successor was involved in the daily operation of the firm. Data were collected by means of in-depth interview and observation in May-September 2013.

To ensure validity and credibility, this study used triangulation technique and member checking (Yin 2009; Creswell 2010). Triangulation includes source triangulation (the participants were predecessors and successors; primary and secondary data); method triangulation (observation and indepth interview), and time triangulation (the researchers interacted intensely with the firms in a determined time frame). Member checking was done by sending back interview transcripts to the participants to ensure data congruity with the participants' perspectives. This process also ensured that there were no bias in the research (Yin 2009; Cresswell 2010). The data were analyzed using content analysis method, visual map strategy, temporal bracketing and cross-case analysis.

The current study can identify the mechanism of intergenerational knowledge transfer in family firms in terms of the following findings. Firstly, the knowledge transfers in family firms involved various stages and are sequencially and slowly conducted. The transfer starts from simple practical know-hows to more complex and abstract knowledge. The successor gains knowledge starting from technical knowledge and advancing to firm' strategies. The stages in knowledge transfer include awareness development and implementation.

At the stage of awareness development, the successor starts to get to know the firm's environment and is intentionally conditioned by the predecessor to go through the knowledge transfer process. In this stage, the successor not yet made decisions to go along with the knowledge transfer process or not. This stage can be classified into two patterns: awareness development with passive involvement and awareness development with active involvement. It is called passive when the successor does not take part in daily routines of the firms before knowledge is transferred. The active involvement refers to the successor is actively working and involved in the firm's routine as instructed by the predecessor. Usually the successor is asked to help the firms for simple and daily tasks since her/his early ages.

At the stage of implementation, the predecessor transfers key knowledge to the successor. This stage takes place when the predecessor has intentions to transfer the knowledge to the successor, and on the other side, the successor is willing to learn from the predecessor. Moreover, the successor decides to go through the process of transfer. This stage can be performed if both the predecessor and the successor have commitment, mutual understanding, and willingness to accommodate each other's thoughts.

Secondly, the role of the actors (that is the predecessor and the successor) changed, in term of their degree of involvement, along the process of intergenerational knowledge transfer in family firms. The role of the predecessor fades as the successor starts taking over the responsibility in the company. Normally, the successor starts with an assistant role to the predecessor with no power. At this point, the predecessor acts as the firm's leader and a mentor to the successor. Then, the successor becomes a division manager with a limited authority, while the predecessor acts as a supervisor. At the end, when the successor takes the highest leadership position with a full authority over the company, the predecessor becomes a consultant who gives critique and inputs for the successor. **Tabel 1** summarizes stages of knowledge transfer and roles of the predecessor and successor.

Thirdly, this study discovers two important factors which were considered in the process of knowledge transfer that is firm's resources and firm's risks. The firm's resources include availability of capital, skills, and supportive workforce facilitate the process of intergenerational knowledge transfer. For example, in many situation within family businesses, the predecessor alocates resources in order to educate the successor to become a leader. In this context, the family firm decides to split its firm resources into two parts: one part is fully for the successor for her/his own, and the other part is allocated to build another new business unit managed by the predecessor or together with the successor. This strategy normally happens in the context of a firm with adequate resources.

Firm's risk is another important factor considered by the predecessor in performing the knowledge transfer. The predecessor attempts to minimize risks arising from learning process with the successors, as indicated by the way her/his authority is transfered accordingly by examining the successor's readiness in leading the firms. In many cases, transfer of specific resources to the successor is one strategy adopted by the parent firm to minimize risk.

The current study indicates that the process of knowledge transfer within family firms requires involvement from both the predecessor and the successor. The level of involvements can be active and passive involvement. The intensity of involvement (that is active and passive) and its influence on the success of transfer is relevant for future study.

The findings of the current study are consistent with and validated the previous researches (for example Szulanski, 1996; Handler, 1989; Cabrera-Suarez, De Sea-Perez, and Garcia Almeida 2001) about transfer mechanism in organizations particulary in the context of family firm and the role of actors (that is the predecessor and the successor) along the knowledge is transferred.

Table 1. Stages of knowledge transfer and roles of actors in family firms

Successor's role			
No role →	**Assistant** →	**Manager** →	**Director**
Successor does not have any roles	Become assistant to the predecessor	Take a responsibility over a division or an specific area of a job	Become a leader of the company/subsidiary/half of the firm
No authority	No authority	Having a limited authority	Having a full authority to manage
No involvement	Full involvement to consciously perform knowledge transfer	Fully involved and starting to have a control authority	Fully involved and becoming a director of the firm
Consideration processs on whether to take over the firm or not-phase	Make decision to take over the firm (in the future)	Practicing to take over the firm	A definite successor of the firm's leadership
No knowledge from the predecessor	Starting to receive knowledge from the predecessor	Starting to put the knowledge from the predecessor to work under the predecessor's mentorship	Applying the knowledge from the predecessor under his or her own authority
Predecessor's Role			
Firm's director →	**Mentor** →	**Supervisor of the predecessor's performance** →	**Consultant and critique**
Awareness	**Implementation**		

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