Examining Young Entrant Motivations and their Connection to the Learning Organization of Family Businesses

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Abstract: One of the greatest challenges of family businesses is passing on ownership and/or management from one generation to another. The question of learning and teaching is unavoidable within this context. What kind of knowledge do the predecessor and the successor possess? Is the successor, who is probably the member of a younger generation, motivated to take over the business at all? What kind of tools do enterprises use to transfer knowledge? To answer the above questions, we conducted a research in the spring of 2014 with the help of 143 young people (between 18 and 33) with family business background. Based on the results, those young people who were planning to take over the family business seemed to be internally motivated, receiving further support from their family and organizational background. At the same time, they also seemed to be in the family socialization stage of the generational change process and they had not yet reached the stage of business socialization.

Key terms: family business, motivation, learning organization, knowledge transfer, business competences

Introduction

Based on previous research, experts agree that members of Generation Y tend to change their jobs frequently, are impatient and wish to make a career quickly (Jobonline, 2013). According to the 2011 international research of GUESS – conducted among more than 28 thousand college and university students with family business background – the majority of the respondents (64.5%) would like to be an employee, 13.15 would launch their own business, 6.95 would take over the
family business and 15.5% is considering other unique options. According to the 2013 Y Horizont research, Generation Y chooses jobs based on remuneration, the chance of working in a relaxed, friendly team and further career prospects. Besides the above, other factors include fringe benefits, versatile tasks, direct and relaxed tone in communication and the presence of colleagues with serious professional background (Lerf, 2013). The same research indicates that 35% of the respondents imagine this dream job to be abroad while the two most popular positions among these young people are being your own boss or working as the employee of a multinational company. Whatever the career plan, however, both being an employee and an employer require competences and motivation as well as possessing or learning the ability to adapt to changes – all of which gains special significance within the generational change of family businesses.

1 Theoretical Background

1.1 Knowledge, Competence, Motivation

In order to actually realize an idea and launch an enterprise, one needs knowledge (Hanlon, 2014), skills, professional know-how as well as a certain type of personality and attitude (EC, 2013). Entrepreneurial competences are discussed in several studies like Hemingway-Bálint (2004), McClelland (1987) or Niuwenhuizen (2008).

According to the professional literature (Hessami - Moore, 2007), people are competent if they have experience and/or professional knowledge and abilities to efficiently carry out certain necessary tasks and to put their knowledge in practice (that is, they should know what they are doing) (Bencsik, 2014). They are also motivated to reach their goal, strive for excellence, are able to adapt to changing circumstances and the requirement of new know-how; finally, they can sense what is expected of them and they are able to carry it out to the complete satisfaction of their client. Chirico (2007) in his study distinguishes industry related competences (special knowledge and skills in production), business competences (acquiring and using resources, making the best product, risk taking, problem solving, conflict management, changes as well as crisis) and ownership competences (creating government in business, controlling, practicing rights and responsibilities, adding economic value, balancing between stakeholders etc.).

Irrespective of the type of enterprise, older employees possess larger social capital, due to the following:

- a higher degree of professional competence, unspoken knowledge and their willingness to cooperate,
- better organizational, functional and structural knowledge,
Marosi, F. Katona
Examining Young Entrant Motivations and their Connection to the Learning Organization of Family Businesses

- a more extended network of clients,
- a better understanding of the operative environment (Ilmarinen, n.d.).

Bourdieu (1997) interprets social capital as a resource available for individuals, which is in essence a form of social support. Social connections serve as a means to increase the welfare of the individual, which means this capital has to be acquired, enriched and maintained consciously.

Practical experience and years or even decades spent in a field of work may result in the strength, energy and a unique basis for turning knowledge into capital. As one gets older, knowledge through doing some work also contributes to employability (Carmel, 2010), which gains special significance in the context of knowledge transfer. Perhaps the most difficult task is to transfer tacit knowledge (e.g. managerial ability, process approach) to a successor (Csákné, 2012).

![Figure 1: Connections of Knowledge – Social Capital – Employability](Source: own edit based on Carmel (2010))

When it comes to the demographical characteristics and goals in family businesses, one should take into account:

- the age, gender and regional background of the successors as well as their previous participation in the business,
- the age of the parents or proprietors as well as the circumstances of the business
transfer,
- the size of the enterprise, the number of generations in the business etc.,
- all of which affect the decision of joining and/or taking over the business in question (Stavrou, 1999, p. 44).
- At the same time, there are also other factors, such as:
- life and career stages (early, mid-, late adulthood),
- expectations at home (workload, conflicts) and home resources (family support, chances of development),
- work expectations (workload, conflicts) and work resources (social support, autonomy, feedback),
- work-family interaction (work-family conflicts, family-work conflicts, growth) (Demerouti-Peeters, Heijden, 2012, p. 243).

Skills and competences are not worth much in themselves if they are not supported by motivation. Someone being motivated means someone is moved to do something (Ryan – Deci, 2000, p. 54). Job performance and job behavior of employees depends on their motivation and also on the conditions under which the task performs (Dobai Korcsmáros – Seres Huszárik, 2012). Motivation is mostly interpreted by content-theoretical (e.g. Maslow, 1954; Herzberg (1959), Alderfer (1972), Hunt (1965), McClelland, 1953, 1967; McGregor) and process-theoretical (e.g. Locke 2012; Skinner, Vroom, 1964) approaches. According to the content-theoretical approach, motivation is a unique set of motives which makes the individual act (Éger, 2012, in: Tóth-Bordásné 2012). Ryan and Deci (2000a, b) uses a self-determination theory (SDT) where the individual identifies three internal and unique needs for optimal “operation” and growth in forming their motivational schema: competence, social environment and autonomy.

1.2 Generational Behavior Samples Vs. Learning Organization Features

Competences and motivation become important in the sense that there may be serious differences between various generations in many areas, all of which may appear as a risk factor during the transfer of family businesses. The research conducted by PwC (2014) “Nextgen” points out that the risk of making mistakes during the transfer of a business is particularly great in the case of Baby Boomers and Generation Y because of the differences between the generations on the one hand and the differences between their relevant plans and goals on the other hand.

Organizations – family businesses included – have a unique base of knowledge formed from functional knowledge on the one hand (explicit knowledge referring to the actual pursuit (database, analyses) and implicit knowledge (task-solving
routine); on the other hand, their knowledge also contains so-called integrating knowledge, which is the ability to control (also consisting of explicit knowledge (e.g. formal coordination and operating system) and tacit knowledge (as part of the organizational culture)) (Bokor, 1999). While explicit knowledge is more characteristic of centralized (mechanical) organizations with rigid structures and strong control and programs, tacit knowledge is more typical of decentralized, mostly flat-structured, project-based (organic) organizations (Lam, 2000; Nonaka-Takeuchi, 1995). Tacit knowledge is also typical of family businesses (Lazányi, to be published). It is important for companies and family businesses alike to be able to adapt to changes, which means they are also required to continuously learn and renew. If this means essential competences, they are able to function as a learning organization. Senge (1998) lists five basic principles, based on which an organization is able to develop: system approach, self-control and self-development, common future vision, internal conviction (attitude changes, thought schemas) as well as group learning (team work). The aim of the operation of a learning organization is to mobilize the hidden or disjointed knowledge of the company through the various groups of the organization (Bencsik, 2009). The professional groups within the learning organization should possess professional competence and emotional intelligence; they should be able to form and apply competences; they should be able to learn; finally, they should apply new knowledge transfer and management approaches (Kengyel, 2007). Garvin (1993) claims that learning organizations are essentially able to apply systematic problem solving, experimenting, learning from their own – or from others’ – experience and, finally, they are also able to spread knowledge.

A common feature of family businesses is that they seek the most efficient solutions to sustain themselves. While less organization-oriented knowledge may be obtained in the school system and through practice done on other businesses, the most important knowledge transfer process “within the house” is socialization, where the tacit, organization-specific knowledge elements revealed, transferred and developed through joint work gain special significance (Lazányi, to be published). Creating, sharing, transferring knowledge as well as succession is closely related within family businesses:

- cooperation within the business increases trust,
- it motivates and enables commitment,
- emotional threads are attached (psychological ownership),
- academic courses and practical trainings may result in new viewpoints,
- gaining experience outside the family business may bring new knowledge and practices into the enterprise,
- talented non-family members may be hired (Chirico, 2007).
The authors Bencsik – Eisingerné (2013) sorted out the essential elements (requirements) of learning organization operation, and they examined how various generations can contribute to this operation with their own characteristics and abilities (see Table 1)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Thinking</td>
<td>communal, thinking in whole systems</td>
<td>self-centered, mid-term</td>
<td>selfish, short-term</td>
</tr>
<tr>
<td>Relationships</td>
<td>primarily personal</td>
<td>personal and virtual networks</td>
<td>primarily virtual networks</td>
</tr>
<tr>
<td>Aim</td>
<td>secured existence</td>
<td>secure position in multi-environment</td>
<td>competition, becoming a leader</td>
</tr>
<tr>
<td>Self-Realization</td>
<td>conscious career building</td>
<td>quick promotion</td>
<td>immediate career</td>
</tr>
<tr>
<td>Teamwork</td>
<td>alien concept</td>
<td>natural environment (multinational companies)</td>
<td>believe in joint effort</td>
</tr>
<tr>
<td>IT</td>
<td>self-taught, lacking</td>
<td>handle well</td>
<td>part of life</td>
</tr>
<tr>
<td>Values</td>
<td>patience, soft skills, respect traditions, EQ, hard work</td>
<td>hard work, openness, respect variety, curiosity, practical nature</td>
<td>flexibility, mobility, wide range of (superficial) knowledge, success oriented, creative</td>
</tr>
<tr>
<td>Other possible features</td>
<td>respect towards hierarchy, extreme modesty or arrogant inflexibility, passivity, cynicism, disillusionment</td>
<td>follow rules, believe in equal chances, less respect towards hierarchy, sense of reality, pressure to prove themselves</td>
<td>desire for freedom, no respect for tradition, new forms of knowledge seeking, inverse socialization, insolence, telework, part-time work, interim management, underestimated soft skills or EQ</td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td>natural and voluntary</td>
<td>based on mutuality or remuneration</td>
<td>only if forced or in their own interest</td>
</tr>
</tbody>
</table>

Table 1.
Examining Young Entrant Motivations and their Connection to the Learning Organization of Family Businesses

We seek answers to the following questions:

- Are the respondents motivated to take over the family business or work in the business at all?
- What are the ways of sharing knowledge (preparation) in the examined family businesses?

We assume that

H1 The respondents who think the family business benefits from generational change are also motivated to take over the business.

H2 The respondents appreciate/expect the support of their predecessors as the successors may benefit from their larger social capital.

H3 Those young people who are interested in taking over the family business are already being prepared for it in some way.

2 Primary Research

To answer the above questions, a primary sampling was conducted at the beginning of 2014 among the technical management students of Óbuda University. The sample contained 143 young people between 18 and 33 with family business background. The questionnaire examined motivations and plans for career entry, attitudes towards the family business, questions about generational changes as well as questions regarding the general characteristics of the business and the specific features of the respondent. The structured questionnaire contained variables at different measuring levels as well as interval, ordinal and nominal measuring level scales. The data was analyzed with the help of SPSS, and it contained not only simple descriptive statistics but also cross-table analysis, correlation analysis and concordance examination in order to reveal deeper connections.

2.1 Sample Characteristics

71.6% of the respondents were male (101 people) while 28.4% - a (40 people) were female. The sample contained 143 young people belonging to Generation Y (between the ages of 18 and 33). Based on the age category,

- 27.1% were between 18 and 20,
- 62.1% were between 21 and 24,
- 10.7% were between 25 and 30.

Based on the number of employees, most family businesses (83.8%) were micro-enterprises, with only 15.5% small and 1 (0.7%) mid-level enterprises. The businesses typically operated within the service industry (72.3%, 102 enterprises) with examples in the building industry (17.0%, 24 enterprises), processing industry (6.4%, 9 enterprises) and agriculture (4.3%, 6 enterprises).

Regarding the age of the companies themselves,
- 16.0% (23 enterprises) have been in business between 0 and 3 years;
- 12.6% (18 enterprises) between 4 and 6 years,
- 21.7% (31 enterprises) between 7 and 10 years,
- while 49.7% (71 enterprises) have existed for more than 10 years.

As for the leaders of the businesses, 6.3% (9 people) belonged to Generation Y (19-33 years old), 48.3% (69 people) were between 34 and 49 (Generation X), 40.6% were between 50 and 68 (Baby Boomer Generation, 58 people), there were 3 people over 68 (Veteran Generation), and 4 people did not give information about their age.

2.2 Research Results

Of all the young respondents, 26 people (18.2%) were planning to take over the family business, 7 people (4.9%) would have joined the business as employees, while a third of them (49 people), were uncertain, with no definite plans. One out of four (25.2%) would have launched their own enterprise, and 25 people (17.5%) were certain that they would not want to work in the family business.

The majority of the respondents (88%, 127 people) said they would be able to utilize all the knowledge they gained through their studies in real life as well, either in the family business or outside it.
When being asked about the motivations of their future choices, the most important factors seemed to be independence, gaining more experience, higher wages and better life conditions. They were followed by flexible working time, developing skills as well as the need for promotions at work and getting better positions. The need to manage resources, control others or risk taking were weaker or at most medium-level factors. (See figure 3)
The respondents typically considered the generational change to be an asset, and they looked at it as a way of renewal. This was so because they believed that entrants have new and fresh ideas, and they could introduce a lot of novelty into the pursuits of the enterprises, especially where the management is also young and, as such, it has already been exposed to the same ideas. Whatever age group the management was, they almost universally acknowledged that these new skills would greatly contribute to the competitiveness of the company. Even so, the respondents claimed that the ageing founders or older predecessors do not completely follow new technological developments, which also affects the operation of the company. Besides quoting the advantages, they did not really agree – and this feeling got stronger as the average age of the management rose – that a generational change was not advantageous because it would break a well-established routine and, as a consequence, the new employees would have to be trained at high expenses. They did not feel, or barely felt, that the implementation of the new ideas appearing during a generational change may not occur, and, as such, there was a risk of the company going out of business. However, in the case of a Baby Boomer Generation management, a generational change was judged to be uncertain on a five-point scale, that is, the generational change was an advantage and a disadvantage at the same time. (See table 2)
Examining Young Entrant Motivations and their Connection to the Learning Organization of Family Businesses

Regarding the motivations of the respondents, the opinions about generational change and the succession of the family business, the connections form certain patterns. The need for managing resources was identified as a typical motivational factor for taking over the management, just like the need to take risks. The strongest motivation to take over management among the respondents proved to be the internal, intrinsic (Deci, 2000) motivation of always thinking in terms of the family business. These people also consider a generational change to be a good idea because fresh entrants with their new ideas can renew the pursuits of the business.

However, even in spite of having earlier plans for the takeover of the family business, many of the respondents harbored uncertainty as to whether the enterprise could bear the changes, having an extra member or even innovation. As a matter of fact, many respondents were no longer willing to enter the family business either in a managerial position or as an employee. The respondents were well aware of the connection between family life and the family business, and those who considered work time important specifically supported the family business form. They believed that fresh entrants may use their updated knowledge to make the business more

<table>
<thead>
<tr>
<th>Generation Y</th>
<th>Generation X</th>
<th>Baby Boomer</th>
<th>Opinions about Generational Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>sign &lt; 0.000</td>
<td>sign &lt; 0.000</td>
<td>sign &lt; 0.000</td>
<td>It is advantageous as young entrants are full of new skills which may increase the competitiveness of the company.</td>
</tr>
<tr>
<td>Kendall’s W= 0.614</td>
<td>Kendall’s W= 0.448</td>
<td>Kendall’s W= 0.366</td>
<td></td>
</tr>
<tr>
<td>4.17</td>
<td>3.74</td>
<td>3.30</td>
<td></td>
</tr>
<tr>
<td>3.28</td>
<td>3.40</td>
<td>3.53</td>
<td></td>
</tr>
<tr>
<td>4.00</td>
<td>3.98</td>
<td>3.93</td>
<td></td>
</tr>
<tr>
<td>1.56</td>
<td>1.96</td>
<td>2.12</td>
<td></td>
</tr>
<tr>
<td>2.00</td>
<td>1.93</td>
<td>2.50</td>
<td></td>
</tr>
</tbody>
</table>

It is advantageous as technology continues to develop, which the majority of the founders do not know, and so, the business is not run properly.

It is advantageous as young entrants are full of fresh ideas, and they can renew the pursuits of the enterprise.

It is not advantageous as the well-established routine is broken and the employees will have to be retrained, which is costly.

It is not advantageous as the future application of the new ideas is uncertain, and so, there is a risk which may eventually dismantle the enterprise.

Table 2

Opinions about Generational Change in Terms of Management Generation
competitive, and owing to their fresher technological knowledge, they could also make their enterprise more adaptable (effective) See Figure 4.

<table>
<thead>
<tr>
<th>Is the generational change advantageous?</th>
<th>Motivation</th>
<th>Plans Concerning FB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involves (no) risk</td>
<td>0.227</td>
<td>0.286</td>
</tr>
<tr>
<td></td>
<td>0.223</td>
<td>0.278</td>
</tr>
<tr>
<td>Novelties, intr. new ideas</td>
<td>0.219</td>
<td>0.098</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.309</td>
</tr>
<tr>
<td>Technological dev.</td>
<td>0.246</td>
<td>0.360</td>
</tr>
<tr>
<td>New skills</td>
<td>0.216</td>
<td>0.344</td>
</tr>
</tbody>
</table>

Figure 4
Opinions on Generational Change and Its Connections with Motivation and Family Business (based on the strength of the correlations, with a 0.05 significance level)

We asked the respondents in the sample what they would have expected from their predecessor after retiring – provided they were to succeed them. Most of them would have expected those people to continue to support them even after their retirement (93 people, 65%). Some (19 people, 13.3%) expected the predecessor to continue to appear at the company not as an active participant and decision-maker but as a person making and maintaining an extended network of connections or perhaps as someone with representative tasks. One person out of six would have involved his predecessor in the decision-making processes (25 people, 17.5%). Some others (2-2 people, 1.4-1.4%) expected the predecessor to remain in control or – as another form of extreme – to completely leave the enterprise and its management. There was no significant difference in opinions, no matter which age group the management belonged. (See table 3)
I. Marosi, F. Katona
Examining Young Entrant Motivations and their Connection to the Learning Organization of Family Businesses

<table>
<thead>
<tr>
<th></th>
<th>Generation Y</th>
<th>Generation X</th>
<th>Baby Boomer</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control</td>
<td>0</td>
<td>0</td>
<td>2 people, 3.4%</td>
<td>0</td>
<td>2 people, 1.4%</td>
</tr>
<tr>
<td>Representation</td>
<td>1 person; 11.1%</td>
<td>9 people, 13%</td>
<td>7 people, 12.1%</td>
<td>2 people, 28.6%</td>
<td>19 people, 13.3%</td>
</tr>
<tr>
<td>Planning</td>
<td>2 people, 22.2%</td>
<td>10 people, 14.5%</td>
<td>12 people, 20.7%</td>
<td>1 person, 14.3%</td>
<td>25 people, 17.5%</td>
</tr>
<tr>
<td>Observant</td>
<td>6 people; 66.7%</td>
<td>48 people; 69.6%</td>
<td>36 people; 62.1%</td>
<td>3 people; 42.9%</td>
<td>93 people; 65%</td>
</tr>
<tr>
<td>Total Retirement</td>
<td>0</td>
<td>1 person, 1.4%</td>
<td>1 person, 1.7%</td>
<td>0</td>
<td>2 people, 1.4%</td>
</tr>
</tbody>
</table>

Table 3
Expected Role of the Predecessors Regarding the Generation of the Management

Approximately two-thirds of the respondents (66.3%) received some form of preparation before joining the family business, especially in the case of business takeover (see Table 4). The most prevailing form of preparation was to be allowed to have a glimpse into the economics of the family business (61 people, 42.7%), besides receiving useful advice as the would-be successor (33 people, 23.1%). Close cooperation (19 people, 13.3%) and a more thorough insight into the finances (18 people, 12.6%) was less usual, while having to undergo trials and challenges (10 people, 7%) or even ending up in deep water to learn to swim on their own (9 people, 6.3%) was almost non-existent.

<table>
<thead>
<tr>
<th>Taking over Enterprise Management</th>
<th>Not prepared</th>
<th>Insight into Business Economics</th>
<th>Insight into Finances</th>
<th>Useful Advice</th>
<th>Close Cooperation</th>
<th>Trials, Challenges</th>
<th>Deep Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sign. 2 sides. Cramer’s V</td>
<td>0.000</td>
<td>0.010</td>
<td>0.002</td>
<td>0.002</td>
<td>0.019</td>
<td>0.226</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>0.300</td>
<td>0.214</td>
<td>0.295</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 4
Connections of the Preparation for Management Takeover
3 Conclusion

Although it seems that only a small percentage of the people would have liked to take over the family business (18.2%), this was still a more optimistic picture than the international average (6.9%, GUESS, 2011), which meant there is a tendency to keep family businesses in the hand of the family.

The examination of the motivations verified that in the case of internal, individual, demands like competence (utilizing learnt skills), social environment (thinking in the context of the family business) and autonomy (independence), the individual motivational schemas of young people are optimal (Ryan and Deci, 2000a,b).

The strongest motivation among the respondents in the sample was independence, gaining experience and higher income, although these were not the most important factors in the case of family businesses. The strongest factors there were the possibility of flexible work time, resource management and risk taking among the managerial competences and, finally, the internalized demand that their future should be with the family business. Taking into consideration the age of the enterprises and the respondents, we can see that these young people could see the tasks, challenges, responsibilities etc. of the family business throughout their entire life.

We could map out a unique pattern of motivations behind the aims and plans concerning the family business (in terms of taking it over or even abandoning it). When set against the relevant factors of the learning organizational requirements (self-realization, common goals, knowledge sharing) (Bencsik-Eisingerné, 2013), the appearance of these motivations naturally occur more often. This is also verified by the fact that these motivations are closely linked to the opinions concerning the advantages of generational changes (novelty, introducing new ideas, technological renewal, new skills to increase competitiveness). All this is reflected in the flexibility of young people, the new forms of knowledge seeking and the strengths of the technological competence of information.

The results confirm that family businesses consider generational changes as a process, even though based on the age of the respondents and the family business management, it seems that the generation change will occur later, as most respondents were still in the stage of socialization (handing over values and giving training). Taking part in the business and, consequently, knowledge sharing, is not necessarily a consciously controlled, planned or even mutual (joint predecessor-successor) process, even though one of the characteristics of the new generation is that they believe in common efforts. The most common way of preparing for management is to involve the successor in the economic processes, and one out of four people also receive advice. We cannot yet talk about business socialization (García-Álvarez – López-Sintas, 2001), the aim of which would be the reproduction of a successors to help them become the new leader. On the management’s side, carefulness can be observed in how they rarely test the future successors or throw
them into deep water outright. There is also a visible degree of mistrust in the general decision of keeping the would-be successors away from the financial side of the business. All this means that the learning organizational conditions are already possible, but not necessarily present in all cases.

The above is supported by the results which show that many young people are uncertain about their plans concerning the family business; some even turn away from it and want to start their own business or would rather become an employee at a different company where they could utilize the knowledge they gained during their education coupled with their own personal experience.

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