Dissertation

Social Capital and Social Networks in Family Business Succession Processes

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Zusammenfassung (auf Deutsch)

Jedes Familienunternehmen steht im Laufe seiner Existenz vor der Herausforderung des Generationswechsels. Dabei ist der Prozess der Übertragung von Eigentum und Führung oftmals ein kritischer Faktor und kann – bei fehlender oder unzureichender Planung – den langfristigen Erhalt des Unternehmens gefährden. Eine strategische Durchführung der Unternehmensnachfolge beginnt mit der grundlegenden Planung und endet mit dem Ausscheiden des Übergebers nach der durchgeführten Übertragung von Management und Eigentum. Im Rahmen dieses Prozesses ist es von großer Bedeutung, nicht nur das Unternehmen mit den vorhandenen materiellen Ressourcen zu übertragen, sondern auch die immateriellen Ressourcen des Unternehmens zu berücksichtigen. Ein wesentlicher Bereich der immateriellen Ressourcen ist dabei das Wissen, welches sowohl im alltäglichen Geschäftsleben als auch in temporär auftretenden, besonderen Unternehmenssituationen genutzt wird und sich kontinuierlich entwickelt.

Das Wissen der Inhaber von Familienunternehmen ist dabei oftmals über die lange Zeit als Geschäftsführer sukzessive angeeignet und aufgebaut worden. Dieses Wissen gilt es im Prozess der Nachfolge zu transferieren, wobei zunächst das Bewusstsein über das Wissen erforderlich ist und mögliches implizites Wissen in explizites Wissen umgewandelt werden muss. Ein wesentlicher Bestandteil dieses Wissens ist das Bewusstsein über die Unternehmensnetzwerke, die der Übergeber innehat. Netzwerke sind Teil des sozialen Kapitals, welches einen Mehrwert für Personen und Unternehmen liefern kann. Die Fähigkeit der Unternehmerperson zu „netzwerken“ – Netzwerke aufzubauen, zu pflegen und auf Basis der Gegenseitigkeit von Verbindungen innerhalb eines Netzwerkes zu agieren – kann ein zentraler Erfolgsfaktor für ein Unternehmen sein. Insbesondere in Familienunternehmen, in denen das Unternehmen mit der Eigentümerfamilie und den im Unternehmen tätigen Personen eng verknüpft ist, ist die Gestaltung des Netzwerks und die Handhabung im Prozess der Unternehmensnachfolge von Interesse.

Jedes Unternehmen ist in eine Unternehmensumwelt eingebettet und agiert kontinuierlich mit externen Netzwerkpartnern. Dazu gehören beispielsweise Kunden, Lieferanten und Banken; aber auch Verbände, Zusammenschlüsse oder Aktivitäten

zwischen Personen aus dem privaten Umfeld, die sich auf die unternehmerische Tätigkeit auswirken oder unternehmerische Entscheidungen beeinflussen können. In inhabergeführten Familienunternehmen wird der Kontakt zu diesen Netzwerkpartnern oftmals durch den Geschäftsführer selbst gehalten. Die enge und vertrauensvolle Verbindung zu den externen Kontakten, die sich meist über einen langen Zeitraum von Geschäftsbeziehungen entwickelt hat und wichtig für den Fortbestand des Unternehmens sein kann, muss schrittweise übertragen werden.

Die vorliegende Dissertation untersucht die Übertragung von Netzwerkkontakten auf individueller Ebene, der Übergeber- und Übernehmerebene und analysiert, wie Familienunternehmen den Transfer von Netzwerken gestalten können und welche Faktoren den Transfer und die anschließende Evaluierung des Transfers durch die beteiligten Personen beeinflussen. Dabei werden unterschiedliche Formen von Unternehmensnachfolgen betrachtet: familieninterne und familienexterne Nachfolgen. Die familienexternen Nachfolgen sind in dieser Untersuchung auf Nachfolgen durch natürliche Personen limitiert, da in diesem Fall eine Weiterführung als Familienunternehmen möglich ist. Dementsprechend sind Nachfolgen durch Mitarbeiter, andere natürliche Personen aus dem Unternehmensumfeld oder vollkommen unternehmensfremde Personen denkbar.

Die empirischen Untersuchungen und Ergebnisse dieser Dissertation zeigen, dass der Transfer von Unternehmensnetzwerken in Unternehmensnachfolgen von hoher Relevanz ist. Das Bewusstsein über die Bedeutung ist überwiegend vorhanden, jedoch ist der Prozess oftmals intuitiv gestaltet und bietet Optimierungspotenzial. Erste Erkenntnisse zeigen, dass die beteiligten Akteure innerhalb des Unternehmens zwar einen Informationsaustausch vornehmen, eine strategische Kommunikation und Vorstellung der Nachfolger bei den externen Netzwerkpartnern ist jedoch weniger vorhanden. Insbesondere bei familieninternen Nachfolgen findet dies instinktiv seitens der Beurteilung und der empfundenen Bedeutung der Netzwerkakteure für das Unternehmen durch den Übergeber statt. Externe Unternehmensnachfolgen zeigen in der qualitativen Analyse Ansätze von strukturierteren Prozessen, da hier die weitere Verfügbarkeit des Übergebers nach der vollständigen Übertragung von Eigentum und Führung oftmals stark limitiert ist. Die Erkenntnisse aus der vergleichenden quantitativen Studie zeigen, dass die Evaluierung des Transfers von Netzwerken Unterschiede hinsichtlich der Formalisierung des Nachfolgeprozesses und der Motivationen der beteiligten Akteure aufweisen. Ebenfalls ist der Vertrauensverlust ein wesentlicher Aspekt, der die Evaluierung der Übertragung von Kontakten beeinflussen kann. Die Kooperationen von Netzwerkpartner im Unternehmensumfeld basieren auf langjährigem Vertrauen und dieses ist seitens der Netzwerkpartner nicht primär an das Unternehmen, sondern oftmals an die Person gebunden. Im Rahmen einer Unternehmensnachfolge – unabhängig ob es sich dabei um eine familieninterne oder familienexterne Nachfolge handelt – muss das Vertrauen neu aufgebaut werden. Dafür sind die erste Bekanntmachung des Nachfolgers in den Netzwerken sowie eine erfolgreiche Integration die Grundvoraussetzungen.

Abstract (in english)

Over the course of its existence, every family business faces the challenge of generational change. The process of transferring ownership and management is often a critical factor and can—if planning is absent or insufficient—threaten the long-term survival of a family business. A strategic implementation of the business succession process normally begins with basic planning and ends with the withdrawal of the predecessor after the transition of ownership and management have been completed. During this process, transferring the material resources of the business is as important as considering its intangible ones. Regarding these immaterial resources, knowledge is an essential area as it affects and is used not only in everyday business and temporarily emerging situations but also in the business context. The knowledge of the family business owners has often been successively acquired and built up over a long period of tenure. This knowledge has to be transferred during the succession. Therefore, creating awareness of this knowledge is a necessary first step. Thus, potential implicit knowledge has to be transformed into explicit knowledge. An essential component of this is the awareness of the business networks participated in by the family business owner. Networks are part of the social capital; as such, they can provide added value for individuals and businesses. The ability of the family business owner to network—to build and maintain networks and to act on the basis of reciprocity of connections within a network—can be a central success factor. Especially in a family business, where the business is closely linked to the owner family and the individuals working in the business, the design of the network and the handling of the process of business succession are of particular interest.

Every company is embedded in a corporate environment and interacts continuously with its external network partners. These include, for example, customers, suppliers, and banks, but also associations, groups, or activities involving people from the private sphere and affecting and influencing business activity or business decisions. In owner-managed family businesses, the executive director often maintains contact with these external network partners herself or himself. The close and trusting connection to the external contacts, which has usually developed over a long period of

business relationships, can be important for the continued existence of the company and must be transferred gradually.

This dissertation examines the transfer of network contacts in family-business succession at the individual level—the predecessor and successor level—and analyzes how such businesses can shape the transfer of networks, which factors influence that transfer, and its subsequent evaluation by those involved. For this, intra-family and family-external successions are considered. In this dissertation, external successions are limited to successions by natural persons as this case enables a business to keep its family business status by maintaining its vision and long-term orientation as such. Accordingly, successions by employees, other natural persons from the business environment, or non-firm-related persons are conceivable. The empirical studies and results presented here show that the transfer of predecessors' business networks during business succession is highly relevant. Although awareness of its importance is widespread, the process is often designed intuitively and offers potential for optimization. Initial findings show that the actors involved within the company do exchange information, but strategic communication and presentation of successors to external network partners is neglected. Particularly in the case of intra-family successions, this occurs instinctively through the predecessors' assessment and the perceived importance of the network actors for the family business. In the qualitative analysis, family-external successions illustrate approaches involving more structured processes since the further availability of the transferor after the complete transfer of ownership and management is often greatly limited. In the comparative quantitative study, the evaluation of the transfer of networks reveals differences regarding the formalization of the succession process and the motivations of the actors involved. Another relevant aspect influencing the evaluation of the transfer of contacts is loss of confidence. The cooperation of network partners in the business environment is based on many years of trust given not only to the business but often to the owner. In the context of any succession, trust must be rebuilt, and an initial announcement of the successor in the networks as well as a successful integration of contacts are the basic prerequisites.

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e.g.	exempli gratia: for example
EBO	employee buy-out
et al.,	et alii: and others
i.e.	id est: namely / in other words
IfM	Institut für Mittelstandsforschung, Bonn
m	mean
MBI	management buy-in
MBO	management buy-out
n	sample size (subsample)
p./pp.	page/pages
Pre/PRE	predecessor(s)
SD	Standard deviation
SME	small and medium-sized enterprises
Suc/SUC	successor(s)

1. Introduction

In this thesis, the topic of family business networks and social capital in the context of different modes of succession will be explored in terms of the awareness of the importance of social capital, its development, as well as its transition in different kinds of situations. Moreover, the most important drivers of this complex of behaviors and its management will be analyzed. Specifically, the following research questions regarding social capital and social networks in the context of intra-family succession will be addressed in an exploratory and inductive multiple-case study:

To what extent are actors involved in succession, being aware of the relevant social network for the family business and the importance of transferring these network contacts during succession? How does predecessors' and successors' social capital influence the succession process and vice versa?

Regarding the qualitative and exploratory multiple-case study of external succession processes, the underlying research questions are as follows:

Are the involved actors aware of the importance of their network and do they understand the need for transfer to ensure the survival of the family business? How can an external successor be introduced and integrated into the existing (trustful) social business networks of the predecessor and the family business?

The third study includes the comparison of external and intra-family successions. The overall research questions, which were analyzed using a quantitative method, are as follows:

Are there differences between intra-family and external successions regarding the transfer and evaluation of transfer of contacts during the succession process? What are the influencing factors of a positively evaluated transfer of business networks from predecessors to successors?

Before analyzing these research questions in depth, this introductory chapter will address the contextual framework of family businesses, business succession, social capital, and networks, thereby aiming to integrate the studies included in this dissertation into a wider framework of network and social capital research on family businesses.

1.1 Research Gap and Motivation

Research on family businesses has been conducted on different areas across the complete life cycle of a company and included aspects of the business and the family. One important aspect in analyzing family businesses is the overlapping system of family, business, and ownership (Barnes & Hershon, 1976; Tagiuri & Davis, 1996; Lansberg, 1983). Family leadership and ownership could influence strategic direction (e.g., Astrachan, Klein, & Smyrnios, 2002; Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016; Sorenson, 2000), performance (e.g., Dyer, 2006; Habbershon, Williams, & MacMillan, 2003), family values in business (Zapatero & Jiménez, 2013), and other facets of the business, i.e., style of management, dealing with skills, tacit knowledge and other important resources of/for the business (e.g., Bracci & Vagnoni, 2011; Sirmon & Hitt, 2003). Moreover, influences may flow in the opposite direction: the business can influence the family (Davis & Harveston, 1998). Research aiming to understand these subsystems and their mutual influence has increased over the last few decades and offers deeper insights into how family businesses work and why they are successful (e.g., Olson et al., 2003; Westhead & Howorth, 2006). One special characteristic of family businesses is that they have a long-term orientation (Lumpkin, Brigham, & Moss, 2010; Ward, 1988) that includes the intention to hand over the business to potential—mostly family-internal but, more and more, also family-external—successors (Basco, 2015; Handler, 1990). This kind of transfer involves specific forms of organization and management that a family business has to deal with, so it is very important to undertake research on this aspect, too (Wiklund, Nordqvist, Hellerstadt, & Bau', 2013).

Therefore, intra-family as well as external business succession are phenomena that have been widely studied in the family business literature (Benavides-Velasco, Quintana-García, & Guzmán-Parra, 2013). Nevertheless, research into business succession is still far from complete (De Massis & Foss, 2018). Although knowledge about the process and different aspects of succession has increased, a huge number of successions fail (Daspit, Holt, Chrisman, & Long, 2016). In fact, only about 30 percent of family businesses in the United States still exist by the second generation, and only a few succeed in making the transition to the third generation (Kets de Vries, 1993; Ward, 1987). In Germany, approximately 60 percent of businesses manage to achieve handover to the second generation, 32 percent to the third generation, and only 16 percent still exist by the fourth generation (Felden & Klaus, 2007). Research into family business succession offers insights into many challenges and possibilities for the business as well as the family. Research streams focus on, among other areas, successors' attributes (Chrisman, Chua, & Sharma, 1998), leadership (Cater & Justis, 2009), the influence of family on decision-making (Bjuggren & Sund, 2001), and the evaluation of the succession process (Sharma, Chrisman, & Chua, 2003a; Sharma, Chrisman, Pablo, & Chua, 2001). Most of the studies of business succession focus on intra-family succession. This may be due to the fact that this is still the preferred way for most predecessors (Küpper, Moog, & Sandner, 2015; Wiklund et al., 2013). As the willingness of the next generation to take over the family business is decreasing or due to demographic changes, external succession by natural persons (e.g., management buy-out [MBO], management buy-in [MBI], or employee buy-out [EBO]) could be an option for the survival of family businesses and has become more applicable in recent decades in Europe (Dehlen, Zellweger, Kammerlander, & Halter, 2014; European Commission, 2006). The survival of a family business is often one of the family's essential goals because of, for example, the concern for employees' job security (Tagiuri & Davis, 1992), concern for hometown reputation, or a sense of responsibility. If there is no internal successor due to, for example, demographical change or a lack of interested children, external successors can fill this gap and ensure the survival of a family business. Especially from an entrepreneurial perspective, where the succession process for family businesses could be seen as entrepreneurial exit and entry (Nordqvist, Wennberg, Bau, & Hellersted, 2013), the routes of external successions get more attention. Therefore, the investigation of intra-family succession and external succession as well as the comparison of both routes is essential (Long & Chrisman, 2014; Ucbasaran, Westhead, & Wright, 2001; Wiklund et al., 2013).

Trends in the field of family business research and in the context of business succession vary from time to time due to, for example, observable problems and challenges or possibilities of providing new explanations by applying theories and theoretical concepts from other disciplines. Using theories from other disciplines can offer novel research insights and solutions to problems in the field of family business (Bird, Welsh, Astrachan, & Pistrui, 2002; Zahra & Sharma, 2004). Comparable to research into the creation of new business ventures (Hoang & Antoncic, 2003; Street & Cameron, 2007), where results indicate or have proven that the success of start-ups is influenced by their networks and social capital, the concept of social capital theory (Bourdieu, 1986; Coleman, 1988; Putnam, 1995) is attracting greater interest as a way to explain unanswered phenomena and research questions pertaining to family businesses and their succession context.

Everyone is embedded in social networks. These could be family networks, friendship relations, or networks of collective groups with more or less close connections (Granovetter, 1973). The networks-based view of social capital defines it as "resources embedded in one's social networks, resources that can be accessed or mobilized through ties in the networks" (Lin, 1999, p. 35). Social capital could occur on the group level, taking the form of ties between actors within an organization or a specific group or ties on the individual level, where the internal and external ties of single actors are considered (Lin, 2001). Being part of a network is important for different reasons, for example, to get support, information, access to goods, or a sense of being part of the society (Florin, Lubatkin, & Schulze, 2003; Lin, 2001; Putnam, 1995). However, not only natural persons interact in networks but also businesses, which represent a construct of a sum of people with individual social capital and social networks combined at a group level. For businesses, the social networks they are embedded in are essential. The literature of entrepreneurship research shows that social capital and social networks can influence the identification of opportunities and the creation of new successful ventures (Baron & Markman, 2000; De Carolis, Litzky, & Eddleston, 2009; Stam & Elfring, 2008). Some of these aspects are also relevant for family businesses. Social capital and networks in family businesses have been analyzed in terms of different aspects that could be clustered into three main categories: (1) social capital in general (e.g., Pearson, Carr, & Shaw, 2008), (2) family social capital (e.g., Salvato & Melin, 2008) and (3) organizational social capital (e.g., Arregle, Hitt, Sirmon, & Very, 2007). Family and organizational social capital can be classified as social capital on the group level, meaning that individuals in a given group use this capital for this group. Family social capital refers to the relationships of a family that cannot be hired or imported (Hoffman, Hoelscher, & Sorenson, 2006; Sorenson & Bierman, 2009) Organizational social capital is defined as the relationships within the organization that share a collective goal orientation and are based on trust, again for reasons based in individual interactions in the context of an organization (Leana & van Buren, 1999). Although research related to social capital and social networks in family businesses has received more attention in recent years (Nordstrom & Steier, 2015), investigations during business succession processes on an individual level are still rare. Most of the existing studies use the organization as the unit of analysis. Steier (2001) was one of the first to combine social capital and business succession. Using different kinds of successions (e.g., planned and unplanned) as a foundation, he offered seven means of managing social capital during business succession (Steier, 2001). A later study by Dou and Li (2012) focused on *guanxi* during the business succession process. Park and Lou (2001, p. 455) defined *guanxi* as "a cultural characteristic that has strong implications for interpersonal and interorganizational dynamics" and referred to a "concept of drawing on a web of connections to secure favors in personal and organizational relations." Dou and Li (2012) analyzed how this special form of social network influenced the succession process on an organizational level and how the *guanxi* of involved actors overlap. Bizri (2016) examined the choice of successor as it pertains to social capital and focused, as in parts of the analyses of Steier (2001) as well as Dou and Li (2012), on an organizational and, especially, a group level. Following the recommendations of several scholars that a deeper understanding of social capital and networks during succession processes is essential (e.g., Chrisman, Chua, Pearson, & Barnett, 2012; Miller, Steier, & Le Breton-Miller, 2003; Rutherford, Kuratko, & Holt, 2008; Sharma, 2004; Villalonga & Amit, 2006; Zamudio, Anokhin, & Kellermanns, 2014), further research should focus on the transfer of social capital on an individual level during different kinds of succession routes.

The individual social capital and social network of a business owner can be considered network-related knowledge (Boyd, Royer, & Zhang, 2014). The knowledge management literature shows that there are two kinds of knowledge: tacit and explicit (Nonaka, Takeuchi, & Umemoto, 1996; Polanyi, 1958). While explicit knowledge is more formal and may be more easily transferred, tacit knowledge, which includes network-related knowledge, is difficult to formalize and transfer (Boyd et al., 2014, Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001). Therefore, the transfer of knowledge of predecessors to a successor during a succession is important and must be handled in a structured way. Research into knowledge management throughout the succession process focuses on different aspects. For example, knowledge can be used as a competitive advantage or for new product development (Bracci & Vagnoni, 2011; Chirico, 2008; Chirico & Salvato, 2016). Especially in family businesses, management of the business, and therefore a lot of specific knowledge, is often centered in one person or a small group of persons (founder centrality) who handle and are familiar with all the company processes (Kelly, Anthanassiou, & Crittenden, 2000). Due to this founder centrality, which can become owner centrality in later generations, family businesses need to transfer knowledge from one generation to the next to ensure the long-term survival of the business (Martínez, Galván, & Palacios, 2013). The literature offers initial insights on how knowledge can be transferred during business succession and how relevant knowledge can be identified (Boyd, Botero, & Fediuk, 2014; Cabrera-Suárez et al., 2001; Hatak & Roessl, 2015). Hatak and Roessl (2015) argued that the long time frame of predecessors acting as managers and decision makers has a strong influence on the relationships of the business. However, in the case of family business succession, tacit knowledge about the social networks of the family business must be converted to explicit knowledge, formalized, and then transferred to the next generation (Cabrera-Suárez et al., 2001; McEvily, Soda, & Tortoriello, 2014).

This is a key challenge for two main reasons. (1) The actors must be aware of the social networks relevant for to family businesses. It may be necessary to transform the informal tacit knowledge about important contacts into a formal structure during the succession process (McEvily et al., 2014). (2) After being made aware of the importance of business contacts, all involved actors must be able to act in concert with one another. Moreover, the contacts that have to be transferred must agree to the transfer. One important aspect of the concept of social capital is trust between actors (Nahapiet & Ghoshal, 2000). Trust cannot be transferred in an easy way, and this could be a problem during the transfer of contacts. The family business owner must integrate the successor in a structured way into his social network to lay the groundwork for further (trustful) relationships.

To sum it up, social networks and their contribution to business success are often tacit knowledge (Cabrera-Suárez et al., 2001). In the context of family business succession and the handling of social capital and networks, research is still scant, and deeper insights are needed (Bracci & Vagnoni, 2016; Chua, Chrisman & Steier, 2003). During a business succession process, the (tacit) knowledge about business networks must be converted to explicit knowledge and then transferred from predecessor to successor to ensure that the social network, which is relevant for business success, will persist into the next generation (e.g., Chirico, 2008; Collins et al., 2012). The literature offers only a few insights into how these factors are actually handled in a succession process. Insights about the involved actors' awareness of the importance of their networks, the transfer process, and the evaluation of this process as well as the influencing factors are still insufficient. Based on the issues discussed and analyzed pertaining to why social capital is important for business success and why it is therefore necessary to transfer social networks during succession, the aim of this dissertation is to answer the following overarching research questions in the context of different routes of family business succession and transfer of social networks:

1. *To what extent are actors involved in succession, being aware of the relevant social network for the family business and the importance of transferring these network contacts during succession? How does predecessors' and successors' social capital influence the succession process and vice versa?* (see Chapter 3: Focus on intra-family successions)
2. *Are the involved actors aware of the importance of their network and do they understand the need for transfer to ensure the survival of the family business? How can an external successor be introduced and integrated into the existing (trustful) social business networks of the predecessor and the family business?* (see Chapter 4: Focus on family external successions)

3. *Are there differences between intra-family and external successions regarding the transfer and evaluation of transfer of contacts during the succession process? What are the influencing factors of a positively evaluated transfer of business networks from predecessors to successors?* (see Chapter 5: Focus on comparison of intra-family and external successions)

1.2 Structure of this Dissertation

This dissertation includes various analyses to answer the research questions above. All of the integrated studies are based on social capital theory and social networks in family business succession. Therefore, the definitions of these components as well as the status quo of the literature will be provided in Chapter 2. The chosen research design will also be explained in this chapter. Social networks and social capital during a succession process are underexplored, especially regarding individual-level relationships to contacts outside the business. Hence, the first and the second study in this dissertation (Chapters 3 and 4) could be classified as theory-building research. They are qualitative multiple-case studies with semi-structured interviews and follow a mixed inductive and exploratory approach (De Massis & Kotlar, 2014; Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2014). This method was used because of the scant knowledge of social capital and network transfer during the succession process in family businesses. The third study (Chapter 5) uses the initial insights gleaned from qualitative research and includes a quantitative approach for testing the preliminary findings and to find out how social capital and network transfer differ between intra-family and external succession. The research projects are shown in Table 1.

Finally, Chapter 6 includes an overview of the overall findings of the studies and offers some theoretical and practical implications, limitations, prospects for further research, and the conclusion.

Table 1: Overview of this Dissertation

Title	Authors	Main theoretical concepts	Methodology and Sample	Contribution	Presentations and Submissions
It's all about Who You Know: The Role of Social Networks in Intra-Family Succession in Small and Medium-Sized Firms	Schell, Sabrina; Hiepler, Miriam; Moog, Petra	Intra-family business succession, social capital, social networks	Qualitative, 11 case studies of German small and medium-sized enterprises with intra-family successions	In this paper, Sabrina Schell and I shared equally the responsibility for doing the literature review, collecting the data, analyzing the data, developing the overall model, and writing the paper.	Earlier version presented at: BCERC, 2014, IVEY Business School, Canada Published in: *Journal of Family Business Strategy, (4) 2018.*
Social Capital and transferring Network Contacts during external Business Succession – Who you know is what you are?	Hiepler, Miriam	Social capital, social network, entrepreneurship, external business succession	Qualitative, 12 Cases of German small and medium-sized enterprises with external successions	In this paper, I was in charge of doing the literature review, collecting the data analyzing the data, developing the overall model, and writing all parts of the paper.	Earlier version presented at: Fünftes Forum Mittelstandsforschung, 2017, WU Wien, Austria
Same same but different? - Determinants of network transfer evaluation during different modes of family business successions	Hiepler, Miriam, Soost, Christian; Moog, Petra	Intra-family and external business succession, social capital, social networks	Quantitative, 1164 completed questionnaires, predecessors and successors of German family businesses	In this paper, I was in charge of doing the literature review, collecting most of the data, developing the overall model, and writing most parts of the paper. I was involved in analyzing the data.	Earlier version presented at: Family Enterprise Research Conference (FERC) 2018, Universidad Panamericana, Guadalajara, Mexico Planned to submit to: *Family Business Review*

Source: Own illustration.

2. Theoretical Background

This thesis analyzes the importance of social capital and social networks in the family business succession process. In carrying out such an analysis, it is important to define, as a first step, family businesses, their succession processes, as well as the concepts of social capital and social networks. Furthermore, a brief overview of social capital and social networks in family business research is provided to demonstrate the initial insights, research gaps, and thus the necessity of further research that aims to understand how families might not only protect and strengthen their businesses during the succession process but also gain competitive advantages over the generations through the handover of social networks and individual or collective social capital.

2.1 Family Businesses and Succession Processes

Family businesses are of great importance for the global economy and have therefore become a growing field of research in recent decades (Cabrera-Suárez et al., 2001; Daspit, Chrisman, Sharma, Pearson, & Long, 2017; Neubaum, 2018). This form of business generates between 50 to 80 percent of jobs and, depending on the definition, accounts for 70 to 95 percent of all companies worldwide. That translates into the creation of approximately 70 to 90 percent of global GDP (Family Firm Institute, 2017). In Germany, many companies can be classified as family businesses. One related special phenomenon is the so-called German *Mittelstand*, which consists of family owned and managed companies, and is even used as a synonym for family businesses by the *Institut für Mittelstandsforschung Bonn*. According to their definition of family businesses, currently, about 93 percent of the companies in Germany can be classified as family owned (Wolter & Sauer, 2017), as the definition includes no aspect regarding an intergenerational transition of the business. The difficulties in defining the term *family business* and therefore the unit of analysis in this research stream is a well-known and often discussed problem as, for example, studies in this area are frequently not comparable (Steiger, Duller, & Hiebl, 2015). Therefore, the next section begins by providing a short overview of family business definitions. Furthermore, the business succession—as one of the most analyzed aspects of family businesses—will be discussed in a next step, and a definition for the purposes of this thesis will be chosen.

2.1.1 Definition of Family Business

Research on family businesses often starts with discussion of what a family business actually is. Various approaches to definitions have emerged over time, leading to research challenges, such as comparisons of investigations and integrating them into theory (Astrachan et al., 2002; Handler, 1989; Litz, 1995). Although the discussion and recognition of the necessity of defining the term *family business* are of long standing, there is currently no uniform and predetermined definition (Bird et al., 2002; Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Steiger et al., 2015). Some of the definitions limit ownership to one family or family tribe, while others include ownership of the business by several families (Barnes & Hershon, 1976; Leach et al., 1990). Another differing aspect in family businesses definitions takes the intention of longevity into consideration and, therefore, the aspect of transgenerational processes and existence over generations (Chua, Chrisman, & Sharma, 1999; Handler, 1989; Ward, 1987). Most of the definitions focus on ownership and management of one or more families, while only a few define family businesses by looking solely at ownership and without explicitly mentioning the management aspect (e.g., Barnes & Hershon, 1976; Lansberg, Perrow, & Rogolsky, 1988). One argument for why there is no overall definition is the heterogeneity of family businesses (Chua, Chrisman, Steier, & Rau, 2012). Family businesses not only differ from non-family businesses but also among themselves. An overview of different approaches to definitions is given in Table 2. As this overview shows, all of the definitions include aspects regarding the influence of family members on the business (directly through management positions and/or ownership or indirectly through board member activities and/or ownership).

For this dissertation, the definition of Chua et al. (1999) will be the fundament for the working definition. Their definition includes four main aspects: (1) governance and/or management by a family, (2) intention to shape and pursue the vision of the business, (3) ownership by one family or a small number of families, and (4) sustainability across generations of the family or families. This definition has been chosen because it embraces all aspects necessary to work on the overarching research questions of this dissertation. The transgenerational aspect is of special importance, particularly when this aspect is modified in the analysis to shed light on different modes of business succession. The transgenerational existence of the business through one family or several families will be modified as the succession process could also be carried out with family-external successors, without changing the vision or the name of the business. Furthermore, as one goal of family businesses is survival over generations (Tagiuri & Davis, 1992), this goal could be also be achieved by transferring the business to external successors.

Table 2: Overview of selected Definitions of Family Business

Authors	Definition
Barnes & Hershon, 1976	"Controlling ownership is rested in the hands of an individual or of the members of a single family." (p. 106)
Ward, 1987	"…as one that will be passed on for the family's next generation to manage and control." (p.252)
Lansberg, Perrow, & Rogolsky, 1988	"…a business in which members of a family have legal control over ownership." (p.2)
Handler, 1989	"…an organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board." (p. 262)
Leach et al., 1990	"…a company in which more than 50 percent of the voting shares are controlled by one family, and/or a single family group effectively controls the firm, and/or a significant proportion of the firm's senior management is members from the same family." (quoted by Chua et al., 1999, p. 21)
Chua, Chrisman & Sharma, 1999	"…a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families." (p. 25)

Source: Own illustration.

In light of a review of these definitions, the overall working definition for family businesses in this dissertation is based on Chua et al. (1999), with a slight modification of the last part: *Family businesses are owned and/or managed by members of one family or a small number of families that influence the strategy and vision of the business and have the desire to preserve the company over several intra-family generations or sustain the business, even when handing it over to a natural person.*

The literature today offers a huge research stream regarding family businesses as the number of publications has been increasing in recent years (Debicki, Matherne, Kellermanns, & Chrisman, 2009). The focus of research is, for example, on the particularities of family businesses or family business strategies and management in contrast to those of non-family businesses (e.g., Chrisman, Chua, & Litz, 2004; De Massis, Frattini, Pizzurno, & Cassia, 2013; Frank, Kessler, Rusch, Suess-Reyes, & Weismeier-Sammer, 2017; Zahra, Hayton, & Salvato, 2004). The existence of both personal-related and organization-related specialties are pointed out in the literature (Cadieux, 2007; Chrisman et al., 1998; Denison, Lief, & Ward, 2004). One of the most analyzed aspects of family businesses is the business succession process (Benavides-Velasco et al., 2013). The next section presents a short overview of the business succession process as a basis for integrating social networks and the related transfer of knowledge.

2.1.2 Succession Process in Family Businesses

As mentioned earlier, one specific characteristic of family businesses is the succession process. While non-family businesses have the possibility of changing the management team without changing the financial structure/ownership of the business, family businesses are mainly managed by the owner herself or himself. Succession is a crucial moment for family businesses, and only a few such businesses reach the third generation (Le Breton-Miller, Miller, & Steier, 2004; Handler, 1994; Ward, 1987). In the case of owner-managed businesses, both the management and ownership have to be transferred to the next generation.

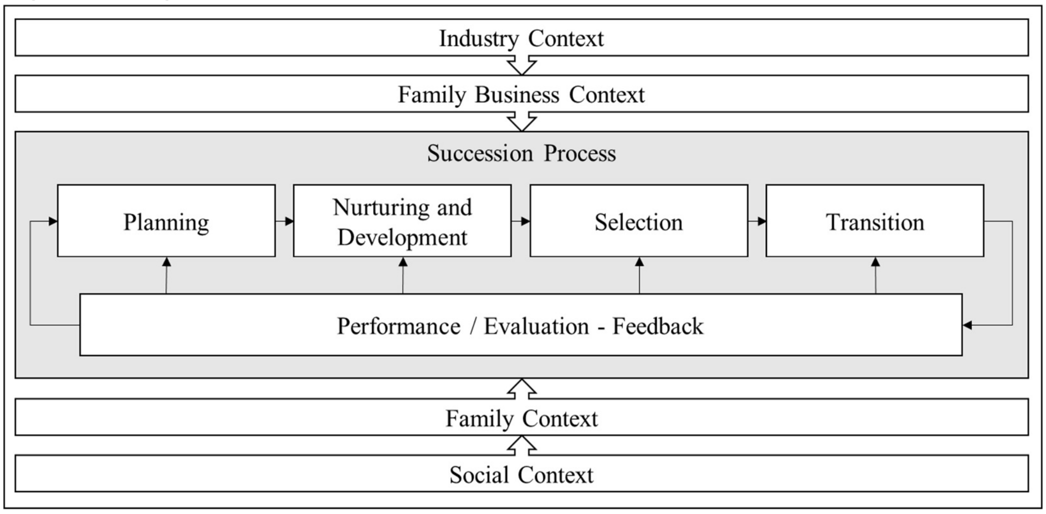
Business successions can occur in various forms. Most family businesses prefer intra-family successions (Lee, Lim, & Lim, 2003; Schlepphorst & Moog, 2014) because ownership and management remain within the family. However, more and more, family businesses no longer have internal successors. This could be explained by the demographic changes in a lot of western European countries and the related problem of finding a intra-family successor or the fact that the burden or pressure on family members to take over a family business is not as strong as it was 100 years ago (De Massis, Chua, & Chrisman, 2008). This is the case because, for example, the children can choose different career paths if they are not interested in taking over; therefore, external succession routes have become more common (Dehlen et al., 2014).

External business succession can be classified in different ways. The successor can be someone that the company already knows, for example, a manager or an employee undertaking a management buy-out (MBO) or an employee buy-out (EBO). Alternatively, the successors could be from outside the company network (network of suppliers, customers, etc.), or it is also conceivable that the business may be taken over by a completely unknown person; both of these cases are defined as management buy-ins (MBIs) (Scholes et al., 2008).

Some studies offer models of succession processes with different stages. Le Breton-Miller et al. (2004) divided the succession process into four stages (Figure 1). The first step consists of ground rules wherein the future of the business and the succession process are classified. The second stage involves the nurturing and development of potential successors, one of whom will be selected in the third stage. In the last stage, the family business will be transferred from predecessor to successor.

Although this concept offers an overview of succession that includes the most important steps, there are additional aspects that need to be considered. The model offers mainly an intra-organizational view of succession and focuses on the family and the connection between the actors involved in the process—such as successors, predecessors, family, and board members. The industry context and, therefore, the external partners of the family business are only mentioned as minor aspects.

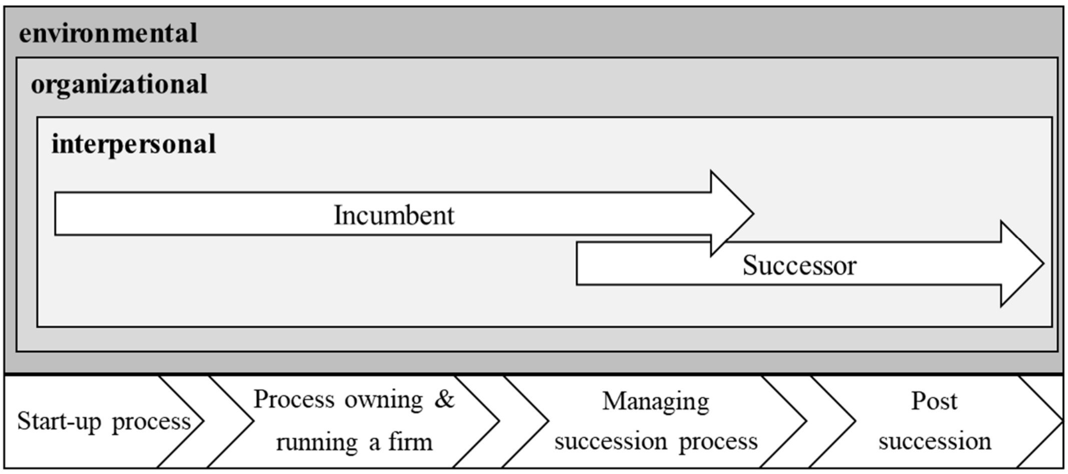
Figure 1: Integrative Model for Successful FOB Successions



Source: Author’s illustration adapted from Le Breton-Miller et al. (2004).

Another model of the succession process was developed by Nordqvist et al. (2013) and is shown in Figure 2. The succession process is herein viewed from an entrepreneurial perspective. They argue that from an entrepreneurial point of view, succession could be seen as an entrepreneurial entry (successor) and exit (predecessors). After their analysis of the literature, which included empirical investigations, they grouped studies of business successions into four classifications: environmental studies, firm-level studies, individual/interpersonal studies, and multilevel studies.

Figure 2: Succession in Family Firms from an Entrepreneurial Process Perspective



Source: Author’s illustration adapted from Nordqvist et al. (2013).

Both models contain important components of business succession for the investigations in this dissertation. For example, Le Breton-Miller et al. (2004) provided deeper insights into the stages of nurturing, development, and transition, while Nordqvist et al. (2013) included external successions from the entrepreneurial viewpoint. With regard to the working definition of family businesses, which includes the possibility of external succession, it is also necessary to use a model that includes this option.

As none of these models includes the process of knowledge and social network transfer, the models will be modified in a later step (Chapter 2.3) to include aspects of social network transfer to provide a framework for this thesis.

2.2 Social Capital Theory and Social Networks

Research on and interest in social capital theory has increased in recent decades. There are different research focuses on this theory based on the unit of analysis (group or individual) or the encompassing research discipline (e.g., management or sociology). Researchers of social capital and social networks in different disciplines mostly agree on one aspect: to be embedded in networks offers access to information or other resources that could create value (on different levels). Similar to the problem of defining a family business, different approaches to social capital exist in the literature.

Social capital theory has its starting point in sociology. One of the first definitions of social capital, formulated by Bourdieu (1986), defines social capital as

> the aggregate of the actual potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition—or in other words, to membership in a group—which provides each of its members with the backing of the collectivity-owned social capital, a "credential" which entitles them to credit, in the various senses of the word (Bourdieu, 1986, p. 248).

Later research and definitions of social capital, mainly from sociologists, differ in some aspects to a greater or lesser degree or implement new aspects within this definition. Putnam (1995), for example, implemented norms and trust, while Coleman (1990) defined it as a function (see Table 3 for an overview of definitions).

Table 3: Overview of Definitions of Social Capital

Authors	Definition	Focus
Bourdieu, 1986	“the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition” (p. 248) “made up of social obligations (‘connections’), which is convertible, in certain conditions, into economic capital and may be institutionalized in the form of a title of nobility” (p. 243)	External
Coleman, 1990	“Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure” (p. 302).	Internal
Putnam, 1995	“features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (p. 67)	Internal
Burt, 1992, 1997	“friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital” (1992, p. 9) “the brokerage opportunities in a network” (1997, p. 355)	External
Fukuyama, 1995, 1997	“the ability of people to work together for common purposes in groups and organizations” (1995, p. 10). “the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them” (1997, as cited in Adler & Kwon, 2002, p. 20)	Internal
Nahapiet & Ghoshal, 2000	“the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network” (p. 243)	Internal and External
Lin, 1999	“Social capital is defined as resources embedded in one’s social networks, resources that can be accessed or mobilized through ties in the networks” (p. 35).	Internal and External

Source: Own illustration.

The concept of social capital, which got its start in the contexts of economics, business, and management techniques, is attracting increasing attention from researchers, who have tried to contribute deeper insights to our understanding of social capital and its use in and additional value for businesses. For example, Nahapiet and Ghoshal (2000) showed that social capital is connected with the intellectual capital and could provide (directly or indirectly) an organizational advantage. They clustered social capital in three dimensions: (1) structural (overall pattern of connections between actors), (2) relational (trust, norms, expectations, and identity) and (3) cognitive (shared representations, interpretations, and systems of meaning) (Nahapiet & Ghoshal, 2000). Adler and Kwon (2002) offered an overview of the use of social capital in different disciplines. They distinguished whether a definition focuses on internal or external relations or on both. A focus on internal relations means that social capital is seen as a resource that connects one actor to others within a network. External relations include all connections to actors who are not part of a specific group (e.g., organization, community). This view of internal and external relations is similar to the concept of bonding and bridging social capital (Putnam, 2000). Bonding social capital, on the one hand, pertains to the view of internal relations and means that the focus is on ties within a collectivity. On the other hand, bridging social capital is linked to the external view of social capital and means that the focus is on ties to actors outside the collectivity (Putnam, 2000; Salvato & Melin, 2008). Another concept of social capital is based on the distinction between strong and weak ties, in which "the strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie" (Granovetter, 1973, p. 1361). All these concepts are based on the assumption that the relationships and connections of actors within a network are the fundaments of social capital (Adler & Kwon, 2002; Nahapiet & Ghoshal, 2000; Putnam, 2000).

A later definition of social capital is offered by Lin (1999), which is also grounded in a network-based theory of social capital. He defines social capital "as resources embedded in one's social networks, resources that can be accessed or mobilized through ties in the networks" (Lin, 1999, p. 35). Following this definition, the understanding of social networks could be considered as the basis for social capital as they "provide the necessary condition for access to and use of embedded resources. Without networks, it would be impossible to capture the embedded resources" (Lin, 2008, p. 58).

The definition of social capital formulated by Lin (2001) will be the overarching definition for this dissertation. There are various important aspects supporting this selection. First, this definition includes the importance of social networks for generating social capital on an individual level. As this dissertation focuses on individual social capital and social networks as well as how these could be transferred during a business succession process from predecessor to successor, it is important to use a definition that enables taking an individual as the unit of analysis. Second, the definition, like the definition of Nahapiet and Ghoshal (2000), focuses on internal as well as external relations. In the context of this dissertation, the external social network ties are the focus, but in the case of family business succession, it is possible to exclude neither the internal relations of the family nor the organization in general.

2.3 Social Capital and Networks in Family Businesses and Succession

The quantity of research on the social capital of organizations has increased in recent years (Payne, Moore, Griffis, & Autry, 2011; Sanchez-Famoso, 2015). Family businesses are one of the focal groups within this field of research and have been analyzed at three levels: the level of general social capital, of organizational social capital, and of family social capital.

Despite the fact that social networks are the foundation upon which social capital is created (Lin, 2001) and are, therefore, very important to all kinds of businesses, there is still a lack of research into the role of social networks during the business succession process. Some scholars have analyzed this on the organizational level and touched upon social networks on the individual level (e.g., Steier, 2001). Nevertheless, especially regarding the importance of knowledge transfer research, the transfer of social networks during the succession process is still underexplored.

Although some studies have already linked different levels of analysis, this chapter is first segmented into the categories mentioned above to provide a short overview of the terminology used and existing literature. Organizational social capital is a form of collective and internal social capital as it occurs in a group: in this case, the members of a family business. However, it could also easily occur in a context of external social capital if organizational social capital offered access to external sources in order to obtain resources such as information, financial capital, or contacts with other countries, as in the case of internationalization (Arregle et al., 2007). Family social capital could be seen as a collective and internal form of social capital, as in this case, the relationships within a family as a group are objectives of interest. After this overview, studies of social capital in the context of business succession will be presented in greater depth along with individual and collective as well as internal and external social capital.

Family Social Capital

There are different approaches to family social capital in the literature. Some researchers define family social capital as the relationships that exist between family members (Arregle et al., 2007). A broader definition of family social capital refers to relationships between family members and families. Danes, Stafford, Haynes, and Amarapurkar (2009) described it as "goodwill among family members and between families and their community members that can be input to the owning family and their firm to facilitate action" (p. 202). Likewise, Sorenson and Bierman (2009) argued that family social capital includes network structures between families and family firms and is an important asset for the success of family businesses. An essential aspect of family social capital is that it cannot be imported or hired and, therefore, is an elementary attribute differentiating family businesses from non-family businesses (Sorenson & Bierman, 2009).

Some researchers have focused on family social capital and its impacts on family businesses. Sorenson, Goodpaster, Hedberg, and Yu (2009) analyzed connections between levels of collaborative dialogue, ethical norms, and performance regarding family social capital. They discovered positive relationships between collaborative dialogue and ethical norms, ethical norms and family social capital, and family social capital and firm performance. Salvato and Melin (2008) demonstrated specific links between family social capital and value creation across generations and the resulting advantages of family businesses in contrast to non-family businesses. Danes et al. (2009) determined whether family capital, divided into family human, family social, and family financial capital, has an impact on short-term prosperity and long-term sustainability and found out that all three kinds of family capital are important. However, it has to be mentioned that these researchers focused on family firm norms less than relationships in the context of family social capital. Sanchez-Famoso, Maseda, and Iturralde (2013) analyzed the influence of family social capital on non-family social capital, and their results revealed a positive influence. In a later study, Sanchez-Famoso, Maseda, and Iturralde (2014) affirmed that family social capital has a positive impact on family firm innovation. They analyzed social capital in terms of structural, cognitive, and relational dimensions and compared it with non-family social capital, which also has a positive impact on innovation, albeit an impact that is weaker than that of family social capital. De Clercq and Belausteguigoitia (2015) argued in their conceptual framework that goal congruence and trust, as components of family social capital, affect family firms' pursuit of innovation as a moderating effect similar to cooperative and competitive conflict management. Cabrera-Suárez, Déniz-Déniz, and Martín-Santana (2011) outlined in their theoretical approach to familiness, which includes aspects of family social capital that family firms with higher levels of social capital are more likely to develop a culture and behavior that are market-orientated and obtain better results from their market orientation by developing a family brand identity.

Other studies deal with family social capital, although they may not specifically refer to it, or they analyze different aspects of family businesses that could be viewed as pertaining to family social capital. Still other research examines family social capital at the margins of other objects of study.

Organizational Social Capital

This kind of social capital is defined as "a resource reflecting the character of social relations within the organization, realized through members' levels of collective goal orientation and shared trust" (Leana & van Buren, 1999, p. 540). Leana and van Buren (1999) offered a construct of organizational social capital with two components: associability and trust. The former refers to "willingness and the ability of individuals to define collective goals that are enhanced objectively" (p. 542) and consists of an affective and a skill-based component. The second main component is trust, which can be decomposed into fragile or resilient and dyadic or generalized trust. Leana and van Buren (1999) offered a model of organizational social capital consisting of employment practices with stable relationships, strong norms, specified roles, and organizational outcomes, divided in terms of benefits and costs.

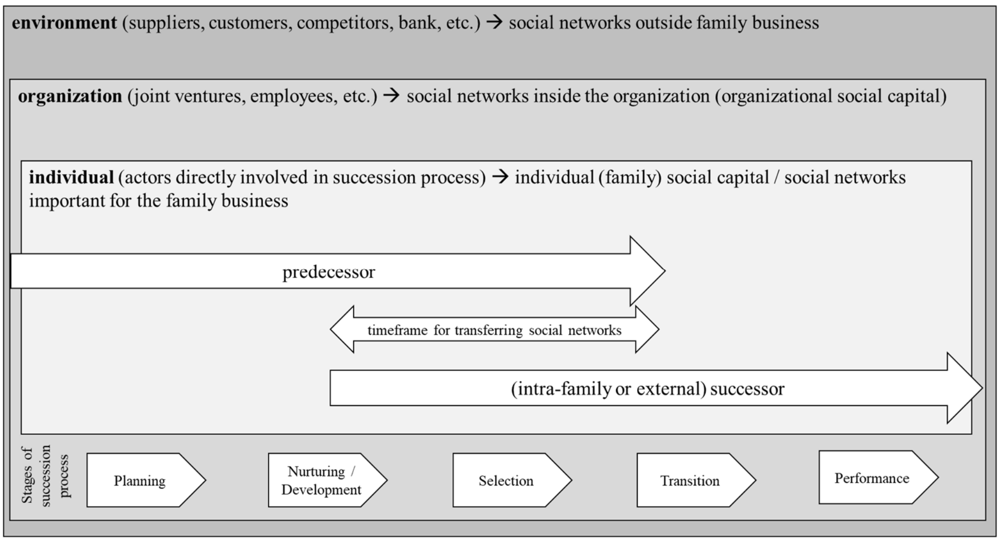
Studies concerning organizational social capital have become more common in the last few years. Arregle et al. (2007) focused their conceptual study on relationships within the family business and how intra-group dynamics can have an impact on organizational social capital such that family social capital may influence aspects such as human resource practices or dynastic stability. Within this study, they also contribute to insights into family social capital as they analyze the four dimensions (stability, interactions, interdependence, closure) of family social capital and their impact on the development of organizational social capital (Arregle et al., 2007). Chuang, Chen, and Chuang (2013) detected, in their study on human resource management practices and organizational social capital, that practices which focus on fostering relationships among employees could influence organizational social capital positively. It should also be noted that human resource management practices have a weaker influence on organizational social capital in the context of high industrial regulation and a stronger influence if knowledge intensity is high. Carr, Cole, Ring, and Blettner (2011) developed a new approach to measuring internal social capital in family firms. Furthermore, the study analyzed internal social capital and its influence on performance. They pointed out that their analysis focuses on internal social capital and does not consider external social capital; the absence of any impact of social capital on firm performance can probably be explained by this (Carr et al., 2011). Additionally, Tantardini, and Kroll (2016) offer a conceptual construct for organizational social capital and performance management, hinting that there are relational, structural, and cognitive dimensions that relate to the use of performance information. Andrews (2010) also researched if and how these dimensions have an impact on performance. He reported that relational and cognitive organizational social capital positively influence performance, whereas the structural dimension has no effect on performance. In contrast to these studies, which analyzed performance, Pastoriza, Ariño, and Ricart (2008) focused theoretically on how managers' behavior can influence the development of organizational social capital. Zahra (2010) asserted that organizational social capital could have a positive impact on reaching new ventures and, as a consequence, could use these connections in order to generate new information and knowledge. Further studies that relate to the organizational social capital exist in literatures that are outside the realm of family-business research. For example, Ellinger, Ellinger, Bachrach, Wang, and Elmadağ Baş (2011) measured organizational investments in social capital over three stages using a new model of measurement. In a study not directly but conceivably related to family firms, De Clercq and Dimov (2013) analyzed organizational capital and entrepreneurial orientation influenced by formalization and internal knowledge sharing.

Social Capital and Family Business Succession

Only a few studies have dealt with social capital in the context of family business successions, but they offer initial insights into how important social capital and social networks can be. Steier (2001) noted that succession might take several routes: unplanned, sudden, rushed, natural immersion, or planned (Steier, 2001). Steier also identified seven methods of managing social capital based on 18 interviews with successors. Furthermore, he garnered initial insights into the awareness of social capital in a family business and began to form a view of social capital transfer. De Freyman, Richomme-Huet, and Paturel (2006) examined the links between intra-family business succession and social capital transfer. Their main objective was to explore the conditions of transfer of social capital with a qualitative study. Three elementary conditions were the basis of this study: successors must agree to integrate social networks in place; actual leaders must agree to create a positive environment; and stakeholders must agree to substitute these two generations. An exploratory model of different zones for the transfer of social networks during business succession processes was developed, including the social distrust zone, the cognitive dissonance zone, the generational conflict zone, and the optimal transferability zone. Another study dealing with business succession and social capital was conducted by Dou and Li (2012). They analyzed the role of a special kind of social capital called *guanxi* (Dou & Li, 2012). *Guanxi* is a network of personal contacts in China that influences almost all individual decisions. Identifying four phases—preheating, triggering, readjusting, and reconstructing—they showed how business succession affected the business network, especially which parties were affected by changing the family business manager and how the *guanxi* of involved actors overlapped. Although this special kind of social network does not exist in other countries and cultures, it could be assumed that personal networks of family and friends are nevertheless likely to influence individual decisions and behavior. Bizri (2016) looked at drivers influencing the selection of and decision for a successor in a qualitative case study including twelve different-sized family businesses in different industries. The drivers for the selection of a successor were examined with regard to the structural, cognitive, and relational dimensions of social capital (Nahapiet & Ghoshal, 1998), confirming that all of the above had an impact (Bizri, 2016).

Social networks to outside relationships require a deeper understanding, especially in the context of family business succession. With regard to the succession process model (see Chapter 2.1.2, Le Breton-Miller et al., 2004; Nordqvist et al., 2013) and knowledge about different types of social capital and levels of social networks, the following process model has been developed and will be used as the basic model for this dissertation (Figure 3).

Figure 3: Levels of Social Capital during Business Succession Process



Source: Author's illustration adapted from Le Breton-Miller et al. (2004); Nordqvist et al. (2013).

One important aspect of this model is the time frame for transferring (knowledge about) social networks. Although some contacts will be formalized in business documents, such as suppliers or customers, which are accessible to the successor without direct contact with the predecessor, some contacts may have special connections to the predecessor in a way that is not formalized. It is possible, considering the owner centrality of family businesses, that important network contacts have a strong and trustful relationship with the predecessor. As trust in other persons is not transferable, the transfer of these contacts will take more time, and the transfer must be arranged in a way that the successor and the network contacts have time to become acquainted with each other. Therefore, the time frame of transfer is limited by the succession time frame (Handler, 1990; Le Breton-Miller et al., 2004; Nordqvist et al., 2013). The model shows the environment of the family business (including external network contacts), the organizational level (with the specific social network within a group), and the individual level (with the actors involved in succession and network transfer).

Thus, in the next chapter, the question of intra-family succession with regard to social capital and networks will be discussed as a first step to fleshing out this model with more insights and empirical results.

3. It’s all about Who You Know: The Role of Social Networks in Intra-Family Succession in Small and Medium-Sized Firms

Abstract

Intra-family succession is a complex and challenging process in which the resources of the owning family are used, preserved, and potentially expanded. Social capital, as a result of investments in networking, is a valuable resource in this context, and its successful retention and development during intra-family succession could be decisive for the continuance of small and medium sized family business. Therefore, the transfer of the social network from the predecessor to the successor during succession in the context of a family business is crucial. Based on 11 case studies of German small and medium sized family businesses, this article offers the first empirical insights on social network transfer on an individual level. The social network relevant for the family business and bounded on predecessor and successor changes over the time span of succession and is closely connected with a role change of the involved actors. Moreover, the article identifies the different patterns related to the transfer of network contacts, for example influencing the length and structure of the succession process. By introducing the renewal-of-network-effect and the generation-gap-effect as well as developing an overarching model, we illustrate, that if a resource such as social capital is evaluated as crucial for the future success of the family business, it can help structure and shorten or extend the succession process and influence the behavior of the parties involved.

3.1 Introduction

The social capital of family business owners is a valuable resource and a crucial success factor, as it has an impact on the future performance of the family business (Pearson et al., 2008; Sanchez-Famoso, Iturralde, & Maseda, 2015; Shi, Shepherd, & Schmidts, 2015). Given that social capital in general refers to opportunities arising from the knowledge of others—that is, members of a social network (Burt, 2009)—social capital augments opportunity identification and recognition capabilities. Social capital also enables individuals to sustain and enhance their competitive advantage through new ideas (Florin, Lubatkin, & Schulze, 2003) using the relations in the social network. Participation and investment in personal networks or contacts are thought to produce positive returns for both individuals and organizations. The mobilization and use of individual social capital attracts benefits such as easier and broader access to information (Adler & Kwon, 2002), an improved knowledge base for (family) firms (Nahapiet & Ghoshal, 1998), easier and faster access to innovation (Zheng, 2010), improved company output (Westlund & Adam, 2010) and easier access to non-knowledge assets. In family businesses, especially in small and medium sized companies, the social capital of the owning family members plays a crucial role (Kelly et al., 2000; Spence, Schmidpeter, & Habisch, 2003; Steier, 2001). Following this, in the context of family business, it is important to hand over e.g., network contacts of the predecessors relevant for the family business to enable the successors to strengthen their own social capital (Coleman, 1988).

To date, however, only a few studies have focused on the transfer of network contacts during the succession process (e.g., Steier, 2001), especially on the individual level of predecessors and successors. This is rather surprising, given that the transfer of crucial contacts from one generation to the next is a key success factor for the sustainable performance and survival of family businesses. Steier (2001) analyzed different kinds of succession in family firms and identified seven means of managing social capital. Developing initial insights into awareness of social capital at the organizational level, Steier (2001) began to form an emerging view of social capital transfer in family business. Dou and Li (2012) analyzed the role of a special kind of social capital, guanxi[1], during the business succession process, focusing on the group level. Bizri (2016) examined social capital dimensions influencing the choice of successor at the organizational level and the impact of this choice on sibling entrepreneurial behavior. Because little is known about social capital in the intra-family succession process, several scholars in the field of family business research have suggested focusing on understanding the impact of intergenerational transmission and what happens to social capital and networks in succession contexts (e.g.,

[1] Park & Lou (2001, p.455) define guanxi as “a cultural characteristic that has strong implications for interpersonal and interorganizational dynamics” and refers to a “concept of drawing on a web of connections to secure favors in personal and organizational relations”.

Chrisman, Chua, Pearson, & Barnett, 2012; Miller et al., 2003; Rutherford, Kuratko, & Holt, 2008; Sharma, 2008; Villalonga & Amit, 2006; Zamudio et al., 2014). With this article, we aim to continue this line of research and shed more light on social capital and social network transfer at the individual level during intra-family succession.

Because family business members tend to prefer internal candidates for important management positions and as successors (Chua, Chrisman, & Chang, 2004; Combs, Penney, Crook, & Short, 2018; Firfiray, Cruz, Neacsu, & Gomez-Mejia, 2018; Tabor, Chrisman, Madison, & Vardaman, 2018), our study focuses on planned intra-family successions and aims to understand the role of social networks during the succession process. The underlying research questions of this study are as follows: *To what extent are actors involved in succession, being aware of the relevant social network for the family business and the importance of transferring these network contacts during succession? How does predecessors' and successors' social capital influence the succession process and vice versa?*

To answer these research questions, a qualitative case study approach (Eisenhardt, 1989) was chosen to gain in-depth insights into a number of family-owned small and medium-sized enterprises (SME). We used 11 German-based family firms, each managed and owned by one family, to understand social networks during business succession more deeply. Germany, based on the German Mittelstand that compromises a subset of owner-managed SMEs, offers insights that could be transferred to many other countries with a similar socioeconomic structure (De Massis, Audretsch, Uhlaner, & Kammerlander, 2017). We gathered 31 interviews with predecessors, successors, suppliers, and key-employees to understand the current network structure and changes of the network structure during the succession process (Le Breton-Miller et al., 2004). In identifying whether family business members are aware of the importance of social networks and their ability to transfer network contacts, we sought to expand existing theoretical insights. By doing so, we contribute to filling the missing link in the literature between social capital, social networks and succession. Based on the case analyses, we illustrate network changes over time and develop an integrated set of propositions to theorize our emerging insights. Connecting these findings and supplementing them with extant theory and literature, we develop an overarching conceptual model of social network transfer during intra-family succession.

This article makes a number of contributions to family business research. First, it explores predecessors' and successors' awareness of and dealing with existing networks in intra-family succession. In small and medium-sized family businesses, social networks are closely connected with the family business owners (Spence, Schmidpeter, & Habisch, 2003; Steier, 2001). Most extant studies on social capital in family business focus on the family or organizational level of analysis and overlook the importance of the individual, especially in small and medium-sized family firms. With our study, we provide empirical data on social capital transfer at the individual level, thereby contributing to a more multilayered understanding of family business behavior. A second key insight of our study is that the networks of predecessors and successors change in their individual relevance regarding the family business (network) during the succession process. In the early phase of the succession process, the social network of the predecessor is the most relevant. As the process evolves, the successor gradually takes over network contacts of the predecessor, until the revised network of the successor results to be the most relevant. In this way, the article clarifies the changing roles of predecessors and successors over time when transferring important social capital assets and resources. Third, we identify patterns connected with the transfer of network contacts resulting in concepts influencing the succession process in its entirety. Among other concepts, we introduce the *renewal-of-network effect* and the *generation-gap-effect* to describe, how the succession context can enhance social capital and network transfer. Moreover, we identify the effects of social capital, especially that of the successor, which can have an influence on the overall succession process. We show that, if the family business needs the successor's social network, the timeframe of succession can be shortened. We also observe the phenomenon that, if the network partners do not want to work with the successor, the timeframe can be extended, which can be attributed to the search of new partners or to the renewal of consisting contacts. If social capital is a selection criterion in the succession and the successor does not provide sufficient resources in this regard, the timeframe can become longer, as additional top management members are needed to balance the missing social capital of successors. In the following we show, that several factors exist, and additionally have an impact on the time frame of the succession process. These aspects can come up simultaneously, which can result in challenges for the family business. Following this, we propose that the transfer of network contacts and the exploration and exploitation of social networks can shape the role of individuals and the succession process and have an impact on the future development of the family business. We combine all these findings with extant literature and integrate them in an overarching conceptual model.

3.2 Individual Social Capital and Networks of Family Business Members and the Management Succession Process

Social capital is inseparably linked to the individual and represents an intangible asset (Luthans, Luthans, & Luthans, 2004). An individual can create social capital as a private good (Coleman, 1988) by extending and improving social and business relationships (Glaeser, Laibson, & Sacerdote, 2001) or by participating in social relations and creating a personal network (Coleman, 1988). We define a network as a set of nodes and the set of ties representing some relationship, or lack of relationship, between these nodes. We refer to the nodes as actors (individuals, work units, or organizations) (Brass, Galaskiewicz, Greve, & Tsai, 2004). For actors in these networks, it is possible to transfer network contacts from one individual to another. This transfer is based on and influences the social capital of the involved actors. Following Adler and Kwon (2002), Nahapiet and Ghosal (1998), and Lin (2001), we define social capital for the purposes of this study as

> the sum of the actual and potential resources and the goodwill available to individuals embedded within, available through, and derived from the network of relationships possessed by an individual. Investments in social capital will affect returns in the marketplace and as such are very important for business success. Its effects flow from the information, influence, and solidarity it makes available to the actor.

Lin (1999) states that “the premise behind the notion of social capital is rather simple and straightforward: *investment in social relations with expected returns*” (p. 30). Therefore, social capital results from the investment in social networks, how these networks are structured and the size they have (Lee, 2009). Following this, there is a need for understanding social networks. Research on social networks in combination with social capital has increased in the last decades in different research streams, such as in entrepreneurship or organization and management studies (Casson & Della Guista, 2007; Inkpen & Tsang, 2005; Jack, 2005). The literature offers different insights concerning aspects such as advantages of social networks resulting from a personal unit (Burt, Kilduff, & Tasselli, 2013) or how organizational networks are structured and how their architecture could change over time (Ahuja, Soda, & Zaheer, 2012; Kilduff & Brass, 2010). While social capital and social networks have gained increasing importance in family business studies (e.g., Daspit & Long, 2014; Sanchez-Famoso, 2015; Steier, 2001), there is still a missing link between networks and family business succession. Specifically, as Wright, Chrisman, Chua and Steier (2014) pointed out, it is important to understand how (institutional) contexts influence the behavior of family businesses—and how these contexts could affect processes regarding the creation of social capital. Following this line of arguments, it is important to understand how family business-related social networks can be preserved, used and expanded in the succession process.

The question of why an individual needs social capital may be answered by suggesting that it is a long-lived asset in which to invest, with the expectation of a future flow of benefits, such as business deals and innovation creation (Adler & Kwon, 2002). In seeking to understand how social capital in family businesses is built and how it influences performance, some studies have attempted to capture the specific effects of social capital in family businesses—for example that not only the social capital of family members but also the social capital of non-family members of the family business could have an influence on firm performance (Sanchez-Famoso et al., 2015).

The current literature on family businesses has mainly considered family social capital and organizational capital (Arregle et al., 2007; Nordstrom & Steier, 2015;

Zamudio et al., 2014). In the family social capital literature, the family is seen as a pivotal, intangible, and difficult-to-imitate resource, with strong internal ties that influence the family business culture (Frank, Lueger, Nose, & Suchy, 2010; Pearson et al., 2008; Steier, 2001). However, from our point of view, it is overlooked that the main actors responsible for the preservation of all types of social capital, especially business-relevant external social networks (e.g., customers, suppliers, and competitors), are the participants in the succession process, mainly the predecessors and successors as individuals. Moreover, the individual business-related networks of these actors in a family business are fundamental to family and organizational social capital. As research on social network analysis has increased in the last decades, it is necessary to combine social network research with business succession research.

As most family business owners worldwide still prefer to hand their businesses over to their offspring (Dehlen et al., 2014; Salvato & Aldrich, 2012), and given that prior research has emphasized the centrality of intra-family succession (Le Breton-Miller et al., 2004; Sharma et. al., 2001), we focus, in the first instance, only on cases of intra-family succession. Furthermore, and recognizing the potential limitation that it imposes on our research, we decided to investigate on one particular form of succession, namely, the planned succession (Le Breton-Miller et al., 2004), to obtain a more detailed picture. Following the understanding of Le Breton-Miller et al. (2004), business succession can be sub-divided into five different phases (setting ground rules, development-and-nurturing phase, selection, transition, and satisfaction). During these phases, a step-by-step process takes place. We also follow the understanding of Le Breton-Miller et al. (2004) regarding a successful succession, which includes “the subsequent positive performance of the firm and ultimate viability of the business” and “the satisfaction of stakeholders with the succession process” (p. 306). Nordqvist et al. (2013) offer another structured succession process model, which shows that context factors on different levels influence the process and could have an impact on the successful transition from the predecessor to the successor. The authors argue that during the succession process, the social capital of the successor is added to the family business social capital. However, next to the additional social capital of the successor, which is connected with the integration of own network contacts into the existing network of the family business (mostly connected with the predecessor), the preservation of the existing network is an interesting and important object of analysis during a business succession.

As the succession process could be seen as a formal structured process (Handler, 1994), in which, for example, contracts have to be closed, the transfer of network contacts is more or less unstructured because social networks result from the interaction of the actors themselves and are “formally designed or informally emergent” (McEvily et al., 2014, p. 302). The succession process predetermines to some extent the timeframe and structure of transferring information and resources from one generation to another (Le Breton-Miller et al., 2004; Nordqvist et al., 2013). However, as an informal social structure exists in the form of social networks in which the family firm is embedded and which are closely connected to the family business owners, there is a need for awareness of implicit and informal structures. Moreover, a process is needed by which to transform the implicit knowledge into explicit knowledge that can be transferred in a structured way (McEvily et al., 2014).

Among the first studies of the link between business succession, social capital and networks, Steier (2001) noted that succession may take a number of forms: unplanned, sudden, rushed, natural immersion, or planned. He identified seven means of managing social capital in these situations. His framework shows that in different forms of succession, different ways of dealing with social capital are expected. As mentioned above, we decided to focus on planned succession, as there are only a few studies and therefore little knowledge about this topic; it is important to first understand the popular method of family business transition.

Dou and Li (2012) focused on a specific form of social capital and networks called guanxi—a network of personal contacts that influences almost all individual decisions in family business succession in China. The authors showed how business succession affects the business network and how the guanxi of different actors overlap. Guanxi is a cultural phenomenon and could differ in other cultures; therefore, it may have another impact and meaning during the succession process. Bizri (2016) focused on factors of successor selection criteria and examined these selection drivers in terms of their structural, cognitive, and relational dimensions, confirming that all had an impact. Furthermore, he analyzed the behavior of successors after the succession decision and looked at how the decision influences the occupational behavior of successors who stay in the family business and of those who leave it. This may have an influence on the further succession process, as social capital and therefore the ability to handle existing network structures could be a basis for a successful transition, but there are no deeper insights about the process of transfer in detail. As Pucci, Brumana, Minola and Zanni (2017) found, social capital and different kinds of networks could have a positive effect on innovations in family businesses. In relation to business succession in family firms, it could be interesting to analyze whether the network structure is changed by the successor. It is important to analyze different kinds of network structures, e.g., local and distinct networks (Pucci et al., 2017), or different kinds of dependencies or age structures. In sum, several studies address social capital, networks and family business succession, but many questions remain to be answered, e.g., how successors can integrate new network contacts and how this could have an impact on the existing network or which problems could occur regarding the successors' social capital.

In sum, current research shows, that social capital and therefore the investments in social networks are important for (family) businesses. They can use social capital and networks, for example to get access to more information and use this to be innovative and for better performance. As research mainly focuses on social capital and networks in general or special forms of social capital, like family or organizational social capital, the knowledge about the awareness and the transfer of social networks during the succession process on an individual level is still scare. The transfer of a network is difficult, and predecessors and successors may not be sufficiently aware of the issues associated with transferring network contacts or sufficiently active in integrating successors into existing networks. Zamudio et al. (2014) suggested that because business succession increases the complexity of social capital and networks, qualitative methods may prove fruitful for researchers in this area.

3.3 Method

Given the complexity of social interactions in family business, and in succession contexts in particular, combined with a lack of detailed understanding how network contacts can be transferred between predecessors and successors, an inductive and exploratory qualitative research design was considered most suitable for the purpose of this study. As a means to describe a phenomenon in its real-life context, we selected the multiple-case study method (Eisenhardt, 1989; Yin, 1984) in pursuit of deeper insights in each case (family business). Our research question seeks to explain how a phenomenon takes place—in this instance, the transfer of network contacts in a small and medium-sized family business context—and which processes can be identified and described, making the multiple-case study an appropriate choice (De Massis & Kotlar, 2014).

3.3.1 Sample Selection and Data Collection

Due to our research context and following the current literature, we define a family business as one in which at least 50% of the shares are owned by one family and its members and in which one or more family members are involved or influential in management or strategic decisions and the development of the business; moreover, it is important that past, present, or planned involvement is featured in a business succession process (Chua, Chrisman, & Sharma, 1999). From our point of view, a starting point is needed to better understand the role of social networks during the business succession process in family businesses with a planned succession and a limited pool of successors. Each of the analyzed businesses complied with the above-mentioned criteria. Another criterion was that we interviewed both the predecessor and the successor, as we were interested specifically in the transfer of network contacts between these two individuals.

In the interest of generating generalizable insights, family businesses of different generations and sizes were chosen from different industries, based on a theoretical sampling approach (Siggelkow, 2007). We followed Eisenhardt's (1989, p. 537) recommendation for a theoretical sampling approach that involves extreme cases in which the phenomenon of interest is "transparently observable." Eisenhardt (1989, p. 545) argued that "the goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory." Our cases have theoretical similarities, such as the geographical context and the necessary conditions of being a family business, but they differ in terms of their industry and dependency on social networks or other aspects, such as the generations involved. Eisenhardt (1989) suggested using four to ten cases to be integrated in the analysis. This enables researchers to find some balance between generating a reasonably textured theory and having to cope with large amounts of data (Brown & Eisenhardt, 1997). Through an iterative analysis, we focused on reaching a satisfactory level of theoretical saturation. We integrated cases 10 and 11 into our dataset because we found a large amount of overlaps between these cases and the others. We had additional cases, but there were missing interview data or no additional information. Thus, we closed our data collection after conducting 11 relevant case studies in different kinds of German family businesses to assess their similarities and differences in handling social network issues. To understand the process of network contact transfer during an intra-family succession, it was important to examine different phases of the succession process to gain more in-depth insight into the development of the individual social networks during this time, which follows for a theoretical replication logic. The selected firms were in different phases of the business succession process (Le Breton-Miller et al., 2004) at the time of the study. The dataset referred to small and medium-sized family firms that chose a planned succession, where predecessors and successors were likely to work together. Such firms have a realistic chance of transferring network contacts in a more or less organized and planned way. For those individuals who did this in an organized way, we wanted to know how and when network contacts are transferred; for those who were less well organized, it was even more interesting to observe how a transfer happened (or failed to happen). Ultimately, we conducted 11 case studies with a total of 31 interviews: 11 interviews with predecessors, 12 interviews with successors, and eight interviews with important employees and network contacts outside the businesses (e.g., competitors and trading partners). In total, this study produced over 350 pages of single-spaces transcripts. Table 4 presents an overview of the data.

Table 4: Overview of Case Studies

	CASE 1	CASE 2	CASE 3	CASE 4	CASE 5	CASE 6	CASE 7	CASE 8	CASE 9	CASE 10	CASE 11
Industry	Car dealer	Bicycle wholesaler and manu-facturer	Supplier of lumber	Construc-tion shop tiler and oven	Building material trade	Bakery	Electrician	Hair stylist	Cold stor-age con-struction	Building constructor	Weighing systems, scales
Number of employees	45	3	110	14-16	11	~ 200	1	3	~ 220	~ 120	7
Generation	2nd and 3rd	1st and 2nd	1st and 2nd	2nd	2nd and 3rd	5th and 6th	1st and 2nd	1st and 2nd	4th and 5th	3rd and 4th	2nd and 3rd
Number of interviews	4	2	6	2	2	2	2	2	3	3	3
Transfer of ownership started	No	No	Yes	Yes	Yes	No	No	Yes	Yes	No	Yes
Transfer of ownership completed	No	No	No	Yes	Yes	No	No	No	No	No	No
Leadership position of successor	No	No	Yes	Yes	Yes, with predecessor together	No	No	Yes	No	No	No
(Duration of) Collabo-ration pre-decessor and succes-sor	4 years, further co-operation planned	6 years; fur-ther cooper-ation planned	10 years, further co-operation planned	5 years	5 years; further co-operation planned for 5 years	3 years; further co-operation planned for 3 years	1 year; fur-ther coop-eration planned for 10 years	8 years; further co-operation planned	3 years; fur-ther cooper-ation planned for 5 years	6 years; further co-operation planned	2 years; further co-operation planned
Phase	Selection	Selection	Transition	Satisfac-tion/ Perfor-mance	Transition	Selection	Selection	Transition	Nurturing/ Selection	Selection	Selection/ Transition

Source: Own illustration.

All the data collected from the one-on-one interviews by the authors of this paper, were transcribed verbatim, coded, visualized, and finally analyzed using MAXQDA (a software for qualitative analysis). For in-depth insights, the semi-structured interviews included key questions relating to existing social networks, the construction and extension of social network structures, and the transfer of social network relationships during the business succession process (see the semi-structured interview guide in the appendix). To reduce bias from recall and ex-post rationalization, we used secondary data including firm homepages and historical records, such as chronicles and periodicals (Miller, Cardinal, & Glick, 1997). In addition, several industry reports were screened to ensure that data were representative and to subject the investigated businesses to cross-sectoral comparison. We triangulated these data during the process of analysis (Silverman, 2015).

3.3.2 Data Analysis

We used a case-replication method in which cases serve as independent experiments, which can be used for confirming or rejecting emerging insights (Eisenhardt, 1989). We base our analysis in theoretical propositions, based on our knowledge about social capital, social networks, and business succession in family business. We oriented our coding according to the suggestions of Yin (1984) with the goal of building an explanation. Our data analysis involved two main steps. First, we tried to obtain an overview of the current networks and existing ties in this network of contacts and relationships, analyzing the structure for predecessors and successors for each case individually. To analyze explicitly and implicitly known network contacts, we compared the statements of participants to identify overlapping network contacts. According to Steier (2001), graphics can be drawn to clarify and reveal transparent network contacts. Without articulating any specific definition of social networks, all participants defined important network contacts as the key people or key companies with the longest relationship with the firm, with the highest amount of trust and with trusting, high-dependency, reciprocal relationships.

> *PRE_CASE_1: „This dependency, which is 100%, as we have only one supplier, brings us into the situation, that our competitors can become the winner of the game."*
>
> *PRE_CASE_2: „Trust is the most important thing between us and our partner. The trust of the others and our trust, this is an interrelationship."*

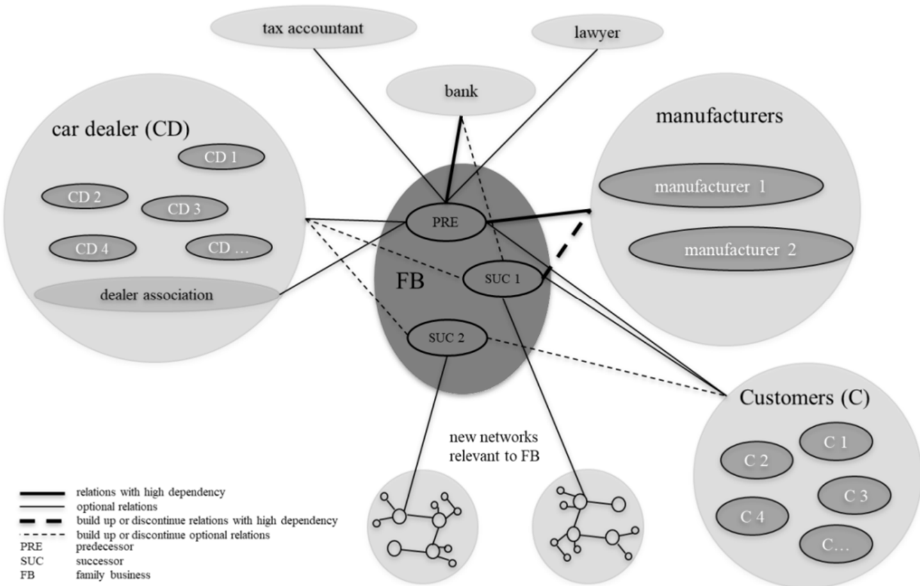
To illustrate the actual structure, we focus on our unit of analysis—the individual networks—in our graphics, although there might be an additional family (business) social network. Figure 4 provides an example of the overlapping networks of the predecessor and successor from one case study; such networks were constructed for all firms studied. This example shows the actual network structure of a car dealer (CASE 1), in which a team succession occurs. In this case, there is a high perceived dependency on manufacturers, as well as interdependency with the bank due to a high debt ratio. While other network partners are very important, the relationships are mainly optional. An optional relationship is characterized by network contacts that does not result from dependencies or necessities, but rather rom friendship or from satisfying cooperation and that are maintained because of this relation.

> *PRE_CASE_2: "…the relationship between the actors (group of suppliers) is very amicably. Partly, we also cultivate private contacts. Some of these contacts exist since more than 30 years."*
>
> *PRE_CASE_ 9: „One reason is that we are very close. From this «business friendship» a real friendship is evolved."*
>
> *PRE_CASE_3: „There are customers, we work since 30, 40 years with and not because they are the biggest or most important ones."*

Optional relationships can be cancelled without a loss for the business.

Based on our observations, these family business networks and their ties are illustrated in the graphs by lines of different strengths and by the distances between network contacts. From our analysis of the interviews, we were able to identify two key types of relations: (a) high perceived dependency over a longer period and (b) optional relations resulting from friendly or extensive cooperation. The classification of whether there is a high perceived dependency or not results mostly on the perception of the predecessors or successors as mentioned in the interviews, supplemented with general knowledge about the industries. Many times, interviewees explained that there are only a few suppliers or customers, for example, because they are operating in a niche market or they would have high costs, if they switched business partners. These statements are used in combination with further data, e.g., from industry reports, and therefore classified as high perceived dependency. Otherwise, if the interviewees answered the question regarding dependency stating that some business partners are like friends but that there would be no problem substituting these connections, we compared this case with further information and categorized it as lower perceived dependency. This perspective mainly reveals the relationships of the predecessors; the successor's relationships with network actors are often still in development but may also be high-dependency or optional.

Figure 4: Case Study 1



Source: Own illustration.

We used these observations as a starting point for our second step in the analysis. We conducted an exploratory analysis of all interviews to look for dependency between network partners. One example of an optional relationship is the statement, "We have a multitude of suppliers" (SUC_CASE_3). Such statements are classified as optional relations "without" dependency. In some interviews, we found that optional relationships could result in friendship, and *vice versa* (e.g., CASE 1).

Additionally, we started with one initial case and carried out an exploratory search for dynamic- and process-related information. We made an initial theoretical statement and assumptions (Yin, 1984). We compared the findings of the initial case with our theoretical assumption and revised the statement. This was the starting point of developing the first type of proposition. We compared these propositions with the other cases and, if needed, we built additional propositions to compare again with the cases. This approach follows the guidelines of Yin (1984) about explanation building. To assess the extent to which network contacts had already been transferred, we analyzed predecessors' and successors' answers about their first function in the family business and their current positions. After describing the status quo of predecessors' and successors' networks, we focused on the implications of the process of the transfer of network contacts during the intra-family succession. We coded social network-related actions during the business succession process and compared the results to determine whether a difference in these actions could, on the one hand, result from the dependency of network partners and, on the other hand result, in differences in the exploration and exploitation of the relevant network.

We can draw overall inferences from our mapping of the networks and coding of "network relevant information status," and information asymmetries can be identified in that some predecessors' network contacts, although relevant to the company, were unknown to their successors. Some successors did not know the names of key network contacts, and some were unable to evaluate the strength or importance of the contacts (e.g., CASE 1).

We found patterns of transferring network contacts from predecessors to successors as well as patterns of using and building social networks relevant for the family business. Initially, we labeled categories relatively closely to the data, for example *identified network contacts, new network contacts, deleted network contacts, professional processes, attention to social networks of the predecessor* and *attention to social networks of the successor*. We compared the different categories within and between the groups. Through this approach, we were able to differentiate between company- and individual-driven actions and focus on the individual as the unit of analysis. We discussed the (sub-)categories amongst co-authors first and later on with additional experts in the field of family business research. Moreover, we used a business succession research seminar, in which 60 percent of the students were successors, to discuss our coding scheme and emergent insights, which helped further enhance the trustworthiness of our analyses and findings.

3.4 Findings

Our findings are twofold. First, we identified patterns of social network transfer during the business succession process and observed specific phenomena that occur during the transfer of network contacts. These findings fit closely to the raw data material. Second, we connected these patterns, undertook a cross-case analysis for developing propositions, and in the end developed an overarching model that we further solidified with extant theory and literature.

3.4.1 Patterns of Network Transfer in Family Businesses

In this section, we present the main findings of our analysis. As we followed an inductive approach, we used our interviews to build sub-categories and main categories. Several sub-categories are summarized into four main categories, as shown in Table 5.

As a starting point in mapping the networks of predecessors and successors, focusing on analyzing whether awareness of important network contacts exists is useful. Moreover, we could analyze whether the involved actors identify the same important network contacts. From the statements of predecessors and successors as well as of other interviewees and from the observation of different explanations of the networks, we developed our first major theme: **awareness**. This category includes all findings showing that predecessors and successors are aware of existing network contacts and that they recognize the importance of these social network contacts for business success. One successor stated:

SUC_CASE_6: "We are so successful (...) through long-term engaged employees and good relations with our suppliers. We do not do things like change our supplier just because another one is 10 cents cheaper."

Table 5: Pattern, Themes and Research Questions

Identified pattern	Major theme	Underlying sub research-questions for analysis
Identified social networks	Awareness	How aware of social networks are the involved actors?
Attention of successor		
Attention of predecessor		
New contacts	Exploration and exploitation of networks	Which network contacts are identified as relevant and why?
Deleted contacts		
Evaluation of contacts		
Trust gaining		
Professional process	Succession related	Do the factors that influence the succession process result from social networks or social capital? How and why?
General and specific influencing factors		
Speaking the same language		
Timeframe		
Missing awareness	Challenges	What challenges, connected with network transfer, can influence the succession process?
Missing social capital of the successor		
Holding onto an old-fashioned structure		
Speaking a different language		

Source: Own illustration.

We observed that predecessors and successors describe the impacts of their social network on their daily business and business success. Most of the answers address good relationship with customers and suppliers, as well as market position, and the respondents emphasize that the success of the family business would not be possible without networks. These findings are summarized as *identified network contacts*. Moreover, from the comparison of the findings in the categories *attention predecessors* and *attention successors*, we conclude that there is an awareness of the relevance and importance of a network structure among the involved actors on both sides.

After a deeper examination into the status quo, we focused on the changes in networks over time and the decision-making behavior of the involved actors and summarized our findings as our second major theme: the **exploration and exploitation of networks.** The successors must decide how the exploitation and exploration of network contacts might be handled in the best way for the success of the family business.

Most of our cases illustrate that successors do not delete business network contacts at the beginning of the succession process. However, they try to implement new contacts, and this is accepted by predecessors, although they expect that the old network will continue to exist.

> *PRE_CASE_8: "With regard to customers?" "I assume that he will keep all of them and that he will then try to find new ones."*

The structure of exploitation and exploration may be influenced by the successors' plans for the future.

> *SUC_CASE_7: "I do not plan to pursue the family business with just two employees. I plan to expand the business and to get additional new customers."*

We observe that most of the predecessors in the middle of the business succession process know and recommend that the successors restructure the business network in the future. The following statement shows the attitude of some of the predecessors:

> *PRE_CASE_6: "He will have another network…. I know that he will evaluate the networks that I have and which I evaluate as important networks. This is normal. It is also normal that he builds his own network. (…) At the moment, he is obtaining networks … If he will still be doing this in three years' time, I do not know."*

We identified the importance of *trust gaining* during the business succession process. We found that similar personalities of predecessors and successors could be an advantage for transferring business contacts, as the following statement shows:

> *PRE_CASE_8: "I'm in luck because my successor is, regarding his mentality and his type, like me. Therefore, he's like a copy, and customers will probably accept him."*

However, not only similar personalities can affect trust gaining. It is important that the existing network knows the successor, as this will be the basis for the future business relationship.

> *PRE_CASE_7: "It is important to discover new customers, who become regular customers. (...) Now, we visit our (old) customers, so that these people get to know my successor."*

Another interesting finding was that knowing the former business partner could be important, as successors can reactivate them. If the network contacts are deleted because of personal conflicts in earlier generations, a new *evaluation* of these contacts through the successor should be conducted. We discovered that the evaluation can have a positive effect on business networks, as reported by two of our participants:

> *PRE_CASE_3: "A former relationship with a customer, lost because of interpersonal problems, was re-established because of changes in both management teams."*
>
> *PRE_CASE_10: "Sometimes a business contact is not functioning anymore because both contact partners do not like each other. (...) there are other occasions where I am not able to deal with the other person, but my son is able to work with this person."*

After focusing on exploration and exploitation, we analyzed our data and previous findings again and looked at the succession process in general in our third major theme: **succession related.**

We identified hints of a *professional process*. Professional in this context could be understood as a systematically planned transfer or as a scheme that seems to be the best one for business. It is possible that some transfer of contacts happens unconsciously during the first period of collaboration between successors and predecessors. However, we identified a pattern, as the first group of transferred contacts often depends on the defined business success factors. One predecessor pointed out that the internal structures are the most important factor for success, followed by customer satisfaction. In line with this understanding of success factors for business success, the successor describes the process of integration into the business network as follows:

> *SUC_CASE_9: "I went with my father on business trips to get to know the internal network. Primarily, I should know the people who work for us. Secondarily, I will meet the customers."*

Most of our interview partners stated that customer satisfaction and fulfilling customers' requirements were the most important factors. In these cases, the customers represented the first network into which the successor would be integrated.

However, the experience of the predecessor's succession can also have an impact on the organization of the business transfer. Some of our interview partners described their own succession:

> *PRE_CASE_4: "It was my role to get all the information during my own succession (as a successor). (...) this is better for my successor today."*
>
> *PRE_CASE_11: "... differences in generations are an elementary important topic, which I perceived during the business succession from my father to me, and not only in a positive way. Ultimately, however, I have the huge advantage of having an overview and the capacity to compensate automatically for the conflicts that come up during this time."*

The category *general and specific influencing factors* classified all statements about predecessor and successors' reports of factors influencing the succession process in terms of dealing with contacts. We observed that the age of the successors and predecessors in several cases was an influencing factor in the network transfer. For example, there was a need for new and young customers, contacts with universities for research and development activities, or contact with other family businesses that are part of the network where a generational change took place. One of our interview partners stated:

> *PRE_CASE_2: "He (my son) has to address the young generation. We are in a successor change situation. The youth take over our customers' businesses, and they are the same age as my son. These young people understand each other, and sometimes they have totally different opinions. I am sure that he is able to handle this situation."*

In some family firms, it is not only an opportunity to integrate new and younger network contacts, but also a necessity. One predecessor underlined the dependency of new inputs on the successor, who had a better education. Through his son's access to the university, he also saw an opportunity, sensing the need for innovation through the younger generation.

The necessities of understanding customer needs and having easier access to people of the same age means that the successor can rapidly occupy a key position in the network. In one case, both father and son saw an opportunity to use the knowledge of the target group to sell cars to customers closer to their own generations. In another case, the successor recalled that because he had studied with the next generation of suppliers, they knew each other and talked about the future.

The category *speaking the same language* includes a pattern showing that the family business owners and business network partners need to have similar ways of doing business. The interview partners describe the phenomena regarding the age of those involved in the succession process and the need for more generations in the family business:

> *PRE_CASE_8: "I am more responsible for older customers and he focuses on younger ones. This is also what we planned: that he would take over the younger ones from me."*
>
> *SUC_CASE_5: "If I focus on the customers, I take over all of them. But I also extend our customer network, and the next generation of customers in particular feel more uplifted with me as their business partner."*

Parts of these statements are also integrated into the category *timeframe,* as there were additional hints that in the context of these statements, a faster integration of successors into the network was possible.

As a last step of our analysis, we identified the fourth major theme, **challenges** during the succession process.

The first subcategory includes all hints of *missing awareness*. As mentioned above, the lack of awareness about the importance of social networks and networking could have a negative influence on the entire succession process and therefore on future business success. Although most of our cases show that the interviewees are generally aware of networking and social networks and their importance, we see that the awareness of the importance of the structured and strategic integration of successors is limited.

> *PRE_CASE_9: "Do you have a plan written down?" "Actually, the plan is only existing in my mind."*
>
> *PRE_CASE_11: "How do you integrate your successor?" "At every opportunity." "Do you have a plan?" "No, as impulsive as possible."*

One more interesting aspect that we determined from the interviews related to *missing social capital*. We observed that potential internal successors lack the social capital and competence to act within networks and build relationships with important network contacts. If the potential successor is, for example, an introvert and not able to network in a way the family business needs, that does not mean the succession process must be cancelled. In fact, the *missing social capital* of the internal successor could be balanced by an employee.

> *SUC_CASE_3: "Banking, accounting, and tax consultation are handled by one employee, who started in our business one year later than me. He has a close and personal relationship to these actors. I have no oversight of this daily business."*

In most examples, the predecessors identified the opportunities for and needs of the next generation. The younger generation could represent the family business to younger network contacts as an attractive business partner and occupy an offsetting position. However, if the existing network is older and more like the predecessor, the successor may have to wait until the network partners change, as it is easier to work with the next generation (*speaking a different language*).

> *SUC_CASE_10: "Do challenges regarding the succession exist?" "Between us (the predecessor and the successor) is a gap of 31 years. Following this, most of his contacts are as old as he is. For me, it is complicated and often not useful to deal with these contacts. (...) Most of them are also of an age at which the following generation is in the starting gate and in these cases I think it is not useful to work with the old ones."*

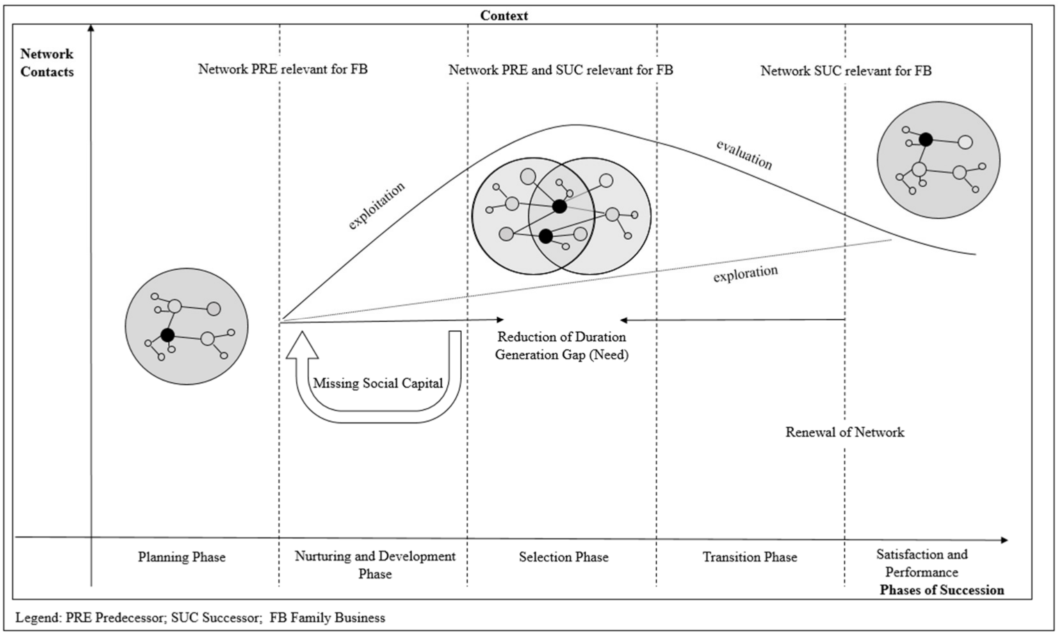
One more challenge could occur when the predecessor *holds onto old-fashioned structures*. For example, the predecessor is not willing to accept that the successor wants to change something in production processes or replace suppliers or customers. As long as the predecessor does not transfer the management and ownership, his/her influence could hinder new structures. Furthermore, he/she can determine the contacts and in which way these will be transferred to the successor.

3.4.2 Social Networks and their Influence on the Business Succession Process

The following section presents our findings regarding how the transfer of networks during intra-family succession influences the individual social network that is relevant for the family business and how this individual social network can influence the succession process and *vice versa*. The findings result from a cross-case analysis and the comparison and aggregation of the developed categories and major themes from the previous findings section. We will use these insights to develop propositions for further theory building and research and an overarching model induced from our data on network contact transfer during the succession process. This model is based on the chronological logic of the structured business succession process (Le Breton-Miller et al., 2004) and analyzes the transfer of network contacts during the five phases of this process.

Our model shows that in the first phase of intra-family succession, only the social network of the predecessor (and other involved family members) is relevant for the family business because of the founder centrality (Kelly et al., 2000), which develops an owner centrality in later generations of small and medium sized family businesses. This also results from the circumstances that in the first phase (planning and setting of ground rules) succession is planned by the transferring generation and deals mainly with the creation of a vision for the future of the family business, as well as overall thoughts about selection criteria, potential successors, and the timeframe of succession (Le Breton-Miller et al., 2004). These findings result from analyzing the *identified network contacts*, the *attention of the successor,* and the *attention of the predecessor* to network contacts. Through the cross case analysis of these categories, we found out that an awareness of the importance of network contacts can be assumed to be a boundary condition for the entire process of transferring networks during business succession.

Figure 5: Impact of Social Capital and Networks on the Business Succession Process



Source: Own illustration

The transfer of a business social network can happen at different phases of the succession process but mainly starts subconsciously at the beginning of the successor's integration into the family business. We observe in some cases that it is possible that, in the case of a lower awareness of social networks at an early phase, the transfer starts later, and lost time must be made up as soon as possible. For example, in CASE 11, the predecessor knows in an early phase, that the transfer of contacts is very important and to ensure a smooth run of the business and that the contacts must be transferred as soon as possible. In CASE 11 as well as in other cases this is realized for example through structured meetings with network contacts, invitations to business und lunch events for introducing the successor during a short time frame. We observe, that this requires a high amount of resources (e.g. time) and attention, during the succession process. Following this, we propose:

Proposition 1: **An awareness of the importance of social network contacts is largely known from the beginning of the process. If the transfer process is not**

initiated directly in the planning or nurturing/development phase, it can be made up in the selection or transition phase, through an investment of resources and attention in active transfer of social network contacts.

This finding leads us to go deeper into the process of network transfer during business succession. The analysis of the *awareness* in general and the *attention of the predecessor* in particular as well as the *professional process* shows that different forces structure the transfer of network contacts, as one part of the resources and assets transferred from one generation to another during the succession process. First, we identified that the predecessor's individual experiences regarding network transfer influence the current transfer of networks. We observed that either the predecessor also had a structured succession process with attention to transferring network contacts and attempted to copy this process, or the predecessor had an extremely chaotic or unplanned succession process without attention to social networks and attempted to do exactly the opposite. For example, in CASE 4, the predecessor did not get any information in his own succession about network contacts and tries to hand over actively as much as possible to his son in the current succession.

Second, in combination with the *identified network contacts* and the *evaluation* of these network contacts, we also observed that the definition of the main success factors of the family business, if it is connected with the dependence or the good will of the established social network, rules the succession process. One the one hand, we observe, that the chronological order of the transfer is ruled by the business model, for example in case of the weighing systems, the predecessor defined the customers as the most important contacts in the overall network for the successor and transferred those in the first step. On the other hand, the need and the dependency of network partner rules the intensity of the network transfer, for example in case of the bicycle manufacturer, the successor was integrated in existing networks at a very early phase of the succession process and was promoted to implement his own contacts as far as possible. Thus, we propose:

Proposition 2a: **Previous experience regarding network transfer, the benefits of the predecessor's established social network, and the definition of the main business success factors influence the chronological order and intensity of the transfer of network contacts from the predecessor to the successor.**

The predecessor determines the transfer of network contacts at the beginning of the process and needs a counterpart who can handle the network, use his/her own social network, and expand it. It is not self-evident that every potential successor is able and willing to handle the relevant social network. By a closer examination of the categories *attention of the successor*, *professional process, trust gaining, identified social networks,* and *missing awareness,* we observe that in our cases, potential successors are identified who do not have sufficient social capital. One interviewed successor illustrated this by underlining the personality trait of being extroverted as a crucial selection criterion for the successor of the family firm and connecting this actively with social capital. Because of this, the potential successor who was first selected would not ultimately become the successor—a decision made by the predecessor and the potential successors. Instead, another family member was chosen. From this, we would suggest that in a situation in which there is a pool of candidates, social capital is a selection criterion.

Predecessors integrate their successors step by step into the current network, with the objective to maintain that network. It could also be observed that the predecessor intended to leave his/her own network once the successor was integrated. During this process, the ability to acquire the network and social capital of potential candidates is proven. In addition to the solution of selecting different candidates, there is another way to solve the problem of potential candidates' limited social capital. With a deeper examination of the *succession-related, awareness,* and *attention* categories, we observed that if there is no pool of candidates, the reallocation of social capital through key employees who care about the network contacts is used as a solution to this issue. The fact that in some cases the key employees also cared about the bank contacts, was interesting;; here, the missing social capital of successors is balanced through a family external source. We illustrate this in the model through the loop from the selection phase to the beginning of the succession phase. On this basis, the following proposition is advanced.

Proposition 2b: Social capital is a selection criterion in the business succession process and is trained through step-by-step integration into the network. If the preferred internal successor lacks social capital, this is balanced through an external top management team member.

During the business succession process, successors must be integrated into the existing networks of the family firm. There is a need for identifying the existing network and *trust gaining.* We looked deeper into this category of trust gaining and identified several challenges for successors. The most obvious one was *speaking a different language* from that of the counterparts in the network. Going one step further, it becomes obvious through a deeper examination of the category of *identified network* that two groups can be identified: the generation closer to the age of the predecessor and the next generation, especially in other family firms. We figured out that integrating themselves into a network dominated by the first group, can be a challenge for potential successors. The existing network of the predecessor is equipped with shared stories, common past activities and shared private activities, such as being in the same service club or playing soccer together. We also identified similar expressions and cognitive schemata in the group of predecessors and their counterparts that differ from those of the successors, such as attitude regarding leadership or collaboration with external contacts. Following this, we identified that integrating themselves into established networks is generally complicated for successors, and in the case of a large age difference, it becomes even more complicated since they lack things in common. The investment in such network contacts, as a basis of social capital, is crucial in the short term. However, the investment is much higher but the return is limited until the network partners, who are the same age as the predecessor, also leave the network.

However, there is another side of the coin. This process of identifying network partners and *evaluating network partners* enables the successor to identify the next generation and build up an additional new network. Moreover, the successors can provide a link to the next generation of customers or suppliers. We observed that successors are early and quickly integrated into the family business, as there was a need for linking the next generation of customers and suppliers to be realized by the successors. We call this observation the *generation-gap-effect* and illustrate this new finding in the model through the decreasing period from the nurturing/development phase to the transition phase described by encountering arrows and propose the following:

Proposition 3a: The *generation-gap-effect* implies that the successor must preserve the pre-existing predecessor network and build up his own.

If there is a need to integrate the successor into the family business, for example because of the *generation-gap-effect*, the timeframe of succession could have an influence. By examining the *succession-related* categories and the *exploration and exploitation* categories in greater depth, we were able to determine that the *generation-gap-effect* has a high impact on business succession in general. If the successor is capable of connecting to the next generation, he acts like a (generation) broker (Burt, 2005) between different networks. For example, in CASE 2, the successor must present the product innovation to the younger generation, as the predecessor is of opinion, that he could not present it in a credible way because of his age. Also in other cases we observe, that the possibility is used, that the successor get access to the next generation of other family businesses and connect these network contacts with the existing network of the predecessor he or she is also involved in.

In cases in which the need for new or additional social networks was identified and the successors were evaluated as a chance for the family business in general, we observed that the successors acquired decision-making competencies much earlier. This resulted in a shorter timeframe before the final selection and impacted the timeframe up to the transition of ownership; we illustrate this in the model though two interaction arrows between the nurturing/development and transition phases. These findings inform the next proposition:

Proposition 3b: Dependency on the successor as generation broker can speed up the timeframe of integration into the network and thereby the timeframe of succession.

During and especially at the end of the succession process, successors are in a position to evaluate the existing network and decide between *exploration and exploitation*. The idea that networks can change during and after the business succession is shared by both actors. However, we observe that actions that renew the network and that do not work with parts of the former network start at the end of the selection phase and occur mostly in the transition phase. During this phase, successors are integrated into most parts of the family business, obtain management competencies, and through a role change because they are perceived by other network partners as the future decision makers, they are enabled to decide how the network should be structured in the future. This is part of using and building the social networks of the successor and is illustrated in the model through the exploration curve.

During this process and because successors become integrated into the network and can search for and analyze existing information, we observe that they also obtain information about important network contacts of the past. *Identified networks* include a group of former network partners who are no longer part of the family business networks. This can result from controversies, misconceptions, or a past succession in which the connection was lost. In particular cases, we observed that successors were actively encouraged by the predecessors to reactivate former network contacts or that successors tried to reactivate these contacts on their own. We call this the *renewal-of-network effect,* which is illustrated in the model through two curves. While the exploration line is described by a continuously rising straight line, the exploitation is a curve, which rises until the successor starts the evaluation and therefore mostly minimizes the contacts. Following these findings, we deduce the following propositions:

Proposition 4a: After the adoption of the existing network contacts, the successor has to decide whether the transferred contacts should be exploited or

whether new contacts should be explored and integrated into the business network.

Proposition 4b: Successors have the opportunity to use the *renewal-of-network effect* if former relationships are known and if the successor can reactivate them.

The context of business succession influences the social network transfer (Le Breton-Miller et al., 2004; Welter, 2011). Family business owners are embedded in an existing network, and network actors make demands in this network. We illustrate this by the example of the network partner bank. In every case, the network position of the bank is emphasized by participants, all of whom work with only a small number of banks. In every case, as confirmed by the predecessors, the first and most interested and engaged partner in the succession process was the bank. As a network partner, the bank tries to monitor the situation of the company itself and of the successors as individuals. At the same time, it is clear that the bank is the network partner closest to the predecessors and the one that the predecessors retain in their control for as long as possible.

The bank demonstrates that there is an external need to transfer social network contacts. However, although the bank is the first network partner that asks for the transfer and that would like to work with the next generation, it is the last fully transferred partner. This could be regarded as paradoxical, as long-term cooperation with bank partners is crucial and could affect the entire business succession process. The bank is the final network contact to be transferred and plays a crucial role throughout the process. We are aware that this could be a German-specific finding. However, we use it as illustration for network contacts, which are held by the predecessor to preserve the predecessor's own influence during the business succession process, independent from the finalization of management succession. We found other examples in the *missing awareness* category of the possibility of network contacts who are not willing to change their counterpart. We evaluate these as liabilities for the succession process in general and the network transfer process in particular. We also found evidence that the missing awareness in connection with the intention to adhere to important network contacts challenges the successor in integrating him/herself into important networks or taking over important network contacts. Although network partners ask for information about the future counterpart, the predecessor is in the position to rule the succession process until the succession is completed. This is also captured in examples of the *exploration and exploitation* category. The final decisions of which contacts will be retained in the network and which will be deleted can also be made after the final transfer of ownership. This has an influence on the social network of the successor, as s/he is hampered by external factors. We propose:

Proposition 5: The transfer of important network contacts is, until the final transfer of ownership, ruled by the predecessor and the context in which the family business is embedded. The social network of the successor is influenced by these external factors.

3.5 Discussion

In this article, we aimed to improve the understanding of the transfer of network contacts, and of the exploration and exploitation of social networks, through a multiple-case study of 11 small and medium-sized German family businesses during intra-family succession. Our understanding of social capital as a valuable resource allowed us to focus on how this resource changes and can be used during the business succession process (Nordqvist et al., 2013). The underlying research questions were: *To what extent are actors involved in succession, being aware of the relevant social network for the family business and the importance of transferring these network contacts during succession? How does predecessors' and successors' social capital influence the succession process and vice versa?*

We argue that the fundamental driver for network transfer is the predecessor. Especially in small and medium-sized family firms, the network of the family business is closely connected with the current owner-manager, and the dependency of such firms on owner-manager networks is higher than that of larger companies who may rely on their own networks. Thus, the role and behavior of the predecessor shape the transfer and impact the final outcome. We show that the process of transferring network contacts is ruled by the subjective and individually perceived definition of the main business success factors and by the individual evaluation of the different network partners, as well as by the experiences of the predecessors in a previous succession in the family business. These factors influence the chronology and intensity of the transfer and offer hints for the succession literature in general, concerning how and why family business owners structure their business networks in various ways (Le Breton-Miller et al., 2004). We found that challenges or lack of awareness in previous successions lead to greater awareness during the current succession process (Cabrera-Suárez et al., 2001). However, one important factor is that although the predecessor and successor may possess this awareness, there is a lack of structural implementation in transferring these contacts to the next generation during the business succession. As our interviews show, the transfer of network contacts is intuitive and seems partially unstructured because there is often no strategic system or plan written down; this seems due to the nature of social networks, which often emerge informally (McEvily et al., 2014). Therefore, the existing awareness of predecessors is inconclusive when combined with a structured process, which can hamper the successful network transfer and subsequently the exploration of the successor's social network during the succession process.

We contribute in several ways to the literature on business succession by focusing on social network transfer in family businesses during intra-family succession (Le Breton-Miller et al., 2004; Nordqvist et al., 2013). With our study, we extend the findings of Steier (2001), who identified four modes of succession and developed seven means of managing that process. Steier (2001) focused on the question of how next-generation entrepreneurs manage social capital residing outside the firm, observing the broad spectrum of relationships and tacit knowledge. In the present study, we expand upon the view of Steier (2001) by focusing on the dyadic relationship and taking both actors, the predecessor and the next-generation entrepreneur (successor), into account at an individual level. We integrate implicit knowledge and awareness to find that social capital of the successor is also used as a selection criterion and show how the process of transferring network contacts takes place in its entirety.

Moreover, our findings deepen Bizri's (2016) understanding of social capital in the context of Lebanese family firms and with a focus on the drivers behind the choice of successor and the impacts on the entrepreneurial behavior of siblings. We add further evidence about social capital as a selection criterion, which was not proposed at the beginning of the study, but emerged as a finding from our analysis (Hibbert, Sillince, Diefenbach, & Cunliffe, 2014), and show how family firms integrate other family members or managers before succession is finalized. We also show that social capital as a selection criterion or the need for remodeling the top management teams (Proposition 2b) has an impact on the entire business succession process. Succession is a step by step process (Handler, 1994) with different phases (Le Breton-Miller et al., 2004). If successors show a lack of social capital, the selection phase can start again, or the nurturing and development phases takes longer, because there is a need for remodeling the top management team and implement an additional person, who will be responsible for the network contacts. Our findings about the importance of the similarity of predecessors and successors in relation to networking are also important. As mentioned previously, social capital is among the selection criteria for business succession, and it can be compared and measured, like other selection criteria. This could be integrated into certain business succession transfer models (e.g., Le Breton-Miller et al., 2004), with emphasis on the process of nurturing successors. In addition to considering social capital as a selection criterion, we explore the further implications of social capital for the business succession process in general, contributing to the selection criteria research stream (Chrisman et al., 1998; Schlepphorst & Moog, 2014). Where social capital is missing, external members can help compensate; this finding also concurs with the literature relating to external members of top management teams and the professionalization literature (Stewart & Hitt, 2012).

With our study, we introduce the *generation-gap-effect*. The change of a family firm's network structure may enable innovation within the network, which is fundamental for long-term performance (Pucci et al., 2017). We argue that the successor is able to act like a generation broker, because he/she is able to integrate also successors from other family firms in the current network as well as open new ways to customers and suppliers, while preserving the existing network of the predecessor. This behavior can be explained with entrepreneurial orientation (Cruz & Nordqvist, 2012). As successors frequently must close generation gaps, acting as brokers to compensate for structural holes, an entrepreneurial orientation can influence the future development of a family business and its networks (Burt, 2009; Chirico, Sirmon, Sciascia, & Mazzola, 2011). In the climax of the succession process, a structural fold occurs, which means an overlapping of cohesive group structures (Vedres & Stark, 2010). "Actors at the structural fold are multiple insiders, participating in dense cohesive ties that provide close familiarity with the operations of the members in their group" (Vedres & Stark, 2010, p. 1156). In our case, at this time, the predecessor and the successor are part of various overlapping cohesive groups and each have access not only to similar resources but also to diverse resources in terms of their own networks (Vedres & Stark, 2010). This may allow them to cross the borders between different generations and access new knowledge and new capabilities.

The phenomenon of the *generation-gap-effect* fosters the role changes of predecessors and successors during the succession process (e.g., Cater & Justis, 2009). In the later phases of succession, our data show that the networks of predecessors become less important and that successors are in a situation in which, as they acquire more management power, they can evaluate network contacts and decide whether to exploit or explore the existing family business network. This responsibility for the network is connected with additional (informal) management power and enables the successor to acquire more free space for decision making

We extend the existing literature by demonstrating that succession comes with a chance for the renewal of old network contacts that were not part of the predecessor's network because of missing investment by the predecessor. The successor is in the position to invest again in old contacts and explore the network through reintegration. We label this phenomenon the *renewal-of-network effect.* We have shown that beyond determining current criticalities (Steier, 2001), it is important to transfer important former network contacts that the next generation may be able to exploit. With our data, we can elaborate the succession phase, in which awareness of the transfer of networks is most important, and to consider whether it is possible to make up lost ground in later phases. While we agree that attaining legitimacy is important, step-by-step integration of the successor by the predecessor, when possible, can support that legitimacy.

The last finding of our study is that context influences the succession process and can also have an influence on the social network development of the successor. Every family business is embedded within a specific context; for example, industry dynamics, environmental changes, and cultural differences (Sharma, 2004; Welter, 2011). As Dou and Li (2012) showed in their study of Chinese family firms, the cultural context could be an influencing factor of networking. Guanxi, as a special form of network structure offering several possibilities for a family business, is important for a successful succession process. In this context, the succession process might be determined by factors different from those in, for example, European countries. Nevertheless, there are also similar structures in our analysis illustrating that context factors should be considered in future research.

One unexpected finding of our study is the specific observation pertaining to Germany in terms of the role of banks as network partners. Although the debt ratio was limited in some cases, interviewees discussed the interests of the bank and the communication with bank representatives in detail. It should be mentioned that, in Western Europe, respect for banks remains relatively high; regardless of the debt ratio, those involved in succession may feel that a potential loss of autonomy influences the succession process, as the family business owner tries to retain this network contact. Another explanation may lie in the distinction between management and ownership transfers. In most cases, ownership transfer is realized following management transfer and marks the closing move in the succession process. Up to that point, ownership and accountability fall on the predecessor, which can also lead the predecessor to maintain the bank as a network partner until the ownership has finally changed hands.

In addition to this finding resulting from context factors, we observe that the strength of ties rules the transfer process (Granovetter, 1983). In the step-by-step process, trust between both parties is developed according to their willingness and ability to succeed. The stronger the trust in a fruitful succession, the more information is likely to be shared about contacts. Moreover, we observed in some of the cases that the social networks in which the family firms are embedded consist of limited number of network partners and involve high dependency. In this situation occurring from industry effects, a personal trusted relationship between the predecessor and these contacts is crucial. During the time of succession, attention and resources (Cabrera-Suárez et al., 2001) are needed for the succession process and a break away of costumer and supplier would require additional resources to find and establish new contacts. A loss of these contacts may result in a crisis for small and medium sized family business, because of the high dependency and because strong ties need a high amount of investment and trust in these connections (Granovetter, 1983).

Summarizing our contribution, we show with our study that social capital and social networks play a role in every phase of the succession process. In particular, social capital can shape the entire succession process; for example, in a case where social capital is missing, the phase of nurturing and development of the successor takes longer or has to be performed again, in case another successor is selected (Le Breton-Miller et al., 2004), or if the social capital of the successor is needed, the succession timeframe can be shortened. These dynamics are illustrated in our overarching model. We argue that social networks can be used as a strategic asset and observe this especially in the *generation-gap-effect*. At the climax of combining networks, a structural fold occurs, and both actors have access to similar and diverse resources they can use to create knowledge or to access additional resources (Vedres & Stark, 2010). To use this asset, the transfer of network contacts from one generation to another is crucial. Social networks and social capital competencies may be a competitive advantage that is built during the business succession process. Thus, social networks have a strategic impact, which could be crucial for the long-term survival of the family firm.

3.5.1 Practical Implications

In addition to theoretical contributions, our study offers practical implications. We identified promoting as well as hindering factors of a successful network transfer and the creation of new social networks. We show that awareness and attention to social capital resources have an impact on structuring the succession process. There are opportunities during the succession, for example, to renew the network and use this time for the exploitation and exploration of individual social networks relevant for the family business. We also show that if successors have limited social capital of their own, this can or must be compensated through the adjustment of top management structures or key employees. Involved actors can learn from this study that during succession, focusing their attention on relevant external networks and not only on internal organization, can change the succession process and offer a time of renewal instead of a time of crisis in the family business lifecycle. With our overall model of the business network transfer during the phases of a planned succession, family businesses can handle the transfer of network contacts in a systematic way. One important fact our study highlights is that predecessors frequently know about the importance of their networks, but a well-planned transfer to the successor is often neglected. The findings regarding the shorter succession timeframe, in cases when new network connections are needed, are important for family businesses, as such new contacts could have an impact on the survival of the business during the process. Family businesses could use the model for planning a successive transfer of business contacts.

Our results regarding the *generation-gap-effect* show that in our cases, the networks of family businesses often include other family businesses. Family business networks can learn from this study that there are challenges in communication between the next generation and the former generation and that these challenges can hinder the next generation from reaching their potential. Integrating potential successors in an early phase of succession can support them in learning to speak the same language as the older generation (Astrachan & McMillan, 2003; Le Breton-Miller & Miller, 2015)

3.5.2 Limitations, Future Research, and Conclusion

Like any qualitative study, the present study has several shortcomings, the overcoming of which may be fruitful for further research. As mentioned above, qualitative studies can yield findings that capture how and why questions. With our study, we used this approach to conduct an in-depth examination of the phenomenon of network transfer during the intra-family succession process in German SMEs. We were able to identify patterns and concepts. However, it could be fruitful to conduct quantitative studies to empirically test the model and verify the propositions advanced in this article. As it may be a challenge to measure social networks, an explorative quantitative study of the transference of network contacts could be a starting point for future research. In one of the cases, we observed dysfunctional family relationships and had to remove this information from our analysis. Our definition of a family business was relatively narrow and did not integrate, for instance, family business groups (Della Piana et al., 2012; Torres et al., 2017), family businesses that are owned and managed by more than one family (Pieper et al., 2015), or family businesses with external managers (Chua et al., 2003). We further focused our study on planned successions only. We purposefully decided on a narrow definition and planned succession because we wanted to start with a smaller, more controlled type of family firm, and those who aspired to adhere to a process to facilitate comparisons and contrasts across cases. Hence, the findings from our study may not readily apply to other types of family businesses and those facing unplanned succession. Therefore, future research should add more complexity by analyzing other forms of family businesses.

Our focus on the individual as the unit of analysis rather than the use of a multilevel approach could also be criticized. Family businesses can represent an ideal context in which to study the fusion of a formal organization (the family business) and informal social structures (the family) (McEvily et al., 2014). Focusing on family social capital, family business (organizational) social capital and their connections and interdependencies could be very fruitful in future research. This would also offer the opportunity to focus more on the concept of structural folds (Vedres & Stark, 2010). Actors at the structural fold between family and business, for instance, might be critical in facilitating access to both the family and the business subsystems. Individuals in these positions may be critical not only for providing access to the various sub-systems but also for communicating with other individuals in each subsystem and harmonizing the subsystems, which is especially important in times of change and uncertainty. It is another limitation of this qualitative study that not every dyadic relationship (Gooty & Yammarino, 2011) was covered in the interview because interview partners did not wish to supply information about their counterpart or because counterparts (especially bank contacts) were not allowed to divulge information to the research team. One of the studies involved a team succession. In such cases, it would be important to discuss who transfers the network contacts to whom—for instance, is the first successor responsible because he is already in the network? In cousin consortia, this process becomes increasingly complex (Gersick et al., 1997). In the present study, only internal successions were analyzed (Steier, 2001). External managers may be subject to a more structured process because of the shorter timeframe, but it remains a possibility that they are only given network contacts that are regarded as important. Further research is needed to assess this situation.

Caution is also required when aiming to transfer the findings to other contexts, especially the findings regarding the relationship with the bank. This specific finding is influenced by the German or Western European context and could differ from the situation in other economies (Welter, 2011). This study also considers external network contacts based on the unit of analysis and the assumption of founder centrality (owner centrality in later generations) and is influenced by a firm size effect (Kelly et al., 2000; Steier, 2001). As mentioned above, there is a lack of quantitative research on network contact transfer—this also applies to research focusing on external business succession and, possibly, on comparison of both succession processes. In larger or more decentralized family firms, both the internal network balancing of social capital and the option to decentralize networking may be important resources in the succession process and should inform further research. The network might also be viewed as an exit strategy, for example if there is no internal successor, the business network contact could offer a possible buyer for the family business (MBI) (Scholes, Westhead, & Burrows, 2008).

In conclusion, understanding and explaining the relevance of social networks during the business process in family firms can be crucial for predicting the future of the firms. However, while the transfer of network contacts during internal business succession can be associated with a large number of benefits, it is also associated with challenges. For family firms, it is an additional component they must focus on during succession, which requires more time, resources, and attention. However, family businesses can use their individual timeframe for succession and thus can follow a structured process that enables them to use this time efficiently and effectively for their social network, as well.

4. Social Capital and transferring Network Contacts during External Business Succession – Who You Know is What You are?

Abstract

Analysis of the link between social capital and family businesses is a growing field in the area of family-business research. This paper provides an overview and delivers empirical results concerning social capital and social networks in the case of family external business succession. Although special forms such as family and organizational social capital and their influence on business performance and success have already been researched, there remains a missing link between social networks and external business succession. The successor needs insights and knowledge on the existing network structure for successful business succession and the survival of the business. It would make sense to integrate the transfer of social networks as a process into models of business succession processes. This paper includes an exploratory case study approach to develop propositions regarding the awareness and the modes of transferring social networks, thereby shedding light on how this kind of transfer works in the case of an external business succession.

4.1 Introduction

Research on family businesses is an increasing field, and it is becoming more important in general (Debicki et al., 2009; Sharma, 2004). The literature in this area offers specific information on different aspects of the subject, for example, special business structures, performance, top management teams, and business succession (Bennedsen, Nielsen, Pérez-González, & Wolfenzon, 2006; Chua et al., 1999; Hall, Melin, & Nordqvist, 2008; Le Breton-Miller et al., 2004). In recent decades, several family business researchers have provided an overview of topics that are the focus of family business research and revealed the need for additional research (e.g., Priem & Alfano, 2016; Sharma, 2004), especially on, for example, the different exit routes of family businesses (Dehlen et al., 2014; Kreer, Mauer, Limbach, & Brettel, 2015).

In the case of family business succession, transfer of ownership and management to an intra-family successor is often preferred (Lee et al., 2003; Schlepphorst & Moog, 2014). External succession is also an option for the survival of family businesses that is more applicable to Europe in recent decades (Dehlen et al., 2014; European Commission, 2006). Existing business succession models illustrate succession as a long-term, step-by-step process (Le Breton-Miller et al., 2004; Nordqvist et al., 2013) that confronts the family business as well as the family with many challenges (Handler, 1994; Kotlar & De Massis, 2013). During succession, either intra-family or external successors have to be selected and integrated (Handler, 1990; Royer, Simons, Boyd, & Rafferty, 2008). The process is finalized by the complete transfer of management and ownership and predecessor's departure from the business (Le Breton-Miller et al., 2004; Sharma, et al., 2001). There are indications that in some ways, intra-family and external successions differ, for example, in the duration of the transfer process or financial aspects (Halter & Kammerlander 2014; Schlepphorst & Moog, 2014). Moreover, the selection process of external potential successors differs because predecessors have to search for and evaluate them, whereas an intra-family succession offers only a limited pool of candidates (Bennedsen et al., 2007; Dehlen et al., 2014). Furthermore, potential intra-family and external successors need certain personal as well as financial backgrounds to purchase and manage an existing venture (Chrisman et al., 1998). Although several aspects of external business succession are studied nowadays (Durst & Gueldenberg, 2010; Scholes et al., 2008), there is still a need for more in-depth consideration of the process of transferring a family business to external successors (Scholes et al., 2008), especially reflecting the situation, in that more and more countries, of increasing transfers of family businesses to external successors (Bastié, Cieply, & Cussy, 2018; European Commission, 2006).

One of the challenges during business succession is the transfer of knowledge. The knowledge of the predecessor consists of many areas relevant for the family business and is often informal and tacit knowledge that must be converted into explicit knowledge to render it transferable in a structured way (Cabrera-Suárez et al., 2001; McEvily et al., 2014). One area of (informal and tacit) knowledge pertains to network contacts of predecessors that are relevant for the family business. The transfer of social network contacts is very important for the survival of family businesses and poses certain challenges (De Freyman et al., 2006; Dou & Li, 2013; Steier, 2001). Family businesses often interact with other family businesses in networks (Arregle et al., 2007; Classen, van Gils, Bammens, & Carree, 2012), and these relationships are often built up over the long tenure of family business owners. Social capital, with networking as part of it, is a very important factor that may have a deep impact on the success of a family business (Le Breton-Miller & Miller, 2015; Schmidts & Shepherd, 2015). Social capital encompasses not only the ability to network but also the generation of information within the relationships and use of network contacts to create value (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998; Putnam, 1995). In the case of social capital, it is necessary to note that networks are central components (Lin, 2001). While some studies deal with the transfer of network contacts during intra-family business succession (e.g., De Freyman et al., 2006; Schell, Hiepler, & Moog, 2018; Steier, 2001), the existing knowledge about transferring network contacts during external succession is insufficient. In contrast to intra-family succession, the time that the predecessor and the external successor have to work together is quite limited (Halter & Kammerlander, 2014); thus, the process should be structured to ensure successful transfer. A few studies deal with the turnover of CEOs and network contacts, but they focus only on management succession and not the influencing factors of ownership transfer (e.g., Cao, Maruping, & Takeuchi, 2006).

In order to obtain more information about the process of transfer, the reasons for an external transfer of a family business should be considered. There are several reasons a sale of a family business could take place—for example, the lack of a suitable intra-family successor, the loss of interest in the family business by the family, and monetary aspects or emergency situations (e.g., Dehlen et al., 2014; Hanney, 1986). The intentions of the former owner could have an impact on the duration of transferring the business and, therefore, the transfer of network contacts. Network contacts will be differentiated into two possible kinds of contacts (Kelly et al., 2000; Kontinen & Ojala, 2010). On the one hand, there are contacts directly connected to company issues, such as customer and supplier information, which are apparent in the company's documents and can be regarded as formal contacts (Adler & Kwon, 2002; Kontinen & Ojala, 2010). On the other hand, there are informal contacts, which are not apparent to the successor, such as personal contacts of predecessors (Adler & Kwon, 2002; Coviello, 2006), which may involve personal network contacts with customers and suppliers; knowledge about their background, preferences, and families; or making deals on a trustful basis, none of which is "written down in the books." Those contacts as well could have an influence on behavior in relationships, with a consequent effect on the family business because this knowledge about network partners could have influenced previous business decisions made by the owner. In discussing the formal and informal network contacts of family businesses, it becomes obvious that due to their importance and their effects, they should be considered during business succession processes (e.g., Zamudio et al., 2014). Moreover, it seems important to understand how, especially in the case of an external transfer, these business contacts could be transferred from predecessor to successor.

This paper contributes to the literature in several ways. Research into social capital and social networks is a growing field, not only in general management topics but also in family business research (e.g., Arregle et al., 2007; Nordstrom & Steier, 2015). This study provides insights into the connection between social networks and external business succession, thereby contributing to both research streams. As obtaining social capital and network contacts as well as business succession could be considered processes, this paper contributes to the literature by offering a framework based on an exploratory multiple-case-study approach for handling social networks in an external succession. Furthermore, as external successions are currently less analyzed than intra-family successions but are assuming greater importance in family business research and are more relevant than ever in practice (e.g., Dehlen et al, 2014), this paper offers insight into possible directions for further empirical research and provides advice for successful family external transfers.

The aim of this paper is to provide insights into the existing literature concerning social capital in the context of family businesses succession to show early empirical results regarding social network transfer in external succession routes and indicate where more research could be necessary. The paper is structured as follows. First, a short overview of family business succession research will be presented. This part focuses on literature pertaining to external succession as a particular form of succession in family businesses. Second, the theory of social capital and social networks and their usage in the context of family businesses will be illustrated and discussed. As social capital is more often an object of study in entrepreneurship research than in family business research, it will be useful to adopt some studies from this research field because of the general possibility of viewing a successor as a special kind of entrepreneur. This is especially true in cases of external succession, when the successor could be considered an entrepreneur. Having analyzed and discussed the status quo in the literature, a model for integrating social network transfer into the family business succession process will be developed based on the insights of a multiple-case-study approach. Finally, the results and the different research streams will be combined to gather topics for future research.

4.2 Theoretical Background and Status Quo

Research on family business succession mainly focuses on intra-family successions for different reasons, for example, the marked preference for intra-family successors (Lee et al., 2003). Another important reason regards family business definitions, which include the transgenerational aspect of the family (e.g., Chua et al., 1999) and mostly exclude transfer to family external successors. Should a family business be sold to an external successor, it often loses its status as a family business as the founder family no longer holds any shares and, therefore, it no longer fits most of the relevant definitions in the literature (Ucbasaran et al., 2001). In this analysis, an external business succession is understood as a management buy-out (MBO), a management buy-in (MBI), or an employee buy-out (EBO) with transfer of management and ownership (Scholes et al., 2008). Other forms will be not integrated into our model of external business succession for one primary reason: transfer of management and ownership must be analyzed in a context of transferring social networks. If we consider other succession forms, such as mergers or acquisitions or transformation of a business into a foundation, the nature of the relationships between individuals could not be specifically analyzed. Furthermore, if a family business were transferred to a natural person, it could be assumed that the business would be a family business again in the future as ownership and management would be, after the transition, in the possession of a new family. In Chua et al. (1999, p. 25), a family business is defined as "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families." If an external successor is the owner and manager, the business will continue with a similar vision and long-term orientation; thus, the basis for a family business will still be still in place. Following this assumption, a transfer to an external successor does not necessarily mean that a family business must lose its status as such (Hall & Nordqvist, 2008).

When analyzing external successions, wherein the successor could be considered an entrepreneur, the integration of some aspects of entrepreneurial research is necessary (Parker & van Praag, 2010); in this field, studies underline the relevance of the social capital of entrepreneurs as it bears on the success of new venture creation (Baker, Gedajlovic, & Lubatkin, 2005; Gedajlovic, Honig, Moore, Payne, & Wright, 2013). Therefore, the succession process should be considered an entrepreneurial process from the successor's view (Habbershon & Pistrui 2002; Nordqvist & Melin 2010; Nordqvist et al., 2013). As was mentioned above, there are differences between intra-family and external business successions. Especially in the case of external successors, predecessors obviously have to search for those individuals and evaluate them to a much greater degree relative to intra-family successors. External successors have to find a business they are able to run and where their own norms and values might be integrated without causing intra-organizational conflicts or dissatisfaction (Parker & van Praag, 2010). Another crucial aspect is the duration of the business succession process since external succession is usually shorter than intra-family business succession (Halter & Kammerlander, 2014). The literature on external family business succession often focuses exclusively on management succession and neglects ownership transfer (e.g., Young & Tsai, 2008). Nevertheless, intra-family and external business successions also have some similarities as both are a process with different phases that take place over a specific time frame.

Nordqvist et al. (2013) offered a model of the succession process that deals with organizational, interpersonal, and individual levels; therefore, it is a concept that includes all the primary participants in the business succession process. They differentiate among four steps in transferring a business: the start-up process; the process of owning and running a business; the management succession process; and post-succession. Nordqvist et al. (2013) consider succession to be an entrepreneurial process, and their concept will be used as a basic framework for different reasons. First, it can be applied as a model with several participants and their varying functions within the process of succession. Furthermore, it is possible to consider the possibility of external succession. At the very least, within this concept, it seems to be possible and useful to integrate the changing processual networks not only of the individuals but also of the organization. This is a distinct advantage, as succession as well as the transfer of social networks are processes. Modeling this scheme in the context of transferring network structures will be part of this analysis.

To analyze if and, especially, how social networks can be transferred in the process of external family business succession, an overview of the different research streams in the literature regarding social capital and networks is necessary. Different definitions of social capital that delineate several aspects of the use and establishment of social capital have been discussed in recent years. Bourdieu (1986) was one of the first authors to undertake a systematic analysis of social capital. He defines it as

> the aggregate of the actual potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition—or in other words, to membership in a group—which provides each of its members with the backing of the collectivity-owned social capital, a "credential" which entitles them to credit, in the various senses of the word (Bourdieu, 1986, p. 248).

Lin (1999) proposed a network-based approach to social capital. He defined social capital "as resources embedded in one's social networks, resources that can be accessed or mobilized through ties in the networks" (Lin, 1999, p.35). This view of social networks in the context of social capital is of great importance when analyzing the external business network during a succession process.

Social capital can be considered on several levels, for example, the organizational level (e.g., Leana & van Buren, 1999), group level (e.g., Oh et al., 2006) or individual level (e.g., Steier, 2001). On the group level is family social capital (Arregle et al., 2007; Bubolz, 2001; Carr et al., 2011; Salvato & Melin, 2008), which exists within the relationships of a family and cannot be hired or imported; it is based on moral infrastructure, meaning the structure that encourages norms of conduct (Hoffman et al., 2006; Sorenson & Bierman, 2009). Studies of family social capital show that this could create values in family businesses over generations (Salvato & Melin, 2008) and could have an influence on performance (Sorenson et al., 2009). Studies of organizational social capital (Arregle et al., 2007; Danes et al., 2009) offer insights into how management practices could influence organizational social capital (Chuang et al., 2013) as well as performance (Carr et al., 2011; Tantardini & Kroll, 2016). Social capital can create added value at both the intra-organizational level and the interorganizational level (Arregle et al., 2007). Individual social capital is an important complement to the other forms of collective social capital and can create further benefit for organizations (Davidsson & Honig, 2003; Leana & van Buren, 1999). Payne et al. (2011) developed a matrix that differentiated four types of social capital: individual or collective and internal or external. The authors reviewed management field research from the perspective of social capital to show how and on which levels social capital is examined and offered distinctions for further research on more than one level (Payne et al., 2011).

Other aspects observed in the literature from the perspective of social capital include the process and content perspectives. The process perspective refers to four dynamic factors (stability, interaction, interdependence, closure) that influence the development of social capital (Nahapiet & Ghoshal, 1998). Arregle et al. (2007) focused on this perspective by analyzing family and organizational social capital in family businesses. The content perspective includes three different dimensions of social capital: structural, relational, and cognitive (Nahapiet & Ghoshal, 1998). The structural dimension refers to the “overall pattern of connections between actors” (Nahapiet & Ghoshal, 1998, p. 244). The relational and cognitive dimensions refer to the behavior of actors within the network. The relational dimension refers to aspects of the results of connections over time, such as trust and trustworthiness, norms, obligations, and identity. The cognitive dimension includes aspects regarding the shared vision, interpretations, language, and culture of a group (Nahapiet & Ghoshal, 1998; Pearson et al., 2008). In general, this content perspective—or at least one dimension of it—is often used in cases of analyzing social capital in family businesses. For example, Salvato and Melin (2008) focused on the structural and relational dimensions, Shi et al. (2015) analyzed the role of trust as an aspect of the relational dimension of social capital in entrepreneurial family businesses, and Sanchez-Famoso et al. (2014) as well as Cabrera-Suárez, Déniz-Déniz, and Martín-Santana (2014) examined the structural and cognitive dimension of social capital. In general, the dimensions refer to the existence of a network and participants within these networks. Therefore, these dimensions could be used to analyze the behavior of the actors involved in succession transfer on an individual level as individuals are the building blocks of networks.

Granovetter (1973) describes differences in the strength of linkage between personal relationships, arguing that strong and weak ties exist. Factors such as spending time and intensity of emotional connection are elements that can be used differently in those kinds of ties. Bonding and bridging social capital are two more important research topics in this area (Adler & Kwon, 2002; Lin, 1999; Payne et al., 2011). While bonding refers to relationships within a collective, for example, trust and associability in a family business (Arregle et al., 2007), bridging social capital encompasses activities of individuals aimed at extending an external network (Burt, 1997; Lin, 1999).

Although there are an increasing number of theoretical and empirical studies regarding the social capital in family businesses, few papers deal with social capital in the context of family business succession as a main focus of research. Most of the studies dealing with social capital and social networks focus on the transfer of social capital in the context of intra-family business succession and neglect external successions. Steier (2001) was one of the first authors to analyze the modes and means of managing social capital during an intra-family business succession. Based on a conceptual framework related to the foundations of social capital theory, for example, that of Nahapiet and Ghoshal (1998), Granovetter (1985), or Burt (1992), he examined how social capital is transferred to the next generation in family businesses. To analyze the modes and means of managing social capital, he conducted a qualitative study with eighteen participants, who were interviewed. Additionally, he collected secondary data from reports and company publications. Steier (2001) distinguished four modes of transferring social capital: unplanned and sudden succession; rushed succession; natural immersion; and planned succession and deliberate transfer of social capital. In cases of planned succession, his participants knew the importance of social capital and the transfer of network contacts. His results also demonstrate—especially in cases of unplanned and sudden successions—the necessity of documenting every important network contact of the business to ensure a successful family business in the future. How to handle this is a potential topic for prospective research. Regarding the means of transferring social capital, Steier (2001) offered seven aspects: deciphering existing network structures; deciphering the transactional content of network relationships; determining criticalities; attaining legitimacy; clarifying optimal roles; managing ties through delegation and division of labor; and striving for optimal network configuration and reconstituting network structure and content. These aspects could also apply, to some extent, to modes of external succession as the successors must be integrated into the existing network and the transfer must be managed. Another study (De Freyman et al., 2006) examined the link between intra-family business succession and social capital transfer. The main objective was to explore the condition of transferring social capital based on semi-structured in-depth interviews. By using three overlapping cycles (the first-generation founder, natural heir, and first-generation social partners), this model illustrates zones (the social distrust zone, cognitive dissonance zone, generational conflict zone, and optimal transferability zone) between the overlapping systems. The authors briefly describe the primary characteristics of each zone and the reasons for potential conflict within them. This study offers some hints for future research, for example, how the zones can be transferred to external business succession, or how conflicts or problems in each zone can be reduced. A study by Dou and Li (2012) dealt with social capital and the succession process by focusing on a special kind of social capital in China called *guanxi*. The authors analyzed the role played by *guanxi*, a special network of personal contacts that influences almost all decisions of individuals in China, in family business succession based on six family firm case studies. On the basis of four phases—preheating, triggering, readjusting, and reconstructing—Dou and Li (2012) showed how business succession influences the business network, which parties of networks are affected, and how networks overlap with each other. This study offers special insights even though, admittedly, in other countries, a similar network structure does not exist; however, personal networks of family and friends may have a significant impact on individuals and their decisions and behavior. A further study focused on drivers affecting the choice of successors and the impact of this choice on the entrepreneurial behavior of siblings (Bizri, 2016). The research uses a case study of twelve family businesses in different industries and of different sizes. Bizri (2016) examines the drivers of selection by referring to structural, cognitive, and relational dimension, revealing that all of them have an impact on choosing the one successor. This research focus could also be relevant to the selection of external business successors because, although the choice of successors, in this case, depends less on "family ties," it may depend to a greater extent on other components of the context of social capital, such as the perceived similarity of a candidate's personality to that of the predecessor, trust, or evaluations of shared visions for the family business.

Studies of social capital in the context of external business succession are quite rare. Nevertheless, as mentioned and explained earlier, the external successor can be considered a kind of entrepreneur (Durst & Gueldenberg, 2010). Research on entrepreneurship and social capital has increased in the last few years, and some provides implications for the context of external succession. Some of these studies focus on the individual level because the entrepreneur herself or himself is the central focus (e.g., Stam, Arzlanian, & Elfring, 2014); others focus on the group level, where the entrepreneur is embedded in relevant network structures (McKeever, Anderson, & Jack, 2014). The entrepreneur's social capital influences entrepreneurial discovery and is positively related to exploitation, which moves the process of new venture creation forward (Davidsson & Honig, 2003; Nieto & González-Álvarez, 2014). Those studies do not explicitly differentiate between creating a new venture and buying an existing business. External successors have to find a business that matches their competences and experience as entrepreneurs during new venture creation (Westhead, Ucbasaran & Wright, 2009; Davidsson & Honig, 2003). Here, social capital can be an important factor in the process. Another focus in entrepreneurship research is how networks should be structured, that is, with strong or weak ties (Granovetter, 1973) or with bridging and bonding social capital (Adler & Kwon, 2002; Lin, 1999). Granovetter (1973) and Burt (1992) argued that weak ties are important and functional as they provide access to additional information. Strong ties and weak ties both have an impact; thus, they should be combined so that the relation between them can change over time, for example, stronger ties at the starting point and more weak ties at the growth stage (Hite & Hesterly, 2001). In the case of external business succession, these ties can be interesting aspects to analyze. The successor may not have strong ties in relation to an existing business; however, there might be a possibility of implementing new ties in its organizational network. Another aspect is when the existing business network is based on the owner's relationships. Strong ties, for example, within the family might not be transferrable as strong ties but maybe as new weak ties. The composition of the existing business network should be analyzed by the external successor. Research must consider how this could influence the success of external business succession.

In sum, social networks in business succession processes offer a huge range for research. As all of the above-mentioned studies provide initial insights into specific forms of social capital either in family business research or in the field of entrepreneurship, there remains a missing link, namely, the social networks in external business succession processes. To fill this gap, it is necessary to obtain an overview of the behavior of actors involved in external successions. The role of predecessors and successors, especially in external successions, must be analyzed from the perspective of how they can influence and improve the transfer. Another aspect concerning the dimensions of social capital is the influence of trust in succession processes and how external network partners act if the owner, and therefore their contact person, changes. Therefore, this study aims to extend the findings of the existing literature by addressing the following overarching research questions: *Are the involved actors aware of the importance of their network and do they understand the need for transfer to ensure the survival of the family business? How can an* *external successor be introduced and integrated into the existing (trustful) social business networks of the predecessor and the family business?*

4.3 Method

Given the lack of deeper insights into social networks during external succession processes and the complexity of these research aspects, an inductive and exploratory case study approach was chosen (De Massis & Kotlar, 2014; Eisenhardt, 1989; Yin, 2014). This approach could be used to shed more light on the phenomena of how the actors deal with social networks among one another, how they interact with the network partners, and how these interactions might be integrated into the transfer process of a family external succession.

The level of analysis in this paper could be defined as the individual level as the behavior of predecessors and successors are the focus. Based on our research focus on external successions, the underlying cases must fulfill certain criteria. For example, the transferred businesses must be classified as family businesses. For this study, a business is seen as a family business if: (a) at least 50% of the business is owned by one family or a few families, (2) at least one family member is involved in management, and (3) there is a willingness to transfer the business to the next generation (Barnes & Hershon, 1976; Chua et al., 1999; Leach et al., 1990). As this study focuses on external successions, the transfer to the next generation should not be intra-family, meaning that all forms of successions based on any kind of family relationships will be excluded. There are different possibilities regarding external successors. They could be former employees, individuals completely unknown to the company, or people known from the external networks of the businesses, such as suppliers, customers, or competitors. A key aspect, however, is that the new owners are natural persons who wish to continue the company as a family-owned business and who have a significant influence on the company's long-term orientation through their actions. This study is based on a heterogeneous sample. The family businesses are in different industries and the routes of succession vary. We use this sample because we want to offer an overview of general behavior regarding social network transfer in external successions. The cases are shown in Table 6. A total of

12 companies with 25 interviews were gathered for this analysis. Family businesses can be classified as small or medium-sized enterprises, which is useful to keep in mind in the context of owner centrality and the assumption that the network contacts must be transferred from the predecessor to the successor. Most of the cases have already finished the succession process. This is helpful because we can gain deeper insights into the phases after succession and how the participants evaluate the transfer of networks after succession while managing the business on their own. For comparison with these evaluations, we can use their statements made during successions. The time frame ranges between no working time together and 15 years, whereas most of the cases involve a collaboration of one to five years.

The collected data from the semi-structured interviews were transcribed verbatim, coded, visualized, and finally, analyzed. The interviews included questions about the business, the business succession process, and the handling of social networks during this process (see extract from the interview guidelines in Appendix B). As the businesses were in different stages of the process, the questions have therefore been slightly adjusted to reflect the current situation in the best way. The primary data were supplemented with secondary data, e.g., sector reports or further information from the companies (Miller et al., 1997). Furthermore, in addition to the interviews with company personnel, expert interviews were also conducted. This was done for two reasons: first, knowledge about social networks and external succession is still scarce, so we used these kinds of interviews to obtain a deeper understanding for development of the interview guidelines; second, the expert interviews were used to compare the findings and the answers of both directly and indirectly involved actors (consultants, etc.) to ensure that the case studies used were representative.

Table 6: Overview of Case Studies

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	Case 11	Case 12
Industry	Medical office	Bookshop	Electrical engineering	Tool manufacturer and retailer	Electrical retailer	Electrical online retailer	Engineering	Vehicle repair shop	Engineering	Hotel	Insurance broker	Specialized shop for mattresses/beds
Number of employees	4	2	ca. 60	ca. 30	6–8	8	20	0	ca. 140	3	3	ca. 10
Generation	2	3	3–4	2	1–2	2	2	3	2	3	2	3–4
Number of interviews	3	3	2	3	3	2	1	1	1	1	2	3
Transfer of ownership started	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No
Transfer of ownership completed	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No
Leadership position of successor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
(Duration of) Collaboration between predecessor and successor (before and after transition)	1–1,5 years before	No collaboration	No collaboration before transition; predecessor is employee since transition	SUC 1: 5–6 years before SUC 2: 1,5 years before	15 years before	1,5 years before	2 years before beginning ownership transition	No collaboration before; now sometimes	14 years before	4 years before	18 month are planned	5 years before
Specifics			Acquisition in insolvency proceedings	2 predecessors and 2 successors	Leadership with owner together			Reduction of employees (5) before transition because of planned liquidation				

Source: Own illustration.

Following the approaches of Eisenhardt (1989) and Yin (2014) and with the intention of building an explanation, we categorized our data in a first step and used our insights and general knowledge of social networks and family business succession to generate propositions. Using this method, we started our analysis by reading the first case study, looking for aspects regarding the individuals, the business, and the networks. We clustered the answers in categories and compared the findings to the subsequent cases. As we found new aspects, we started again with the first case to search for these aspects. After doing so with all the interview data from the businesses and comparing the results with those obtained from interviews with succession consultants, we clustered the obtained answers in (sub)categories, for example, *awareness (of predecessor and successor)*, *introduction of successor in networks*, *former experience of successors*, and *role of employees or trust.* These subcategories will be shown in detail in the next section and clustered around the main categories, formulated into propositions, and integrated into an overall process model.

4.4 Findings

In this section, the main findings regarding social network transfer in external successions will be presented and analyzed. By using identified patterns in the interview row data in a cross-case analysis and then combining them, propositions will be derived. In the following section, the information garnered from the cross-case analysis is visualized in a business succession process model that was developed based on the process model of Nordqvist et al. (2013).

4.4.1 Analysis of Patterns in External Successions

In analyzing the raw data of our interviews, we followed the explanation building approach of Yin (2014). Based on this analysis, we found 13 patterns pertaining to social network transfer in external successions. It was possible to cluster these subcategories in four main themes: successor-related factors, predecessor-related factors, transfer-related factors, and influencing factors in general (Table 7).

Table 7: Overview of Patterns and Main Themes

Subcategories	Main themes
motivation of successor	Successor-related factors
former experience of successor	
personality of successor	
awareness of important networks of successor	
personality of predecessor	Predecessor-related factors
motivation of predecessor	
awareness of important networks of predecessor	
modes of network transfer	Transfer-related factors
introduction of successor in existing network	
exploration and exploitation of network	
employees as source of information	General influencing factors
trust	
challenges	

Source: Own illustration.

We found no indications in our data that any of the predecessors were unwilling to transfer the business network; therefore, we assume that the willingness to transfer the network, in general, is a given. The same assumption is made for the successor. In all cases, we find evidence for the general willingness to take over the important network contacts of the business.

As an initial step in analyzing the transfer of social networks, it is important to find out if the predecessors are aware of their network and if they evaluate it as an important success factor. The awareness of successors of social capital and networks is also of interest because it may be the starting point for an inclination to adopt those contacts of predecessors. To carry out this analysis, we focus on statements in the categories of *awareness of/knowledge about important networks* of predecessors and successors. Most of the interviewed predecessors indicated aspects of their network as general success factors, such as customers or suppliers. The general awareness of the importance of social networks is a given in most of the analyzed businesses as demonstrated by the following statements:

> *PRE_4: "It has been a few years that we have needed it, good luck and also many good relationships, connections, so that this first of all stands. And these are connections where you can rely on each other. A stranger can't destroy that."*
>
> *PRE_12: "We already have a number (network partners) with whom we have been working for a long time, because it works well".*

Furthermore, most of them argue that networking is a factor in daily business, but it could be more or less implicit. This could be influenced by industry, as one predecessor mentioned: on the one hand, there is the importance of customers and, on the other hand, the specific behavior of customers in the retail trade (walk-in customers), which is not highly dependent on specific customers.

> *PRE_ 2: "In retail, you basically live from the large number of customers because a customer can die, can move away, or break away and you cannot replace him or her again at short notice. So, it is important to have a very broad clientele. Of course, there are also customers that you value highly and that you see as very important because of their purchasing, but you cannot specialize in these important customers. But, you have to treat them well."*

The predecessors know, for the most part, that their relationships to external network partners are often part of the founder and/or owner centrality of their businesses. Statements regarding the *personality* of the predecessor as well as similar characteristics support this assumption:

> *PRE_1: "Those are personality businesses. They depend on the person."*
>
> *PRE_11: "There is a lot of personal contact required; there are sometimes personal friendships that develop with the management and the owner of the company."*

It is not only the predecessors who are aware of the importance; the external successors made statements to the same effect and are aware of the general importance of networks.

> *SUC_9: "In my opinion, being well networked is an essential part of being successful in the business field and being able to develop. As the saying goes: relationships only harm those who do not have them."*
>
> *SUC_12: "No business can do everything itself, i.e., you have to have extremely good partners and extremely good networks to be successful. On which you can rely and with which you can achieve goals together. [...] This must really be based on trust and many years of experience."*

The mentioned importance of networking, in general, is fundamental for handling network contacts in external business succession. If the time frame is short, the successors have to adopt the network of the predecessor as soon as possible. Some successors stated that a longer time frame is important if the business network depends on personal contacts that must be adopted in a special environment, such as small towns or villages, where people prefer to do business with known people.

> *SUC_5: "I still think it's important that the person is there (in business) for a while, that the customers all know him, because it's useless to hand it over to someone who's just a year or two involved and doesn't know most of the people yet because here in particular, in the village, it's more like that people just come in here because they know you."*

One very interesting aspect regarding the external successors is that in some cases, the social network of the business seems to be a reason for buying a business instead of starting a new venture.

> *SUC_4: "Otherwise, we could have founded a completely new company. So, it was important that we maintain this, this chain, this network, in principle."*
>
> *SUC_7: "My idea was to take over an existing company because it was clear to me that the moment I started from scratch; I had no market, no concept, no idea. [...] But, I had the prerequisite to take over something that already existed, something that had been introduced to the market, with the ambition to observe and develop it."*

In summary, the general awareness of the importance of networks is evident on both sides. The motivations of the successor or the reasons for the decision to buy a business instead of founding a new venture may depend on the industry. As the cases of succession in the retail trade and medical offices show, the structure of the customer base is very volatile and must not rely on special connections to customers. In contrast, in sectors such as engineering, a client network is evaluated as more important. Regarding the mentioned aspects, the following proposition is postulated:

Proposition 1: Predecessors as well as successors are mostly aware of the importance of business networks. The existing network can be one reason that a successor decides to take over an established business in some industries.

The involved actors knew the importance of networks and provided some statements regarding their *motivations*. There are some indications that motivation influences the transfer, for example, when the predecessor is interested in ensuring the survival of the family business, meaning that the focus is not only on financial goals but also on emotional goals.

> *PRE_1: „For the transfer to take place in such a way that the patients will continue to receive proper care, you must have someone with a qualified education, who handles the patients properly, and who gets along with the staff and the staff with him."*

The network transfer could be influenced by the behavior of the predecessors, which is connected to their motivations. Here, there are different patterns which could be identified. Predecessors could influence the *introduction of the successor in the existing network.* In most cases, the predecessor informed the network about the succession process and took care of that they had the possibility to get in contact. Although the willingness to introduce the successor and the awareness of the importance is given, the process seems, in most cases, to be more or less intuitive and unstructured (*modes of transfer*). Nevertheless, we found some hints in our interviews that the transfer is carried out in a strategic and formulized way, even though no guidelines were written down or fixed in detail.

PRE_6: "We did this together. Immediately after it was clear that he would take over, we drew up a joint letter and also made some telephone calls and gave the suppliers the feeling that the positive things would remain, but that there were clear opportunities for growth. This was also very well received by the suppliers. So we [...] had no difficulties at all with the changeover. We had a time when we took care of it very intensively because that is also very important."

PRE_11: "Is it so that I accompany this transition process for a certain time. That's very important in our area, because it's about personal contacts, so an 18-month accompaniment of the whole process is planned. I accompany this process by visiting all customers together with my successor in the first year. And then, these famous annual meetings, which we do in the industry, together with him. And then, I'll communicate the information that there will now be a change. [...] In the second year, I would then only go to the five biggest ones with the most commission. And then it's good. Then I am finished with it."

Case 1 shows a special form of introducing the successor. They did a special event for some of the network partners to present the successor.

SUC_1: "[...] the opening event, which we had, where, of course, the colleagues were invited. This made it easier to start participating in the network and, in principle, I didn't experience any difficulties. Also, on the behalf of the network partners, I was welcomed there with very open arms and was immediately trusted so that this integration was very pleasant and easy."

Although they arranged this special event and the successor evaluated it as a good starting point, the predecessor stated in his interview that the transfer did not work in the best way.

PRE_1: "To what extent have you passed on the contacts you've made over the years to your successor?" "I tried that, but it didn't work. The customer structure has changed significantly."

As the special event was not for customers and the predecessor refers to the group of customers, it is possible that the network transfer of other groups worked better.

The willingness to spend time introducing the successor to the predecessors' network and the motivation of predecessors and successors to ensure the survival of the family business with similar visions could have a positive influence on the transfer of the network. In line with this, the next proposition is as follows:

Proposition 2: The motivation and therefore the behavior of predecessors and external successors in handing over and taking over the existing network influence the structure and intensity of network transfer.

Our data analysis revealed indications that the personalities of the involved actors could influence different aspects of the transfer of networks. Shared opinions, values, and ways of interacting could influence the general process of succession and the network transfer process. Similar personalities as well as similar interests in the context of the continuity and survival of the family business could be the basis for external successions if the predecessor is interested in keeping the family business healthy after leaving. If the predecessor and the successor are pursuing the same goals and are well-disposed toward each other, this could be a good starting point for a successful transfer of networks.

> *PRE_6: "I have the impression that I and my successor agree on many points, [...] company philosophy, assortment design. And, my successor has adopted many of my ideas. We did not have any generational conflict. I think we both value each other and get along very well with each other, so we were very lucky with this business succession."*
>
> *SUC_7: "The situation is such that I am fortunate to be able to say that [...] we have almost the same interests. That is, if the chemistry is right and the soft factors are right, the hard factors are, of course, more easily eliminated."*

Furthermore, during the succession process, the network could change because of the *personality* of the actors or a new strategic direction of the business. The successors know the importance of adopting the network as a first step and that the existing network must be informed about the successor. However, we also see interest in the integration of new network contacts (*exploration and exploitation*), especially where strong ties depend on the person of the predecessor.

SUC_6: "You have to do both; it cannot be done alone. So, I do not come from the area, and I have now also taken over a network here in which I have to deal with that network. And then you have to build up new networks in other areas [...] There you have to see to it that you keep it rolling. Only with one area it is just difficult."

SUC_1: "The overwhelming majority, an estimated two-thirds to three-quarters, I would say now, have accepted the change, the restructuring which I have undertaken, very positively and continue to come here gladly. The rest decided to leave for understandable reasons, for example, distance from the practice or other possibilities closer to home. Another thing was that the former contact was rather tied to the person of my predecessor. That one has remained faithful to the predecessor and has now used this change to reorient himself."

After the transition is completed, it is possible that the predecessor could influence the acceptance of successors through network partners. In one case where the predecessor and successor did not work together before the transition of management and ownership, the predecessor did not find a successor for a long period and decided to liquidate his business a few months before he met the later successor. He dismissed all his employees at that moment and informed a huge number of his customers that the business would not be continued. After finding a successor, he reactivated most of the former customers and tried to help the successor to rebuild the business network.

SUC_8: "He also helps me with the customers. When his former customers come here, he puts in a good word for me. And that matters."

In a few cases, we found patterns that the predecessor knew the importance of changing the network over time as it must fit the successor. Changing the environment could also be a requisite for the *exploration* of networks.

PRE_6: "In the initial phase, I would, of course, continue to use the existing ones, but with the rapid changes that exist today, a successor will not be able to avoid building up his own network."

To summarize, we found some interesting aspects regarding the personalities of predecessors and successors that are relevant in succession. Most of the interviewed persons who worked together during the succession process mentioned that similar personalities are an advantage. Furthermore, we argue that personality influences the transfer of networks or the willingness to transfer and to adopt the network as the involved actors are possibly willing to invest more time in introduction. The successors adopt, in a first step, the existing network, as this may be a reason for the takeover decision, and start to explore the network at a later time. Following this line of argumentation, the next proposition reads as follows:

Proposition 3: The personalities of predecessors and successors influence the transfer of networks and the later behavior of successors regarding the exploration and exploitation of networks.

In some cases, we found indications and statements to the effect that the transfer of networks did not take place. We analyzed how the successors handled these cases and looked for evidence for influences on the (lack of) success and the evaluation. In one case, the successors stated that they were not conscious of the absence of the transfer until they talked to former customers and that the omission of the transfer was justified on both sides. In this case, the predecessor and successor did not work together. With regard to the statement above about the special situation regarding customers in the retail trade, perhaps awareness of the transfer was not seen as an important aspect.

> *SUC_2: "You also said that almost nothing was handed over. Did he consciously not hand it over?" "No, at least not to harm me or anything. We just didn't think about it. I rather [...] stumbled into it, and happily dared to go there. It wasn't intentional. It was rather the other way around. Very funny that the customers then said, 'I'm certainly still in the customer file.' And that's when I first noticed that I didn't actually take any customer files or get them handed over somehow."*
>
> *PRE_2: How did the successor find his way around the corporate network?" "Since I left the store, I haven't been there and haven't talked to my successor. But, from what I hear from former customers is that she does that well"*

The *former experience of the successor* in the industry or the business itself can reduce the problems and risks associated with missing aspects of network integration. Especially in Case 2, where the actors involved spent no time together in the business and the network information about customers was not transferred, we can see that the successor evaluated her former experience with regard to creating new networks as an advantage. Furthermore, as she decided to restructure the arrangement, it is possible that she was not so interested in being introduced to the existing network.

> *SUC_2: "Another big advantage is that I had been in a bookstore for almost 30 years and that I already knew an unbelievable number of representatives, which I integrated here again because my predecessor didn't really work with representatives at all."*

However, it was not only in cases of missing transfer that former experience could be of advantage. The successors who worked in the family business before a transition mentioned that they already knew important contacts because of their former position.

> *SUC_9: "Because I had been the sole managing director for four years, I had a corresponding network."*
>
> *SUC_10: "I was already employed here before. I knew the contact already."*

In another case, although predecessor and successor worked together, the predecessor stated that after his leaving the business, the *employees are important sources of information* for the successor.

> *PRE_1: "The employees stayed at the beginning, thank God, so that there was a basis for information for my successor if he did not know something."*

Especially in cases where the succession takes place at a critical moment, as in Case 3, where the transfer took place during insolvency, the employees are not only a source of information but can also help to renew the relationships. In this case, the employees are very important as they are able to evaluate former processes and offer insights if there are difficult circumstances before the transition.

> *SUC_3: "We had only a few contact persons that were able to check the things that had happened in the past. This means that you have to process old things more or less with the staff that still exists."*

Following the insights obtained on the behavior and possibilities of missing or incomplete transfer, the next proposition is formulated.

Proposition 4: If the predecessor does not transfer the business network, former experiences in industry as well as employees as sources of information can close the gap.

By analyzing the cases, we found that the general influencing factors of network transfer followed certain patterns. The *challenges* could be rooted in personal or business-related factors.

The *announcement and introduction of successors* are just as important as the transfer of all network contacts. In some cases, the transfer is limited to only certain groups. For example, in Case 1, they organized a special event to introduce the successor to only one business network, and the customers are less integrated into the transfer. We found similar behavior in Case 4, where the customers were transferred during mutual working time, but they forgot to inform the suppliers in an appropriate way. Forgetting to pass on network contacts could occur if the transfer is not planned in a structured and written-down plan. This could occur as a result of the implicit and tacit knowledge of the predecessor and does not mean that there is necessarily an unwillingness to assist with the transfer. The predecessor in Case 4 mentioned that the omitted transfer and, especially, the omission of information about suppliers was a mistake.

> *PRE_4: "So the suppliers have not been informed at all?" "No, that was a mistake in my view [...] I once wrote to a long-time supplier, he told me, he was dumbfounded that something had suddenly changed in our business."*

The interview partner in Case 3 (which entailed the insolvency) described another general influencing factor and challenge. The partner stated that special challenges occurred because of *trust* among actors. In such cases, the successors have to rebuild the trust that existed in the former relationships. This could be a high-risk endeavor as the successor does not know whether the network partners are willing to start a new relationship because of bad experiences or even financial losses. Perhaps in such cases, it would be better that the introduction not be handled by the predecessor because of past experiences; however, the predecessor could help by identifying network partners and offering insights into former contracts and business data. It would be also helpful for the successor to be informed by the predecessor about specific problems that occurred in the past. In this case, the successor could use the information to decide how to interact with these contacts and whether trying to build up a new business relationship is feasible.

> *PRE_3: "At the business level, a supplier, even if it is the same company ... first of all, this trust must be reestablished so that you will not become unfit for business again."*
>
> *SUC_3: "What happens again and again is that you get in contact with customers who have not always been quite well-disposed toward you, perhaps because past business relationships were not conducted as they could have been. And then, it's not easy to tell customers that you have nothing to do with the mistakes and financial losses that happened in the past. The name has stayed the same and so has the memory of a partly bitter flavor that someone has made losses. And then, it is very difficult to rebuild trust."*
>
> *SUC_3: "This (loss of confidence) certainly existed. We weren't so aware of this before, but in a high percentage of all cases, there was distrust and loss of trust because, both financially and technically, customers or suppliers suffered losses due to the poor economic performance of the predecessors. For them, it is at first projected onto the successor because the name of the company has remained the same."*

As shown, there are different influencing factors that could have an impact on the relationship with external network contacts. These factors could depend on personal as well as on business aspects. In light of the statements and the explicitly named challenges above, the following propositions have been formulated.

Proposition 5a: Failing to announce the arrival of a successor in a business network can have a negative influence on network partners.

Proposition 5b: The economic situation of the business before succession can have a negative influence on network contacts and the transfer of trustful relations.

In most cases, the interview partners knew that business relationships are sometimes based on trust and mentioned how important this could be for business success. Therefore, it is important that external successors are integrated into networks and that the potential of loss of confidence be reduced as much as possible. Only predecessors can achieve this. The willingness to work together, to help each other, and to transfer contacts may be explained by the personalities of the actors. Therefore, the transitions might be easier if they have a common basis regarding doing business. Predecessors as well as successors stated that this is not only important in transitions but also could be the reason the external successor was chosen and, therefore, the basis for the whole succession process. The following extract highlights this point:

> *PRE_11: "Then there'd be one conversation, and that'd be the last of it. Because...well, that (personality of the successor) must fit!"*

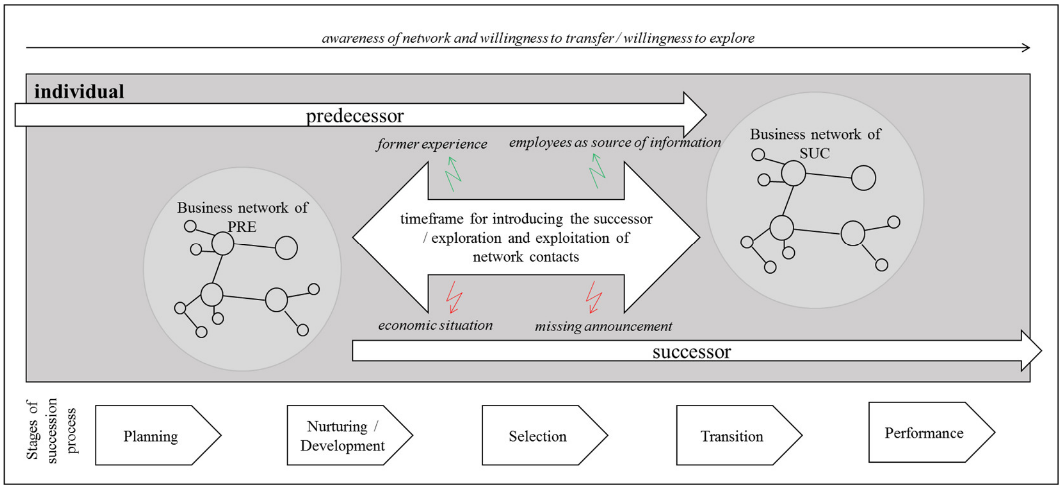
It is conceivable that the motivation of the predecessor can influence this. If the motivation is purely financial, the fit will not be important to the predecessor. If the basis is more emotional, the final decision on an external person could be made conditional based on the personal fit of predecessor and successor.

4.4.2 Transfer of Social Networks in Business Succession Model

To incorporate the several aspects presented in this paper, a model of overlapping external business succession and transfer of social capital and network contacts will be proposed in the next section. As mentioned earlier, business succession is a process that persists over a (long) period of time (Le Breton-Miller et al., 2004).

Nordqvist et al. (2013) offer a model with four stages of the process on the environmental, organizational and individual level. Network contacts can occur at all of these stages and levels and influence business success. As the unit of analysis in this study is the individual level, the process model was modified to reduce complexity. Figure 6 shows a model of social network transfer during an external succession process based on the phases of a general transfer (Le Breton-Miller et al., 2004; Nordqvist et al., 2013). The business network, with its starting point in the person of the predecessor, includes the external relationships of the business. The business network after transition consists of a similar network structure but is modified as exploration and exploitation will change the network during the succession process.

Figure 6: Social Networks in External Business Succession Processes



Source: Own illustration.

An important assumption in this model is the awareness of the business network on the part of the predecessor. Without an understanding of and the ability to record conscious and subconscious networks, a transfer of social networks is impossible. Further important aspects are the willingness to transfer the business network as well as the willingness to receive it, which were assumed in the analysis. Impacts can also come from outside the business network, for example, perhaps some network partners will be not interested in keeping up ties to the business because of bad experiences or due to the strategic direction or personality of the new owner.

Therefore, this could occur on the business level or on the personal/individual level. Other examples could have to do with changes in the businesses of network partners that result in the elimination of the need for the relationship. The motivation of the predecessor regarding the external succession may also influence the transfer of social capital during the process. If predecessors act out of financial necessity and/or without interest in being involved in business, the transfer might not be handled with due care. In these cases, former experience and employees can be used to build up a new business network.

4.5 Discussion

The aim of this paper was to deepen understanding of social capital and social networks in external family business succession and to offer initial empirical insights by using a qualitative research approach. This paper includes an overview of the status quo in the literature as well as an analysis of 12 cases in which an external business succession was imminent, currently in progress, or completed. Therefore, we have presented a basis from which to answer the following overarching research questions: *Are the involved actors aware of the importance of their network and do they understand the need for transfer to ensure the survival of the family business? How can an external successor be introduced and integrated into the existing (trustful) social business networks of the predecessor and the family business?*

As former studies of social capital and networks have mainly focused on the group level, as represented by family social capital and organizational social capital (e.g., Arregle et al., 2007; Pearson et al., 2008; Salvato & Melin, 2008; Sorenson & Bierman, 2009; Zahra, 2010), the present study has chosen to focus instead on an analysis on the individual level. Therefore, the characteristics of the involved actors—especially in the handling of social networks—have been the focus in the first step. Regarding the relational and cognitive dimensions of social capital (Nahapiet & Ghoshal, 1998), which include trust and norms as well as shared visions, the personalities of predecessors and successors have to be considered when transferring social networks. We show that the predecessors, in general, are aware of the importance of their networks, as are the successors. Furthermore, the successors are mostly willing to adopt the former business network as they evaluate it as an advantage in contrast to having to create a new venture. As the literature shows, a network of entrepreneurs could have a positive influence on business success (Baron & Markman, 2000; Elfring & Hulsink, 2003; Street & Cameron, 2007). In the case of external succession, the network could be adopted if the awareness and willingness of the involved actors can be taken as given, thus offering recognized advantages for successors. The motivation to buy a business could be explained by the anticipation of an easier start because of a preexisting structure and business environment.

In the case of intra-family successions, a limited pool of candidates is available by definition (Bennedsen et al., 2007; Dyer, 2006) as the larger pool of external candidates is unavailable (Dehlen et al., 2014). In the case of external succession processes, one of the first challenges could be the finding of a respective successor for a business to be acquired. This could take a long time because of, for example, the lack of fit between personalities of predecessors and successors. It could be assumed that external succession requires similar characteristics of the actors involved or that the norms and values as well as the vision for the family business should be similar. In addition, similar personalities can facilitate the transfer of networks for different reasons. First, if predecessors and successors pursue the same interests, there is a basis for more exchange between them. Second, it is possible that they would be willing to work together more intensively to create a trustful relationship. Third, similar personalities could facilitate the integration of the successor into the network, as she or he would act like the predecessor. Especially as the existing network of the predecessor could be based on shared visions, norms, and trust with network partners (Nahapiet & Ghoshal, 1998), it could be advantageous to the introduction of a successor if the predecessor works to integrate him or her.

Transferring social networks as a form of tacit (network-related) knowledge (Boyd et al., 2014) could be handled in different ways. As our analysis shows, there are certain rudiments in practice. Based on their knowledge of the importance of networks, predecessors as well as successors are aware of the need for integration into existing networks. As social networks are often informal and not formalized

(McEvily et al., 2014), during a succession process, the network must be converted into explicit knowledge that can be transferred. This study offers some insights into how the transfer of this knowledge takes place in external successions. We found patterns in which predecessors try to transfer those network groups which they evaluate as success factors in their business. This study contributes to the literature of structuring implicit knowledge on a network-related level through its findings related to the transfer of this knowledge (Boyd et al., 2014; Cabrera-Suárez et al., 2001). The transfer can be handled in different ways. Some cases explicitly declared the need to introduce the successor in a personal meeting, while other cases only mentioned using the postal particulars of network contacts. If the successor worked for the business before the succession decision had been made, the involved actors often mentioned that the contacts already existed and that an explicit transfer of information was not necessary. However, there is no information on whether external networks share these attributes. As we saw in other cases, the lack of an announcement could have a negative influence on the business. It should be analyzed whether the lack of an announcement because of former experience of the successor as an employee in the business influences the behavior of network partners. In transferring the business network, it is important that the actors are aware of the trust within these networks (relational dimension of social capital) (Nahapiet & Ghoshal, 1998). The relationships of family businesses in cases of owner centricity are, in general, closer than in other forms, and this can influence the external succession process (Howorth, Westhead, & Wright, 2004).

As the literature of organizational social capital shows, the individuals in a family business could exert a positive influence by using networks (e.g., Arregle et al., 2007; Leana & van Buren, 1999). A closer integration of employees can be helpful during an external succession. Although research on small and medium-sized enterprises and entrepreneurship has shown that in these businesses, the phenomenon of founder centrality certainly occurs (Kelly et al., 2000), it is possible that employees are privy to parts of the social network of the business and can thus support the successor in finding his way within the network. Therefore, we contribute to the literature of organizational social capital (Arregle et al., 2007; Leana & van Buren, 1999) and find indications that this form of social capital can add value during the transfer of networks through external succession processes as the network within the organization supports the connection of successors to network contacts outside the business (Arregle et al., 2007).

Successors have to decide whether to try to maintain the existing networks or to implement new contacts. The exploration and exploitation of network contacts must be balanced as both are time-consuming but necessary for business survival and success (Gupta, Smith, & Shalley, 2006; March, 1991). If the successor has former experience in the industry, the exploration of business networks could be easier as former contacts could be integrated into the business network. Such former experience in the industry could also be an advantage if the economic situation of the business at the time of takeover is critical. The turnaround could be easier if the successor's own network contacts can be integrated in the case that the network has to be replenished due to loss of confidence.

4.6 Limitations, Conclusions and Future Research

Qualitative research has some general limitations. For example, we analyzed 12 cases of German small and medium-sized enterprises. Analysis in other countries could lead to different results as, for example, the relationships in other cultures could differ in terms of their influence on the behavior of the actors involved. In addition, the environmental context could have a different influence. Although this study used heterogeneous cases of family businesses, previous research has shown that the complexity and the heterogeneity of family businesses are very pronounced. Therefore, further studies are needed to analyze other industries and business sizes to generate more knowledge and understanding of the social networks of family businesses and their transfer during successions. This argument can also be adopted for external successions. As this paper integrates different forms of external succession to obtain an overview of the general influencing factors, the forms should be analyzed in a more focused way for each type.

The aim of this paper was to provide an overview of current knowledge on social networks and the external business succession literature as well as to deepen our understanding of the transfer of networks in a succession process. This study offers initial insights using an exploratory multiple-case-study approach. As family external business successions have become more interesting in the last few decades because for different reasons, such as demographic changes or a lack of intra-family successors (Dehlen et al., 2014; Durst & Gueldenberg, 2010), there are still some aspects that have to be analyzed. For example, the social networks of predecessors, their influence on their family businesses, and the possibilities of network transfer require further attention.

In contexts of social capital, transfer of social networks, and external business succession, there are a number of avenues for future research. The motivation of the owner and its influence on the transfer of social network contacts must be analyzed in greater detail. This must also be considered in relation to the successor's behavior. It could be that the willingness to spend time on transfer is lower when the successor is under financial pressure to sell the business. Family capital could have an impact on firm performance; therefore, it has to be considered in the case of external succession because of the missed opportunity to obtain this kind of social capital as a non-family successor. So, how can successors fill this gap in family social capital, or is it perhaps unnecessary as the successor will bring in or create new network contacts relevant for business success? Furthermore, the organizational social capital could influence the process, as employees can have access to important social capital inside the family business as well as outside; furthermore, they can inform the successor about important network contacts. All in all, there are still many aspects of social capital and network transfer during business succession processes that require further analysis in future research.

In conclusion, this study shows that social networks are an important part of transferring a family business to external successors. Knowledge about the acceptance of successors by external partners and the willingness to participate in existing networks are two topics in this context. External successors may be at a disadvantage in contrast to intra-family successors regarding family social capital or not knowing the personal network of the predecessors; however, on the other side, there are also advantages such as existing business structures. The network can also be a huge advantage if the integration and involvement are handled in a structured way as part of the succession process.

5. Same same but different? - Determinants of Network Transfer Evaluation during different Modes of Family Business Successions

Abstract

Family business succession is a crucial moment and a complex process. Although intra-family succession is the preferred mode of succession, external succession modes are becoming more common. The social capital and therefore the social network of the family business owners could be an important factor for business success. Accordingly, a transfer of this network is necessary. This paper focuses on the differences in the modes of succession and analyzes the evaluation of the transfer by involved actors. Based on a quantitative survey in Germany and multivariate analysis methods, we found that intra-family and external successions differ regarding the evaluation of the transfer of network contacts in the context of the formalization of processes, motivations, and loss of confidence.

5.1 Introduction

The quantity of research on family businesses and, especially, family business succession has increased in recent decades (Neubaum, 2018; Salvato & Aldrich, 2013). Different aspects of this particular form of business have been analyzed: for example, the influence of familiness (Zellweger, Eddleston, & Kellermanns, 2010), performance (Dyer, 2006; Zattoni, Gnan, & Huse, 2012), the competitive advantages of family businesses (Chrisman, Steier, & Chua, 2006; Habbershon & Williams, 1999), and the business succession process (Cabrera-Suárez, et al., 2001; Le Breton-Miller, Miller, & Steier, 2004). Most studies in the context of succession focus on intra-family successions (e.g., De Massis, Chua, & Chrisman, 2008; Sharma et al., 2003) as this type of succession is preferred by most predecessors (Wiklund et al., 2013). In contrast, recent studies show that the number of family external successions is on the rise, for example, in the form of management buy-outs (MBO), management buy-ins (MBI), or employee buy-outs (EBO) (e.g., Bastié, et al., 2018). This could occur for different reasons related to, for example, the owner family, the predecessors, or the successors. This might be the case because in contrast to older generations of family business successors, their children nowadays have the choice either to enter the family business or to do something different if they are not motivated or willing to take it over (De Massis & Kotlar, 2008; Venter, Boshoff, & Maas, 2005). Other reasons for an external succession might be the non-existence of an intra-family successor due to demographic change or dysfunctional family relationships (Miller et al., 2001). From the point of view of potential family external successors, it is possible that becoming self-employed by buying a business is getting more attention from potential founders because of the better survival rate of this mode of entry in contrast to new venture creation (Durst & Gueldenberg, 2010). Therefore, potential founders could be taking the place of absent intra-family successors (Bastié et al., 2018). For that reason, it is quite interesting to analyze differences in the process of transition in intra-family versus external successions.

It is not only the social capital of successors that should be considered in a succession process but also the social capital and, therefore, the existing network of the predecessor. Family businesses are often owner-managed and, especially in small and medium-sized family businesses, the owner herself or himself holds many important social network contacts relevant for the business (Kelly et al., 2000; Lansberg, 1988). The knowledge of predecessors in the context of founder centrality is often a special form of knowledge, especially tacit knowledge (Cabrera-Suárez et al., 2001), which is defined as implicit knowledge that is not easy to formalize and transfer (Boyd et al., 2014). Boyd et al., (2014) categorized experiential knowledge as a part of tacit knowledge, which includes network-related knowledge. They reported that network-related knowledge is important in the later stages of the succession process. Therefore, knowledge about the network and the transfer of contacts is important to analyze in intra-family successions as well as external successions as these modes of succession largely differ in their sequence of transition, especially regarding time and working together (Halter & Kammerlander, 2014).

Social capital, of which networking is a part, is a very important factor and may have a deep impact on the success of a family business (Le Breton-Miller & Miller, 2015; Schmidts & Shepherd, 2015). It encompasses not only networking ability but also the generation of information within relationships and the use of network contacts for creating value (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998; Putnam, 1995). The role of social capital in family business studies—and, therefore, the networks of involved actors—is garnering more interest of late (e.g., Arregle et al., 2007; Salvato & Melin, 2008; Uhlaner, Matser, Berent-Braun, & Flören, 2015). Social capital and its embeddedness in social networks could have an impact on, for example, business performance, innovation, or non-financial benefits such as reputation (Lin, 2008; Molina-Morales & Martínez-Fernández, 2010; Sanchez-Famoso, 2015; Sorenson et al., 2009). From a network-based view of social capital, social networks are the basis of social capital as actors in networks can create value from information shared in these networks or from obtaining access to resources (Lin, 1999).

It is important to understand how social capital and social networks are handled during a business succession process on an individual level and how that could influence the process. Every family business is embedded in a corporate environment and has to deal with customers, suppliers, etc., which is the same for every non-family business as well. However, in the context of succession, the business network could be a crucial point, as the contacts are affected by the succession process and therefore must be transferred as a source of competitive advantage (De Freyman et al., 2006; Dou & Li, 2013; Morris, Williams, Allen, & Avila, 1997; Steier, 2001). While some studies deal with the transfer of network contacts during an intra-family business succession (e.g., Steier, 2001; De Freyman et al., 2006; Schell et al., 2018), current knowledge about transferring network contacts during external succession remains insufficient. This study focuses on intra-family and external business successions and compares different aspects of both and how these could influence the process of transferring network contacts.

With regard to the evaluation of the business succession process, Sharma et al. (2001) presented in their model five aspects that could determine satisfaction with the succession process: propensity of the incumbent to leave the business, propensity of the successor to take over the business, succession planning, agreement to continue the business, and acceptance of individual roles. Thus, studies on satisfaction with and the success of the succession process exist, but they fail to include the evaluation of the transfer of networks from the predecessors to the successors. As social capital and, therefore, the business network could offer competitive advantages for the general performance and success of a business (Arregle et al., 2007; Hoffman et al., 2006; Nahapiet & Ghoshal, 2000; Steier, 2001), satisfaction with the process could be influenced by the transfer of networks. Therefore, shedding additional light on this effect will create new insights into the quality and success of family business transfers.

In sum, social networks are important and must be considered in both intra-family and external succession processes. As most studies in this field use qualitative and case-oriented approaches, this paper offers quantitative empirical insights on the evaluation of network transfer in different kinds of succession processes to enhance the generalizability of the findings. The overarching research questions are as follows: *Are there differences between intra-family and external successions regarding the transfer and evaluation of transfer of contacts during the succession process? What are the influencing factors of a positively evaluated transfer of business networks from predecessors to successors?*

To answer these research questions, a quantitative approach was chosen. Based on knowledge from the initial empirical insights in the literature (Dou & Li, 2012; Schell et al., 2018; Steier, 2001) as well as our own semi-structured interviews, we developed an online questionnaire for family businesses. We asked general questions to be able to sort the businesses according to size or age, and we included an exceptionally large number of questions regarding the succession modes and how they handle the transfer of social networks outside the business. By doing so, we generated a data sample of German family businesses with answers from predecessors, intra-family successors, and external successors.

This study contributes to the literature in different ways. First, we add new findings to the literature of business succession processes. We show that the social network of a business is often held by the predecessors, is a potential source of competitive advantage, and must be integrated into the general succession process models as an important factor, all of which must be considered in the context of business succession. Second, we expand the literature to different modes of succession. While most studies in the business succession literature focus on intra-family succession, we offer new insights regarding external succession processes at the individual-unit level of analysis. Furthermore, the comparison of the two succession routes has produced knowledge about similarities and differences that could be used to leverage advantages from one mode to the other. Third, we contribute to the literature of social networks outside family businesses. While the literature offers insights into the importance of the relationships within the family and within the organization, we show that the external relationships and integration of them could influence the success of a transition and therefore the survival of a family business.

5.2 Theory and Hypotheses

5.2.1 Theoretical Background

Research on social capital offers insights into how this concept can influence the success of a business in general. There are several explanations of what social capital in economic contexts means and how it works. Social capital, which has its starting point in sociology, is defined as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (Bourdieu, 1986, p. 248). Later theories of social capital in other disciplines take a more network-based view and include the relationships between different actors in groups or organizations (e.g., Lin, 1999; Nahapiet & Ghoshal, 1998). Following this research stream, we understand social networks as an important part of social capital and follow the definition of Lin (2001, p. 29), who defines it as "resources embedded in a social structure that are accessed and/or mobilized in purposive actions."

According to the research stream related to family businesses, a family business often loses its status as a family business in the context of an external succession (Ucbasaran et al., 2001). Besides including aspects of ownership and management of one or a small group of families and long-term orientation, most definitions of a family business also mention transgenerational transfer within the family (e.g., Chua et al., 1999). We argue that a family business with a family external succession process could be a family business (again) in the future if the external successor combines management and ownership, adopts the norms, values, and vision of the business, and maintains a long-term orientation, and especially when the successor is acting in line with the predecessor regarding culture, values, organizational structures, etc. Following this argument, we used the definition of Chua et al. (1999), with a slight modification to the last part regarding the possibility of transferring the business to outsiders: "*Family businesses are owned and/or managed by members of one family or a small amount of families, which influences the strategy and vision of the business and have the willingness to preserve the company over several intra-family generations or sustain the business, even when handing over to a natural person.*"

As selling the business to non-family members as an exit route for family business owners is more and more common (Dehlen et al., 2014), research on how the process is structured and how to handle it is of increasing importance. Research has been called for to produce deeper insights into external succession routes (Debicki et al., 2009). External succession by natural persons could occur in different ways. The external successor could be a former employee who was not in a management position (EBO), a former manager of the business (MBO), or a non-business-related person (Durst & Gueldenberg, 2010; Scholes et al., 2008; Wright, Howorth, & Westhead, 2007). Selling the business to external persons may mean that the business will lose its status as a family business (Ucbasaran et al., 2001), but important attributes of family businesses, such as a long-term orientation and family business values (e.g., Aronoff, 2004; Zellweger, Nason, & Nordqvist, 2012), could be maintained if the successor continues the business with intentions that are in line with those of the family. Thus, the overlapping systems of family, business, and ownership (Tagiuri & Davis, 1996) could persist even though the family and ownership have changed.

It is not only the intentions of predecessors to sell off their businesses to external persons and their underlying reasons that are worthy of study, although they are often the focus in existing literature (e.g., DeTienne, 2010; Scholes et al., 2008; Wennberg & DeTienne, 2014). Also of interest are the expectations and opinions of external successors regarding their motivation for stepping into the business. One explanation for the increasing interest in taking over an existing business instead of creating a new venture could be the supposed advantages of an existing business network (Parker & van Praag, 2012). As we know from entrepreneurship literature, the social capital and the networks of entrepreneurs can have an effect on, for example, identifying opportunities, performance, innovation, and business growth (De Carolis et al., 2009; Greve & Salaff, 2003; Nieto & González-Álvarez, 2016). A prospective business founder with a limited network might do well to buy a business, not only because of tangible assets but also—or especially—to acquire intangible assets of existing businesses such as knowledge and networks (Cabrera-Suárez et al., 2001; Durst & Gueldenberg, 2010; Steier, 2001). Although the literature offers initial insights into the importance of these intangible assets and resources that must be transferred, further quantitative research to deepen our understanding is necessary.

Research on social capital and, in particular, a focus on how external relationships are handled during a business succession process is still scant. There are only a few studies that analyze the network formation of small and medium-sized family businesses and show how a transfer of contacts can be accomplished (e.g., Dou & Li, 2012; Schell et al., 2018; Steier, 2001). These studies have revealed the importance of social capital and networks during the succession process. Steier (2001) was one of the first to study the transfer of social capital in intra-family successions. He analyzed businesses that employed four succession modes (unplanned and sudden succession, rushed succession, natural immersion, and planned succession) and presented various ways in which the transfer of the social capital of an organization is handled. De Freyman et al. (2006) presented different zones for the transfer of social capital on an individual level. The overlapping of predecessors, successors, and business partners leads to different possible conflict zones, and only the overlapping of all three parts creates the optimal condition for the transferring of the social capital of an organization. Dou and Li (2012) based their study of social capital and networks in succession on a special form of networks in China, the so-called *guanxi*, which influences almost every decision of those involved. They clustered the integration and the transfer of the network into four different stages (preheating, triggering, readjusting, and reconstructing) to analyze the behavior of the actors involved systematically and investigate what had to be done to ensure the continuance of the network of the business, focusing on the group level. Bizri (2016) analyzed the choice of successor with respect to the structural, cognitive, and relational dimensions of social capital and found that all of them influence the succession decision. The above-mentioned studies deal with intra-family succession processes and offer initial insights, but research on other modes of succession is still scarce (Kreer et al., 2015), especially in the context of the transfer of social networks and family external succession.

The aim of this paper is to show how the social network of a predecessor relevant to the family business is transferred, how it is involved in the business succession process and the influencing factors and challenges that exist in that process. We focus on the external relationships of the predecessor that are relevant to the family business and how this network can be used by the successor. Accordingly, this study uses the individual as its unit of analysis. To date, research into social capital and networks in family businesses has mainly focused on two kinds of social capital: first, there are several studies about *family social capital*, which refers to relations within the family and these connections that cannot be hired or imported (Hoffman et al., 2006; Sorenson & Bierman 2009); the second focus is on *organization social capital*, which refers to the relations within an organization with a collective goal-orientation and the individual relationships within it that are based on trust (Leana & van Buren, 1999). Both forms of social capital could have an important influence on a family business: for example, on performance or innovativeness (e.g., Arregle et al., 2007), as the relationships in these groups provide access to relevant knowledge and information upon which fundamental business decisions could be based (Lin, 1999). These forms of social capital focus exist on the group level. However, individuals are the building blocks of those groups, and it is, therefore, important to analyze the behavior of individuals in changing groups such as those involved in a business succession process.

As mentioned above, different aspects of social networks and business succession have been studied. However, there is still a lack of analysis of social networks and the transfer of contacts in the context of different modes of succession. Intra-family succession differs in some essential aspects from external succession, for example, in the long-standing integration of successors, the lack of family commitment that could influence the process, or knowledge of important contacts. By focusing on the individual level, an analysis of the factors influencing a network transfer from predecessors to successors and the evaluation of this transfer will be undertaken in this study.

5.2.2 Hypotheses

The time frame of succession can vary widely, from just a moment in the family business life cycle to a mid- to long-term process (e.g., Handler, 1994). Intra-family successions often last for years (Le Breton-Miller et al., 2004) and often do not have a detailed and written-down plan with fixed dates, in many cases (Sharma, Chrisman, & Chua, 2003b). It could be assumed that an external succession process is much shorter as the transfer of management and ownership occur in a context of different contracts and purchase agreements that may include fixed dates for payment and transfer of ownership (Halter & Kammerlander, 2014). A shorter time frame could be a challenge, as the external successor has to get as much information as possible in a short time. Otherwise, if all information will be shared in a structured way, the shorter time frame need not be, of necessity, a disadvantage. During an intra-family succession, the successor will spend more time with the predecessor—it is even possible that the successor has worked in the business since his or her youth—and therefore have access to more possibilities of obtaining implicit information about contacts (Cabrera-Suárez et al., 2001), even if the communication and exchange are scarce, through observation over time.

Following existing research, we assume that social network contacts, which are relevant for the survival of a family business, often take the form of more or less implicit knowledge (Boyd, Royer, Pei, & Zhang, 2015). This means that there could be hidden network contacts in the likely event that the incumbent finds it impossible to keep the various relevant business network partners in memory, many of which could be informal and unstructured networks (McEvily et al., 2014). A lot of business partners of the predecessor will be mentioned in documents of business activities, such as invoices or bills of delivery. However, simply knowing the names of the contacts does not necessarily mean that the successor will be able to interact with these contacts or even know in what kind of context the contacts exist. Especially regarding factors like trust and shared norms, it is important that the network contacts be explicitly transferred with pertinent additional information. Furthermore, there could be further relevant network partners in the form of family connections (James, 1999)—for example, friends or business relationships that will not be directly connected as customers or suppliers but may be intermediary persons who are responsible for important connections. This could be (tacit) network-related knowledge (Boyd, et al., 2015; Cabrera-Suárez et al., 2001; Royer et al., 2008) that must be converted into explicit knowledge to be transferable.

During an intra-family succession, the successor has the opportunity to get in contact with these business or friendship contacts of the predecessor in the likely case that he or she has been working in the family business for a long time (Handler, 1990; Le Breton-Miller et al., 2004). Intra-family successors are able to get information about how predecessors get in touch with these individuals, for example, by meeting them at regular evening events or private sporting events, and to build up their own trustful relations with them. Another important aspect is that, as the literature shows, there is an overlapping of the ownership, the family, and the family business (Tagiuri & Davis, 1996). Relevant topics for or urgent decisions of the family business as well as daily business routines are often discussed at home with other family members because of the overlapping systems (Lansberg, 1983; Taguri & Davis, 1996). Therefore, important information regarding network contacts (perhaps implicit in the topics discussed, e.g., at home) can be acquired by intra-family successors. In contrast, external successors who have not been long-term employees with strong ties to the family business owner or the like have to find a way to obtain all the information about the business network solely from the business context. Further on in the succession process, he or she will have to understand, on short notice, how these relations work to ensure the survival of the family business.

The existing business network held by the predecessor is of great importance for intra-family successors as well as external successors. Research into satisfaction with and evaluation of succession processes has begun to offer insights on the initial satisfaction of participants with the succession process (Sharma et al., 2001). There are many aspects that can influence the satisfaction with, evaluation of, and effectiveness of the succession process (Morris et al., 1997; Sharma et al. 2003) and subjective feelings of whether the succession was successful or not, from the viewpoint of a successor as well as a predecessor. We argue that the evaluation of the network transfer could also have an extremely significant influence on the perceived success of business succession. As mentioned earlier, it is possible that some of the relevant network actors are part of the implicit knowledge of the predecessor (Cabrera-Suárez et al., 2001). In this case, it is possible that the contacts will not be transferred in the most efficient way or will be totally forgotten. While the successor may emphasize this as a problem that could negatively affect the success of the succession, it is possible that the predecessor will not evaluate this as negatively as the successor. Nevertheless, information garnered about the network contacts could have an influence on the evaluation of the process. However, the information about contacts is only the first step of the transfer and the evaluation of it. If the successor is to be integrated into the existing network, it should be much easier for him or her to make use of it in the future and to continue employing the network fruitfully and efficiently. Especially in family businesses, there is often more of an emotional connection with the network than in other forms of businesses (Uhlaner, van Goor-Balk, & Masurel, 2004) as owners know each other and may be more than just business partners. If the successor has the opportunity to meet members of the network in person—ideally in combination with the predecessor—it could have an influence on the relationship (Goldberg, 1996) and, therefore, the later evaluation. The evaluation also depends on the way the network was informed about the successor and how the relationship could be used in future. A long time frame as well as a personal introduction to the existing network could have an influence on the successor's perceptions of the transfer.

Therefore, we hypothesize that the longer the time frame together in business is, the more information held by the predecessor about the business network the successor will get, thus resulting in an evaluation of the process by the successor as more successful (H1a). Furthermore, we predict that this effect depends on the mode of succession (H1b). In comparison with intra-family and external successors, we assume that intra-family successors will be more satisfied with the transfer of network contacts due to the fact that the longer time frame influences the evaluation because of a higher level of information exchange between predecessors and successors (H2). We also argue that because of their implicit knowledge of network contacts, the predecessor is more satisfied with the transfer than the successor (H3).

H1a: The time the successor and predecessor work together has a positive influence on evaluation of the network transfer in general.
H1b: The effect of the time successor and predecessor work together on the evaluation of the network transfer is moderated by mode of succession (intra-family or external).
H2: Intra-family successors are more satisfied with the evaluation of the network transfer than external successors.
H3: The predecessors evaluate the network transfer better than intra-family and external successors.

There has been an increase in research on family-business succession in recent decades, and one stream of research focuses on the planning of the succession process (Lansberg, 1988; Mazzola, Marchisio, & Astrachan, 2008). Although successions are often planned in family businesses, a strategic and written-down plan is absent in most cases (Morris, Williams, & Nel, 1996). As such formal planning is not mandatory, a written-down plan could be an influencing factor for a positive evaluation of the process (Sharma et al., 2003). During the succession, a huge amount of information must be transferred, and while some of the information is explicit, other knowledge, for example, network-related knowledge, is implicit (Cabrera-Suárez et al., 2001). To write down a structured succession plan could help in two ways. First, by drawing up a succession plan, the predecessor could write down his or her knowledge for all of his or her functions and therefore gain better awareness of important information (Morris et al., 1996). Second, the successor would get an overview in addition to the general business documents. This could be an advantage in intra-family as well as external successions. We assume that the degree of formalization of the process depends on the succession route. As intra-family successors have a stronger and longer connection to the businesses because of overlapping systems (Tagiuri & Davis, 1996), this mode of succession is often less formulized as it is more of an intuitive process accomplished by integration of the successor over a long time frame. In contrast, external successions are shorter and, because of the transition of the business to more or less unknown people, it could be assumed that the involved actors are more interested in formal contracts from the beginning of the process through the final transition. Although these formal contracts will not include the tacit knowledge of the predecessor about network contacts, it could be possible for this procedure to influence the network transfer as well.

H4a: Formalization of the succession process has a positive influence on the evaluation of the network transfer in general.

H4b: The effect of formalization of the succession process on the evaluation of the network transfer is moderated by succession mode (intra-family or external).

Another interesting aspect in the context of business succession is the motivation of family business owners to hand over and the motivation of successors to take over a family business. Most studies that use the individual as the unit of analysis focus on the attributes of the successors, which could be important during a business succession (Chrisman et al., 1998; Schlepphorst & Moog, 2014). Often-mentioned aspects regarding the role of the predecessor are that they must be willing to leave the business after the succession (Sharma et al., 2001) or how they decide on the best successor (Bjuggren & Sund, 2001). There is some research on how motivation influences the succession process in general (Gilding, Gregory, & Cosson, 2013) but few findings related to the influence of motivation on external succession processes in contrast to intra-family succession. In family business research, the motivations of predecessors are often described and conceptualized in terms of the goal of continuity of the business and family harmony (Lansberg, 1988; Gilding et al., 2013).

Some studies offer insights into different reasons for successions or types of motivations (Gilding et al., 2017; Harvey & Evans, 1995; Parker, 2017). Little is known about the influence of the owner's motivation on the transfer of knowledge of business networks, although the literature offers initial insights indicating that the motivation of predecessors could influence the knowledge transfer (Cabrera-Suárez et al., 2001). In most cases, the motivation is based on the wish to see the business survive in the long-term. However, this assumption could be influenced by the intra-family succession process as in this case, the business will still be a part of the family. Different types of motivation could influence the entire succession process as the motivation of firm survival could lead to behavior based on motivations other than financial ones. We argue that a differentiation between personal motives (e.g., leisure time, occupational career, autonomy) and business motives (e.g., business continuity, economic growth, job security for employees) must be made as both can influence the transfer in different but equally positive ways. If the motivation is based in wishing to continue the business and keeping the family business healthy, the transfer will be more intensive. One important aspect is the willingness to leave the family business, personal or business-related motivations notwithstanding. We assume that predecessors, in general, are willing to transfer the family business and will leave sooner or later, depending on the period agreed upon with the successors. Of course, it is not only the motivation of predecessors that may influence the evaluation but also the motivation of successors. Therefore, the following hypotheses were developed.

H5a: Personal motives of predecessors and successors have a positive influence on evaluation of network transfer.

H5b: Business motives of predecessors and successors have a positive influence on evaluation of network transfer.

H5c: The effect of business and personal motives on the evaluation of network transfer is moderated by mode of succession.

The tenure of family business managers lasts for a longer period in contrast to that of non-family business managers (McConaughy, 2000; Miller & Le Breton-Miller, 2006). During this time, the predecessor gains a lot of important idiosyncratic or tacit knowledge regarding the business itself and the context of the business (Lee et al., 2003). By possessing this knowledge, the predecessor is able to estimate the relevance of different actors in the environment. By referring to this knowledge, the predecessor can better estimate whether or not network contacts could be easily replaced and which relationships of the family business should be maintained in every case. Although the predecessors might try to convert this tacit knowledge and to transfer it to the successor, the behavior of the external network partners would remain an unpredictable factor.

The network that bestows better estimation upon the predecessor by providing specific network-related knowledge was established over a long period and may be based on relationships of trust. Trust is an important factor for social capital and in social networks (Inkpen & Tsang, 2005; Nahapiet & Ghoshal, 2000) and must be considered in a succession process. The successor must be introduced and integrated in a successive way as while trust cannot be transferred, the predecessor can help the successor find a new basis for further trustful relationships. While intra-family successors have more time to obtain deeper insight into the business structure and important contacts, external successors must rely on the information given to them regarding the predecessor's network. It could be assumed that the business relationships of the predecessor are connected with his or her personal relationships and that these business contacts may end the business connection if the predecessor were to leave.

In contrast to creating a new venture, buying a business is often connected with a higher level of financial strain and liability with respect to employees. Loss of confidence of network partners could be an existential threat as a business network could have a decisive influence on the success of the business. We hypothesize that successors are more afraid of losing contacts because of loss of confidence than are predecessors because it is easier to exploit existing network contacts than to explore new ones in the initial stages of succession. The network contacts could only be transferred if they are willing to retain the existing business connection, and this is often based on trust (H6).

H6a: Intra-family and external successors evaluate loss of confidence by business network partners as more serious than do predecessors.

H6b: The effect of the evaluation of loss of confidence is moderated by mode of succession (intra-family or external).

5.3 Method and Data

The focus of this study is on family businesses that are involved in a succession process or completed one within the last few years. To analyze the differences between intra-family and external succession processes regarding the transfer of network contacts and the factors influencing this process, we choose a quantitative research design. While the literature offers some constructs for measuring social capital and social networks (Lin, 1999), data in the context of business succession is still scarce.

To generate empirically meaningful questions, we decided to take a retrograde step. To obtain deeper information to identify needed variables, we decided to conduct some exploratory qualitative interviews (De Massis & Kotlar, 2014; Eisenhardt & Graebner, 2007) with experts regarding succession processes and entrepreneurship, and we discussed the insights we gleaned with predecessors and successors of small and medium-sized family businesses that were in a succession process at the time to validate the answers regarding their relevance for businesses. We carried out this procedure for businesses with different types of successions—intra-family, successions involving employees, and successions involving totally unknown persons with no former connection to the business—with the aim of covering the relevant aspects for our quantitative study. Parts of the exploratory analysis include, for example, questions about how they handle business network contacts, how they integrate successors, and what difficulties occur and must be surmounted in these processes.

After the interpretation of the answers by clustering them in a system of categories (De Massis & Kotlar, 2014; Yin, 2014), we constructed the questionnaire. After a pre-test phase, we sent out the link to the online survey to family businesses. We obtained the list of e-mail addresses for sending our questionnaire through the business database Amadeus. The database functionality allows the search for specific characteristics of businesses. For our study, we focused, in a first step, on businesses with the following characteristics: (1) status: only solvent, (2) number of employees: not more than 500, (3) year of foundation: before 2000, and (4) legal structure: only German and with known structures. We obtained approximately 200,000 e-mail addresses of businesses that met these criteria. We had two challenges: first, some of the addresses were not the direct contact addresses of the business owners, and second, it was not possible to see if the business was a family business in accordance with our definition. After removing a large number of e-mail addresses that were duplicates, did not include a personal name or address, or were definitely not family businesses (such as registered associations, public charities, etc.), we sent our questionnaire to the remaining e-mail addresses. Approximately 53,000 e-mail addresses did not exist, and 1,000 businesses answered directly that the survey did apply to their business. Our final sample results included 5,485 businesses, and after reductions due to unusable data, we obtained 1,164 completed questionnaires.

Before starting our in-depth analysis, we used a one-way ANOVA to compare early and late respondents to check the risk of non-response bias. There are no statistically significant differences between the early and late respondents; thus, the probability of a non-response bias can be evaluated as very low. We used Harman's single-factor test (Podsako, MacKenzie, Lee, & Podsako, 2003) to exclude common-method bias. We found no evidence for the presence of common-method bias.

Focusing on differences in modes of succession on the level of involved actors, we asked our participants about their role in the process as well as the chosen mode of succession. Of the respondents, 40.6% (n=473) are successors, and 59.4% (n=691) are predecessors. Of these successions, 21.6% (n=251) are external successions, 57.1% (n=665) intra-family successions, and 21.3% (n=248) have not yet been defined by the predecessors. These 248 observations are excluded from the study because we cannot analyze any social capital transfer activities in the course of succession. The companies in the data are, on average, in the second generation (measured by median; the exact distribution is shown in Table 8). The average age of the firms is 49.6 years (SD=56.18). We observed 18.3% micro-enterprises, 55.3% small enterprises, 25.3% medium-sized enterprises, and 1.1% large enterprises, and as expected for this distribution, the group of micro- and small enterprises is dominant in Germany (as confirmed by the *Institut für Mittelstandsforschung [IfM] Bonn*).

The majority of the firms are in the manufacturing sector (455, n=39.5%). *Wholesale, retail trade, accommodation, food service* as well as *real estate activities, administrative and support service activities* follow, each with 22.3% (n=257). The smallest proportion of 10.1% (n=116) are in the *transport, financial intermediation, education, and human health and industry* sectors, and 5.8% (n=67) of the firms classify themselves in the category *other industry sector*. Over half of the firms have an insufficiently formalized succession process. Only 19.8% have an official document, and 24.3% use a detailed official document with concrete milestones.

Table 8: Descriptives I

Variable	n	%
Generation		
1th	542	47.4
2th	305	26.7
3th	181	15.8
4th	75	6.6
5th	16	1.4
5th +	25	2.2
Size		
micro	211	18.3
small	639	55.3
medium	293	25.3
large	13	1.1
Industry Sector		
Manufacturing	455	39.5
Wholesale, retail trade, accommodation, food service	257	22.3
Transports, financial intermediation, education, human health	116	10.1
Real estate activities, administrative and support service activities	257	22.3
Other	67	5.8
Formalization of succession process		
no formal documentation of the process	421	36.2
draft documentation of the process	229	19.7
official document	231	19.8
detailed official document with concrete milestones	283	24.3

Source: Own illustration.

Successors and predecessors exhibit slight differences regarding the demographic data. Surprisingly, 30.2% of the successors are female. Female predecessors are still a small minority of only 15.9%. Regarding education, both groups have a similar distribution of degrees, although successors reported having a higher percentage of university degrees (61.5% vs. 53.4%). Predecessors and successors pursue different goals concerning the succession.

Table 9 shows the distribution of the personal and business goals separated for predecessors and successors. We asked if personal and/or business goals led them to hand over or to succeed. Thus, multiple answers are possible, and only the percentage having personal and/or business goals is reported here. For both predecessors and successors, personal goals are more important than business goals. Almost 90% of the successors mention personal goals as the motive for succession versus 66% who were motivated by business goals. The predecessors have a more balanced ratio of 75.8% personal and 60.6% business goals.

Table 9: Descriptives II

Variable	n	%	n	%
	Successor		Predecessor	
Gender				
male	330	69.8	581	84.1
female	143	30.2	110	15.9
Education				
no degree	2	.4	1	.3
middle school	35	7.4	101	11.7
high school graduation	59	12.5	113	14.8
university degree	291	61.5	331	53.4
professional training	38	8.0	71	9.4
other	48	10.1	74	10.5
Personal goals	418	88.4	524	75.8
Business goals	312	66.0	419	60.6

Source: Own illustration.

Successors are, on average, a little bit younger than predecessors, with 41.6 years (SD=10.2) versus 59.0 years (SD=8.1), respectively. The average period of time the predecessor and successor worked together ranges between 0 and 30 years (m=6.2; SD=6.7); we filtered out outliers with more than 30 years of cooperation. Separated by successors and predecessors, the time working together in our data differs between the two groups. Successors indicate that they worked on average 8.9 years (SD=7.4) with the predecessor. Predecessors, we observe in the data, show a lower average of 4.4 years (SD=5.6) of time working together. We asked how extensively information about the firm network is provided. Predecessors register a high average value of 4.2 (SD=1.0) on a 5-point Likert scale, whereas successors evaluate the information shared lower, with an average value of 3.6 (SD=3.6).

Table 10: Descriptives III

Variable	n	m	SD	n	m	SD
	Successor			Predecessor		
Time working together (years)	473	8.9	7.4	691	4.4	5.6
Age (years)	473	41.6	10.2	691	59.0	8.1
Information (How extensively information about the firm network is provided? 1=very superficial to 5=very intense)	448	3.6	1.2	591	4.2	1.0
Age difference (An age difference had/have a negative influence on the network transfer. 1=does not apply at all to 5=is absolutely true)	460	1.6	1.0	558	1.4	.8

Source: Own illustration.

Additionally, we asked if the age difference has/had a negative influence on the network transfer, measured on a 5-point Likert scale. For both successors (m=1.6, SD=1.0) and predecessors (m=1.4, SD=.8), the age difference is, on average, only a very weak influence factor for the network transfer.

The literature offers some approaches to measuring social capital: for example, by the sum of groups and networks and the interactions within these, information exchange, and level of trust (Grootaert, Narayan, Jones, Woolcock, 2004; Lin, 1999). As our study focuses only on the network transfer and the evaluation of this in the context of business succession on an individual level, we used single, tailor-made items (Bergkvist & Rossiter, 2009) to obtain insights into perceptions of the success of network transfer by involved actors. The following table (11) shows the variables included in the regression model.

Table 11: Variables

Dependent variable	Description
Evaluation of network transfer	How do you evaluate the network transfer? 1=failed to 5=very successful
Independent variables	**Description**
Predecessor/ successor	Dummy variable: 0=successor, 1=predecessor
Succession mode	Dummy variable: 0=intra-family succession, 1=external succession
Generation	Generation of the firm: 1th, 2th, 3th, 4th, 5th, 5th+
Firm size	Dummies: micro, small, medium, large
Education	Dummies: no degree, middle school, high school graduation, university degree, professional training, other
Succession process	Dummy variable: 0=succession in the last years, 1=succession is currently in process
Gender	Dummy: 0=male, 1=female
Formalization	Formalization of succession process. 1=no formal documentation of the process, 2=draft documentation of the process, 3=official document, 4=detailed official document with concrete milestones
Time working together	Years of predecessors and successor cooperation
Information	How extensively is information about the firm network provided? 1=very superficial to 5=very intense
Age difference	An age difference had/has a negative influence on the network transfer. 1=does not apply at all to 5=is absolutely true
Business goals	Dummy: 1 if one or more of the motives have been chosen: value enhancement, business conservation, structural change for the company, profit making
Personal goals	Dummy: 1 if one or more of the motives have been chosen: family reasons, more leisure time, responsibility transfer

Source: Own illustration.

5.4 Analysis and Results

To test our hypothesis, we used two statistical methods. First, as we focus on the evaluation of the network transfer measured on a Likert scale, an OLS regression was chosen to test Hypotheses 1–5. Table 12 shows the correlation matrix and Table 13 the OLS regression. Second, the evaluation of the perceived loss of confidence (Hypothesis 6) was tested with a general linear model also known as a factorial ANOVA.

Table 12: Bravais-Pearson Pair-Wise Correlations

		1	2	3	4	5	6	7	8	9	10	11	12
1	Evaluation of network transfer	1											
2	Predecessor/ Successor	0.176**	1										
3	Succession Mode	-0.054	0.143**	1									
4	Generation	-0.042	-0.324**	-0.140**	1								
5	Succession Process	-0.004	0.327**	-0.105*	-0.224**	1							
6	Gender	0.007	-0.170**	-0.041	0.097**	-0.033	1						
7	Degree of Formalization	0.070	0.104**	0.115**	0.020	0.019	-0.017	1					
8	Time working together	0.070	-0.316**	-0.298**	0.133**	-0.100*	0.054	0.017	1				
9	Information	0.230**	0.275**	0.004	-0.121**	0.091*	-0.084**	0.216**	0.003	1			
10	Age Difference	-0.217**	-0.096**	0.022	0.009	-0.081	0.011	-0.041	-0.037	-0.067*	1		
11	Business Goals	-0.116**	-0.157**	0.346	0.078	-0.299**	0.074*	-0.023	-0.018	-0.088**	0.054	1	
12	Personal Goals	-0.064	-0.061*	-0.011	-0.002	-0.222**	0.038	-0.022	-0.007	0.008	0.037	0.244**	1

** Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed)

Source: Own illustration.

As shown in the correlation matrix, the correlation between the variables is low, with a maximum of 0.327 (in absolute value) and significance at the 0.01 level. We also tested the variance inflation factor (VIF) of the variables and found no problems of multicollinearity (VIF values between 1.059 and 1.971).

Table 13: OLS regression

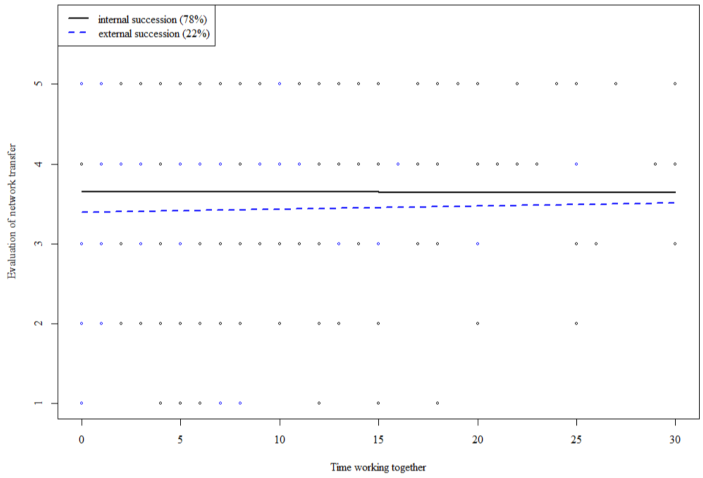
Dependent Variable	*Evaluation Network Transfer*
Constant	3.858***
	(11.887)
Predecessor/ Successor Dummy	.381**
	(2.875)
Succession Mode Dummy	-.614
	(-1.645)
Generation	-.020
	(-.479)
Firm Size Dummies (reference=small)	
Micro-Enterprise	.146
	(1.093)
Medium-sized Enterprise	-.004
	(-.036)
Large Enterprise	-1.080**
	(-2.671)
Education Dummies (reference=university degree)	
Secondary school	.108
	(.699)
High school graduate	.074
	(.585)
Apprenticeship	.089
	(.492)
Other	.095
	(.627)
Industry sector dummies (reference=manufacturing)	
Wholesale, retail trade, accommodation, food service	.361**
	(2.855)
Transports, financial intermediation, education, human health	-.169
	(-1.045)
Real estate activities, administrative and support service activities	.122
	(1.021)
Other	.033
	(.158)
Succession Process Dummy	-.260*
	(-2.500)
Gender	.167
	(1.579)
Degree of Formalization	-.041
	(-.927)
Time working together	-.000
	(-.051)
Succession Mode x Formalization	.192*
	(2.112)
Succession Mode x Time working together	.004
	(.221)
Information	.103*
	(2.522)
Age Difference	-.187***
	(-4.033)
Business Goals	-.019
	(-.127)
Personal Goals	-.087
	(-.758)
Succession Mode x Business Goals	-.443 ·
	(-1.661)
Succession Mode x Personal Goals	.380 ·
	(1.653)
F	3.627***
Adj. R2	.126
Observations	450

t statistics in parentheses

· $p \le .10$, $^{*} p \le .05$, $^{**} p \le .01$, $^{***} p \le .001$

Hypothesis 1a predicted a positive influence of the time the predecessor and the successor work together and the evaluation of the network transfer. Our results show no statistically significant effect of time working together and evaluation of the network (p=.960). Furthermore, we thought that the effect of time and the evaluation would be moderated by the succession mode (Hypothesis 1b), but the results show no moderation effect (p=.825).

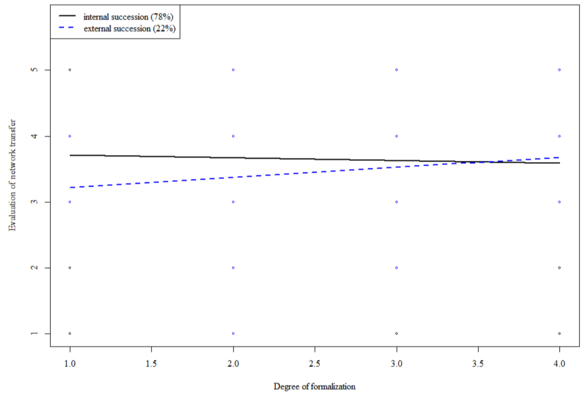
Figure 7: Interaction term: Time working together x Succession mode



Source: Own illustration.

Hypothesis 2 proposed that intra-family successors evaluate the transfer more positively than do external successors. The effect is marginally not statistically significant at a 10% level (p=.100). Hypothesis 3 postulated that predecessors evaluate the transfer of network contacts more positively than the successors. We observe a positive relationship as expected (p=.004). In comparison to successors, predecessors have, on average, a higher evaluation of the network transfer, at .381. Hypothesis 4a concerned whether formalization of the business succession process affects the evaluation positively. The assumption made could not be supported (p=.354). In contrast, there exists a significant moderation effect (p=.035) of the succession mode (Hypothesis 4b). The effect is plotted in Figure 8.

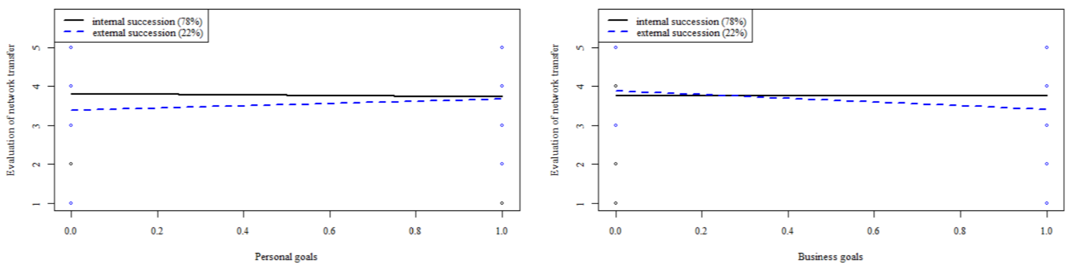
Figure 8: Interaction term: Degree of formalization x Succession mode



Source: Own illustration.

For external succession, the formalization of the succession process has a positive effect on network transfer evaluation, whereas for intra-family succession, the formalization of the process does not matter. Hypotheses 5a and 5b refer to the motivations of actors. There is no effect of personal (p=.449) or business-related (p=.899) motives on the evaluation of the network transfer. However, taking the succession mode as a moderator into account (Hypothesis 5c), we observe two significant moderation effects at a 10% significance level (see Figure 9). In the case of external succession, actors with personal goals evaluate the network transfer more positively than actors without (p=.099). If the actors have business goals, they evaluate the network transfer more negatively than actors without (p=.097). For intra-family succession, the actors show no difference in the evaluation of the network transfer, irrespective of their goals

Figure 9: Interaction terms: (personal and business) Goals x Succession modes



Source: Own illustration.

Hypothesis 6a predicted a higher evaluation of loss of confidence by successors than predecessors. As we supposed, we observe a statistically significant effect ($F=14.10$, $p \leq .001$) of a higher evaluation of loss of confidence for successors in comparison to predecessors. Additionally, there is a positive moderation effect of the succession mode ($F=3.48$, $p=.063$) at a 10% significance level (see Table 14).

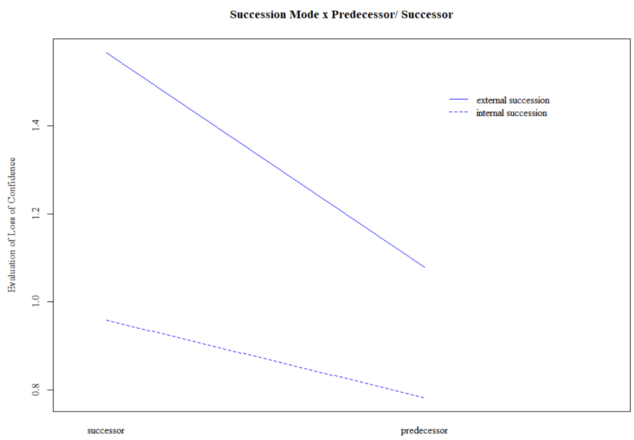
Table 14: Factorial ANOVA

Variable	df	Sum of Squares	Mean of Squares	F-value	p-value
Succession Mode	1	38.52	38.52	26.04	≤.001***
Predecessor/ Successor	1	20.85	20.85	14.10	≤.001***
Succession Mode x Predecessor/ Successor	1	5.14	5.14	3.48	.063 .
Residuals	930	1375.35	1.48		

Source: Own illustration.

The evaluation of loss of confidence between successors and predecessors differs more for external succession than for intra-family succession. Thus, for intra-family successions, the loss of confidence is, for both successors and for predecessors, on a relatively low level, whereas successors in external succession evaluate the loss of confidence significantly higher than predecessors (see Figure 10).

Figure 10: Evaluation of Loss of confidence



Source: Own illustration.

Based on the findings from the empirical tests, the next section includes more in-depth considerations and discussion of these results.

5.5 Discussion

The aim of this paper was to show how the transfer of networks influenced the succession process in the context of intra-family and external successions. We wanted to obtain deeper information about the general factors influencing the evaluation of the network transfer as well as the differences between the modes of succession. To achieve this, we based our study on these overarching research questions: *Are there differences between intra-family and external successions regarding the transfer and evaluation of transfer of contacts during the succession process? What are the influencing factors of a positively evaluated transfer of business networks from predecessors to successors?* To answer these questions, which have received limited attention by quantitative empirical studies, we developed and tested hypotheses regarding the influencing factors on the evaluation of predecessors and successors in intra-family and external successions.

The time frame for the business succession process is a relevant topic when comparing intra-family and external modes (Halter & Kammerlander, 2014). The literature confirms that for predecessors and successors, the time working together in intra-family successions is longer than in external successions (Le Breton-Miller et al., 2004). The time frame could lead to advantages regarding other aspects in the context of business succession, such as acquisition of knowledge or development of managerial skills (e.g., Cabrera-Suárez et al., 2001; Chrisman et al., 1998). However, if the succession process takes too long, negative effects could occur, as the successor could become dissatisfied due to having to wait for transfer (De Massis et al., 2008). We did not find any indications that time influences the evaluation of network transfer by the involved actors. We argue that this could be a result of the systematic transfer of the business during external succession and due to the fact that intra-family successors could generate the knowledge of contacts over time. Thus, retention of the network is possible in both modes of succession if the willingness and awareness exist. This is also interesting in the context of the findings regarding the formalization of the process of business successions. While the general test of the effect of formalization on the evaluation of network transfer shows no significant influence, formalization during external successions has a positive effect on evaluation. One explanation could be the awareness of relevant business network partners on the part of external successors and that formalization leads to a better feeling. Intra-family successors may abandon the security of formalization and strict written-down plans with all relevant business information as they evaluate their continuing family connection to the predecessors as an important factor conducive to further knowledge transfer.

The existing literature regarding the comparison of intra-family and external successions analyzes differences between those modes of succession, for example, in terms of performance (Wiklund et al., 2013). The aim of this study was to contribute to the research stream on similarities and differences of intra-family and external successions by shedding light on the transfer of network contacts during the succession process. Our data show no differences between intra-family and external modes of succession regarding the evaluation of the network transfer. Because of familial connections, the intra-family successor has the possibility of asking the predecessor important questions regarding the network structure after the transition, and this could influence the evaluation. As research shows, one important aspect in intra-family successions is the exit of the predecessor (Sharma et al., 2001). It could be assumed that the predecessor will be inclined to help the successors in the case of intra-family succession. With regard to external successors, this could be a similar situation if the external successor was an employee and has a strong connection to the predecessors or the family. If the external mode of succession was chosen in the case of the absence of intra-family successors, the predecessor's behavior could be influenced by this and affect the feelings of the successors. It is also possible, if the external successor has experience in the industry through former jobs, that the successor has access to a network that already exists, and therefore the evaluation is affected. This could be the same in intra-family successions.

The evaluation of predecessors is more positive than that of successors. Knowing the business network for years and building up important structures for the business, the owner is a central part of that business (Cabrera-Suárez et al., 2001; Lansberg, 1988). Because of special knowledge, which is often implicit, the predecessor may not think at all or think less about the problems that could occur when transferring a network. While predecessors are able to evaluate the network, the position of the successor is riskier. In this context, the results regarding the loss of confidence should also be mentioned. The successors estimated the loss of confidence as important in contrast to predecessors. This could also be explained by their better knowledge of the consequences. One further explanation might be found in the general business experience of the involved actors. The predecessor is not only better informed about the network but also about the business, the organizational structure, and the market position of the family business. This could influence the evaluation of the importance of network contacts as the successors try to minimize risk by getting as much detailed information as possible. The better the perceived information exchange, the better the overall evaluation of the business succession. The external successors perceive the loss of confidence as worse than do intra-family successors. One explanation for this could be that the intra-family successor has access to easier ways of getting in contact with the predecessors if some contacts in the business network show a loss of confidence because of the change in management and ownership. This could be more difficult for external successors if there is less communication after the handover of the family business. Another explanation could be the personalities of the involved actors. As social capital and social networks are based on trust and shared visions (Inkpen & Tsang, 2005; Tsai & Ghoshal, 1998), it could be possible that intra-family successors and predecessors tend to assume that external partners will trust them because of the presence of further shared values and trustful relations. If the external successors have similar personalities, a similar vision, and similar business behavior to the former owner, this could be an advantage regarding the perception of external business partners that could minimize loss of confidence.

Family business owners often have difficulty leaving the business (Sharma et al., 2001). Handing over the business could be precipitated by various reasons, and the owners also may have suggestions and concerns regarding what could happen with the family business in the future. Therefore, we argue that the motives of predecessors could be explained by personal as well as business-related factors. For example, some predecessors are interested in leisure time and the financial security of a pension, while others are more interested in handing over the business to ensure the continuity and growth of the family business after they retire. The same argument was used for successors, as they could also have personal or business-related motives. Our analysis shows that the evaluation of network transfer is influenced by motivations in the context of external successions. Involved actors with personal goals evaluate the transfer of business networks more positively than do those without personal goals. One explanation could be that the personal goals lead to more commitment. The actors are more willing to invest time, and the interaction between predecessor and successor may be more intensive. Business goals lead to a worse evaluation by involved actors. This could be explained by the different expectations of predecessor and successors. For example, the successor may want to expand the business and assume that the predecessor offers the relevant networks. On the other side, the predecessor may expect that the successor will breathe new life into the family business by growing future prospects based on new (technical or organizational) ideas. Especially in external successions, such different expectations could very well occur, as the involved actors do not know each other, unlike the actors in intra-family successions.

5.6 Further Research, Limitations, and Conclusion

This paper offers insights on the factors influencing the transfer of the business network in different modes of succession, which affect the evaluation of the network transfer. Since the models of business succession processes in the existing literature mainly focus on intra-family successions, we contribute to the literature by showing the similarities between intra-family and external successions in the context of relevant business networks.

Our unit of analysis was on the individual level, as we focused on the directly involved actors between whom the transfer takes place. To demonstrate the importance of the business network during a succession and how the actors involved evaluate the transfer, further research should address the external network of family businesses and how its members perceive and evaluate the changing of network nodes in the business and what this means for their business. Furthermore, the level of analysis could be extended as the organization, along with its organizational social capital, could be included. Employees with key positions in the organization with close relationships to important external business partners could be an interesting influence aspect. Especially if such relations exist, the handling of intra-organizational contacts during the different modes of family business succession should be analyzed.

Our sample is based on German family businesses of different sizes and in different sectors. The size of the businesses could influence the evaluation. First, the responsibility for a larger group of employees could affect the behavior of the predecessors and successors. Predecessors would endeavor to ensure business survival after their exit to protect jobs, and this could influence the transfer of networks. Also, successors would feel responsible for job security and conceivably invest a large amount of money to take over a large family business. Furthermore, different sectors with specific structures could have an impact on transferring network contacts. In sectors with high dependencies to a few suppliers and customers, for example, the automotive supply industry, the transfer of networks, and the evaluation of the integration will have a different status than in sectors with lower dependencies. These context-related factors are not addressed in this study, and further research should analyze if there are related to differences.

Our analysis includes different modes of family external succession to natural persons. Whereas in the MBO and EBO forms, the successors are already familiar with the business and the existing network of the predecessor, and some of the external network partners know the successor, during an MBI, the successors have no information or knowledge of the existing network. Regarding these differences, further research should analyze how the modes of external business succession differ in the context of transferring the network contacts.

Although the results of the study could be transferred to some other countries, further research should address the contextual and cultural influencing factors. In other countries with different cultures, it is possible that the network of the family business might have another type of relative importance, and this could influence the behavior regarding the integration of successors as well as the evaluation of the process. The behavior of external network partners in different cultures would be an especially interesting possible topic for further research.

To conclude, this quantitative study offers initial generalizable insights into the personal evaluation of network transfer during different modes of succession. As existing literature shows, there are similarities as well as differences between intra-family and external succession processes. While the time frame of working together and the motivations do not influence the evaluation of network transfer, the formalization of the process in the context of external succession is an influencing factor. Irrespective of the mode of succession, the business network is an important aspect that must be considered during a succession process.

6. Summary of the Findings and Concluding Remarks

Succession is an important process for a family business, and although a huge number of studies address this topic, there is still need for further research to understand this complex situation encountered by family businesses (Daspit et al., 2016; Nelson & Constantinidis, 2017; Xi, Kraus, Filser, & Kellermanns, 2013). Regarding the overlapping systems of family, business, and ownership (Tagiuri & Davis, 1996), most studies focus on a specific part of a family business when analyzing the succession process. General models of succession do exist (Le-Breton Miller et al, 2004, Nordqvist et al., 2013), but due to the complexity and heterogeneity of family businesses and the succession process, further research on specific topics in this context is necessary.

Chapter 3 focuses on the transfer of network contacts during an intra-family succession. Key findings of this study deal with the awareness of the involved actors, the behavior of predecessors regarding the introduction and integration of successors, and the behavior of successors during the adoption and extension of the business network. The literature on family business successions offers process models (e.g., Le Breton-Miller et al., 2004; Nordqvist et al., 2014), which should include the transfer of contacts. The time frame of the integration and, therefore, of the succession process could be subject to various influences, for example, a generation gap. If the business environment, especially the customer structure, is changing, the successor might close the gap between the older generation of the predecessor and the younger customers. Furthermore, the successor could renew the business network if relationships are loose because of personalities. Both of these influence factors imply that network-related knowledge is transferred during succession. The long period of working together in intra-family successions (Halter & Kammerlander, 2014) could be an advantage in the context of transferring knowledge and network contacts as the successor gets deeper insights into all areas of the family businesses. Nevertheless, it is important to develop a model for a structured way of transferring the network of the predecessor to ensure the survival of a family business.

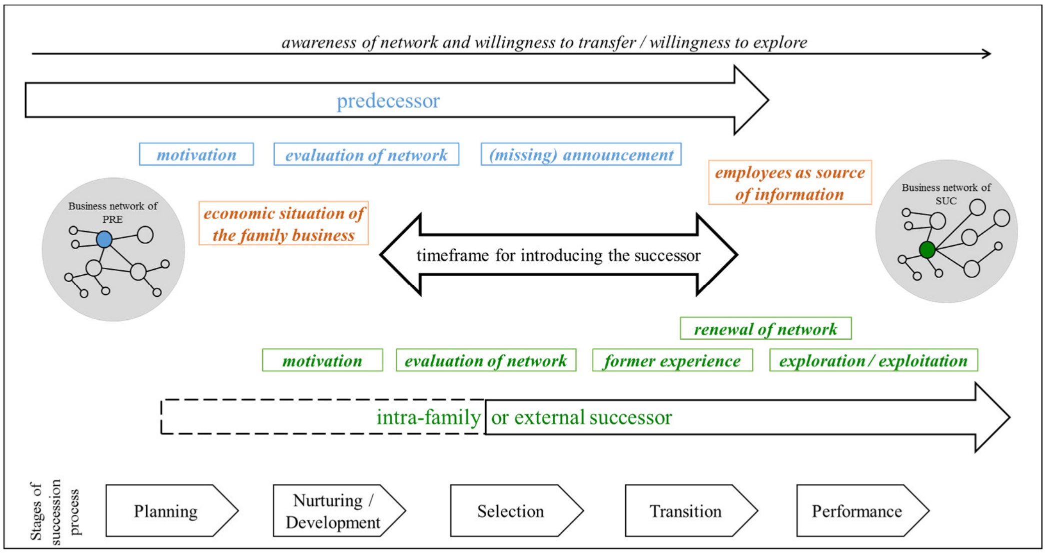
In Chapter 4, the transfer of networks during external successions was analyzed. Based on assumptions from the literature that the time frame of external modes of succession is shorter than in intra-family successions (Cabrera-Suárez et al., 2001; Halter & Kammerlander, 2014), it is assumed that the process of transferring social networks must be shorter too. Therefore, an analysis of the structure of the transfer and the way in which the involved actors behave was carried out. Personalities and motivations of predecessor and successor are important influencing factors during the process. The study shows that the desire of predecessors for business survival influences the transfer and integration of the successor into the business network. On the other side, the successors are aware of the importance of the network, as otherwise a new business could be started. Omitting the introduction and integration of the successor can lead to losing important network partners and, therefore, in the worst case, to the failure of the business after succession. Former experience and knowledge about the industry context of the successor can prevent business failure due to the omission of the transfer of social networks as the successors are able to implement a new network structure based on their own existing contacts.

Chapter 5 focuses on intra-family and external succession and shows the similarities and differences between these modes of succession. Although the literature offers indications that the time frame of the succession process could lead to advantages for the family business (e.g., Cabrera-Suárez et al., 2001; Chrisman et al., 1998), by analyzing the time frame of working together, the results show no significant differences regarding the evaluation of the process. Personal and business-related motives influence the evaluation of the network transfer during external successions. One interesting finding regarding the differences relates to the formalization of the succession process. The findings show that in cases of external succession, the degree of formalization influences the evaluation of network transfer. The higher the degree of formalization, the more positive the evaluation.

All of the studies in this dissertation found indications that founder centrality (Kelly et al., 2000) in the context of business succession and transfer of network contacts must be considered. The family business owners of small and medium-sized enterprises could possess specific tacit knowledge (Boyd et al., 2015) that must be converted into explicit knowledge to provide the possibility of a structural transfer of informal structures (McEvily et al., 2014). After this, a transfer is possible, and the next step must be the announcement of the successor in the business network in a structured way. Although the analyses show some patterns related to the transfer, for example, the order of transfer regarding the success factor or the introduction of the successor with an event for a special network group, the possibilities for the transfer of contacts in a structured way with a written-down plan are hardly used.

Based on these findings, an overall model including the different succession modes and the transfer of the business network was developed. All of the empirical results reflect the awareness of the importance of the business network for business success. Most of the predecessors are willing to transfer the network, as their motivations were mainly based in the survival of the business. The overall results are clustered in three groups: *business-related*, (intra-family and external) *successor-related*, and *predecessor-related* factors.

Figure 11: Overall Model of transferring the Business Network



Source: Own illustration.

The results of the analysis show that possible factors influencing the transfer of business networks in the *business-related* context are the economic situation and the employees. A critical economic situation could influence the process differently. If the business network was affected by payment arrears or delivery residues, the trust within these relationships may be reduced and the successors would have to decide if these connections could be reestablished or if new contacts should be established. If the economic situation was critical because a liquidation was planned first instead of selling the business, the former business network may not be affected regarding trust in the business, and the successor can renew these contacts. The employees are the second influence factor as they can function as a source of information for the successor if, for example, the predecessor forgets to transfer or to introduce the successor to important contacts. Regarding the *predecessor-related* factors, the motivation for selling the business, the evaluation of the business network, and the (absence of an) announcement of the successor could influence the process of transferring the social network of the business. All of these factors could facilitate the transfer as well as hinder it. The *successor-related* influencing factors regarding the transfer of business networks are the motivation to buy a business, the evaluation of the network, former experience in the industry, as well as the possibility to renew relationships and explore and exploit the existing network. These factors could have an impact on successful transfer but are not mandatory in each succession process. For example, former experience as well as exploration could influence the transfer if the successor has his or her own contacts that are preferred over the existing business network contacts. The renewal of the network could only occur if the predecessors share information about former contacts that are no longer part of the business network because of, for example, personal differences of the involved actors or different strategic developments of businesses.

6.1 Theoretical and Managerial Implication

The empirical studies in this dissertation focus on the transfer of social networks as a fundament of social capital in different modes of succession. Based on the concepts of social networks and knowledge management (e.g., Cabrera-Suárez et al., 2001; Hatak & Roessl, 2013; Steier, 2001), these studies enhance the existing literature on succession processes. Furthermore, these studies contribute to the literature by offering deeper insights regarding different modes of succession as well as the transfer of a relevant business network. The literature on family business succession focuses mainly on intra-family successions as these businesses often lose their status as family businesses by selling to outsiders (Ucbasaran et al., 2001). Although family external successions and research on them are becoming more common, there is still a need for deeper understanding (e.g., Boyd & Royer, 2012; Durst & Gueldenberg, 2010; Scholes et al., 2008). This dissertation offers insights into intra-family and external succession processes and how the transfer of social capital and social networks are handled.

The first study investigated social network transfer in intra-family successions and produced deeper insights into the awareness of social capital and social networks of involved actors. Based on the study of Steier (2001), the results focus more on an individual level and how the involved actors handle the succession. Predecessors rated the importance of the social network for business success highly, and the successors are also aware of its value. By working together over a long period, the network can be transferred over time by integrating the successor step-by-step. Successors are willing to take over the network but are also willing to integrate or establish a new network. This contributes to the literature of exploration and exploitation, as networking is very time-intensive, and there must be a balance between exploration and exploitation (Salvato & Melin, 2008). Furthermore, this study contributes to knowledge management literature as the (tacit) network-related knowledge must be converted to be transferable. After obtaining relevant knowledge about the network, the successor can take action such as renewing former business contacts or closing a generation gap. Thus, awareness, knowledge, and network integration can help to improve the succession process and keep the family business healthy after succession.

The second study contributes to the literature of external succession in family businesses by following the need and call for deeper understanding of this process (Scholes et al., 2008). Unlike existing research that mainly focuses on the motivation and other aspects of predecessors in the context of selling a business to outsiders (e.g., Dehlen et al., 2014; DeTienne, 2010), this study combines the view of predecessors and successors. External successions are more common, yet knowledge about the process of transferring the business is scarce. Knowledge management and transferring social networks is important for the survival of businesses. General process models could be adopted for external succession but must be modified in some details. This study shows that the time frame is often shorter than in intra-family successions; therefore, a structured means of transfer is needed to gain the tacit knowledge from predecessors. Furthermore, it is shown that the awareness of the need to integrate the successor as well as the willingness to take over the network are givens and that non-financial goals in this form of succession also exist.

The third study contributes to the literature of comparison of different modes of succession. Knowledge and network transfer in succession processes in the literature is more or less limited to intra-family succession (Arregle et al., 2007; Cabrera-Suárez et al., 2001; Hatak & Roessl, 2001). This study offers initial insights into differences between intra-family and external succession by using a quantitative approach. The analysis of important aspects regarding the transfer expands the existing literature on the formalization of the process, motivations, and satisfaction and offers new insights into how the network transfer must be integrated with concepts of business succession models and knowledge transfer.

This dissertation also offers managerial implications for family business owners and potential successors. The overall model developed could be used as a guideline for the succession process of different modes. Being aware of the importance of the social network of a business is the starting point. The analyses show that in most cases, the involved actors are aware of the importance of the network and integration. However, the transfer of social networks often is not structured in a planned and formalized way. While some groups were transferred in an early step and the successor was introduced intensively, other groups attracted only slight attention. The transfer of contacts must be a single paragraph in succession processes, no matter what kind of succession was chosen. The implicit knowledge of the predecessor must be converted into explicit knowledge as far as possible. Not only the awareness of social network contacts but also the reciprocity of these relationships is important. The network must be integrated into the transfer as the contacts must know that the person on the other side of the business relationship will change. Furthermore, the successor has to decide whether the existing network will be exploited or explored. It could be an advantage to adopt the network as a first step, as the network is interested in keeping the connection, and to build up new relations in a later step. By using knowledge of the relevant factors regarding the business, predecessor, and successor, family businesses can design a structured plan for transferring the business network and introducing the successor step-by-step. This procedure could help to prevent loss of confidence or other difficulties that could occur because of a lack of integration perceived by network partners.

6.2 Limitations and Further Research

Family businesses offer a high degree of heterogeneity and complexity. As the limitations of each study are discussed above, the overall limitations as well as the implications for further research will be presented in this section only in a brief way.

The first and second studies were constructed as exploratory multiple-case studies, which allow for initial insights and understanding of social network transfer during a succession process. These inductive approaches were chosen to expand the existing literature with qualitative data and to find similarities that can be used to develop a systematic process for integrating intra-family and external successors into the business network. The constructed propositions have to be tested by a quantitative approach to confirm or falsify the results. The third study includes a quantitative approach to analyze the differences between intra-family and external business successions. Although this study is based on a huge number of participants, the different modes of external succession possibilities need to be more deeply analyzed. For example, the EBO or MBO routes in contrast to MBI could offer interesting insights on how the network is transferred and what the advantages and disadvantages are if the successor is familiar with the family business before buying it.

This dissertation focuses on family businesses in Germany. Different countries may lead to other results because of different contextual environments. The German *Mittelstand* is a specific phenomenon that occurs in this way only in Germany; nevertheless, some results could be transferred to other countries: for example, the importance of awareness and the introduction and integration of successors into business networks. Studies in other countries should address the research focus to gain deeper insights into how the business environment influences the transfer of social networks.

None of the studies includes an analysis of the business development after transition. Further research should analyze how the network transfer and the adoption of the existing network or the implementation of new contacts affect the performance and the survival of the business. The literature shows that social capital could also have an influence on innovation as business networks offer technical or market information and possibilities for cooperation with network partners. Further research is needed to show how intra-family and external successors perform after the transitions regarding these aspects and if the innovativeness of the business increases, decreases, or stays stable.

The personalities of network partners may influence the succession process. While during intra-family succession, general shared norms and trust between the predecessor and successor could be assumed, an external successor could have different norms or values. The studies show that predecessors as well as successors prefer similarities between their personalities and that in the case of not having a good feeling, the succession does not take place. This could be explained, for example, by the motivation of the predecessor by non-financial goals, such as business survival for job security. Further research should address the fit of involved persons in external successions and which influencing factors lead to a final decision on a successor.

Furthermore, the studies focus on the individual level of social capital, as we analyzed, for the most part, the predecessor and successor. During the analysis, there are some indications that the organizational social capital (the employees) could be an important aspect by handling the social network of the family business. This could depend on the size of the business, for example, regarding lower founder centrality in bigger businesses, and should be analyzed in further studies using a multilevel approach.

6.3 Conclusion

"The real influencers of an organization are the network nodes: the people who most often intersect with the most people"

Margaret Heffernan

The specific character of the family business often results from the individuals behind the business—the family. With regard to the founder centricity of such businesses, respective to the owner centricity in later generations, the owner and manager is often the primary network node in the business network. During the succession process, transfer of network contacts means that this network node changes. Business relationships are developed over a long period and based on trust among the involved persons. These relationships must be maintained and transferred carefully. Successors, whether intra-family or external successors, must be introduced by the predecessor to give the network the opportunity to get to know the new business owner and the new network node. The (tacit) network-related knowledge of the predecessor must be converted to explicit knowledge first before the necessary transfer is possible. Social capital can lead to competitive advantages; therefore, the networks are an essential element of a business. The intra-family succession is a long-term process in contrast to the shorter external succession. Especially if the successor has not worked in the family business before the transition, the process is often limited to a shorter time frame. Nevertheless, every mode of succession requires a well-planned and structured plan for transfer—with awareness of relevant knowledge, information exchange, and structured introduction and integration of the next successor to give her or him the chance to become the new network node of the family business.

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Appendix

Appendix A (Chapter 3):

Extract from the interview guideline for the intra-family successor. (The questions for the predecessor are aligned with questions for successors and include same content.)

1. How long have you been working with the (predecessor)?
2. What are your important network contacts?
   a. How often do you talk with these network contacts?
   b. Which contacts do you most depend on?
3. How important do you think a network is for the success of the business?
4. Have you transferred the following network contacts: bank, lawyer, tax consultant? Do you have new network contacts you would regard as advisors?
5. How did you handle the transfer?
   a. Did the predecessor transfer it personally—for example, through a meeting specifically to introduce you?
   b. Did you review the data in the family firms, such as databases, customer bills, and contracts with suppliers, to understand the network?
   c. Which former contracts do you use now? Have you integrated your own network with the existing one?
6. When do you think the successor became the sole contact person for a network contact?
7. How do you establish new contacts?

Appendix B (Chapter 4):

Extract from the interview guideline for the family external successor. (The questions for the predecessor are aligned with questions for successors and include same content.)

1. How long have you been working with the predecessor?
2. Did your predecessor introduced you to the network? How?
3. Did you meet the important contacts together with the predecessor?
4. Did your predecessor mentioned your name by contacts?
5. Did you have a written down plan?
6. How is the structure of the network? Do you have a high dependency to special network contacts?
7. Did you review the data in the family firms, such as databases, customer bills, and contracts with suppliers, to understand the network?
8. Which former contracts do you use now? Have you integrated your own network with the existing one?
9. What do you think about the personality of your predecessor? Is it similar to yours?
10. How important do you think a network is for the success of the business?
11. Do you think that your predecessor missed to inform important networks?

Appendix C (Chapter 5):

Extract from the questionnaire for (intra-family and external) successors. (The questions for the predecessor are aligned with questions for successors and include same content.)

1. What type of transfer / succession is applicable?
   a. External transfer/ succession
   b. Internal transfer / succession
   c. Not yet determined
2. In which generation is the business currently? (Founder = 1st Generation)
3. What is the relationship between you and your (potential) predecessor?
   a. Parent
   b. Friend / acquaintance
   c. (Former) employer
   d. Spouse / partner
   e. Relative
   f. Client
   g. Business relationship
   h. No relationship
   i. Other
4. In which year did you take on a managing position in the company?
5. In which year did you / will you take over the business (ownership and management)?
6. Please choose the applicable situation regarding the current state of the business succession process.
   a. A business succession process took place in the last 10 years.
   b. The company is currently in the midst of a business succession process.
   c. The company currently is not in a business succession process, but a transfer is planned in the next five years.
7. What is the main reason for the business takeover?
   a. Financial attractiveness
   b. Opportunity for self-fulfillment
   c. Kinship
   d. Reputation of the company
   e. Other
8. How many years have you worked together with the predecessor?
9. Would you like to continue to work with your predecessor? (Yes / No)

10. How would you classify your relationship with your predecessor?
    a. Purely professional
    b. Mainly professional
    c. Hybrid
    d. Mainly private
    e. Purely private
    f. No relationship

11. In order to provide better insights into the succession situation, please evaluate the following statements.

	Not applica-ble				Fully applicable	Not spec-ified
My gender has / had a negative influence on the transfer of my predecessor's contacts.	❑	❑	❑	❑	❑	❑
The fact that I am a member of the predecessor's family has a negative influence on the transfer of my predecessor's contacts.	❑	❑	❑	❑	❑	❑
The fact that I am not a member of the predecessor's family has a negative influence on the transfer of my predecessor's contacts.	❑	❑	❑	❑	❑	❑
The age difference between my successor and I has / had a negative influence on the transfer of my predecessor's contacts.	❑	❑	❑	❑	❑	❑
My predecessor is / was in conflict with his network contacts at the time of the succession.	❑	❑	❑	❑	❑	❑
I do / did / will possess the necessary expertise at the time of the succession.	❑	❑	❑	❑	❑	❑
I do / did / will possess the necessary social competence at the time of the succession.	❑	❑	❑	❑	❑	❑
My predecessor overestimated my expertise and social competence at the time of the succession.	❑	❑	❑	❑	❑	❑
My predecessor underestimated my expertise and social competence at the time of the succession.	❑	❑	❑	❑	❑	❑
My predecessor and I place / will place our focus on the same network groups.	❑	❑	❑	❑	❑	❑

12. To which extent did you lay down the succession process in writing?
    a. No written record of the succession process
    b. Nothing formal, but a written outline
    c. Formal outline in an official document of the company
    d. Detailed record of the succession process with specific milestones

13. What percentage of the business network do you want your predecessor to transfer to you?

14. What percentage of the business network have already been transferred to you by your predecessor?
15. How many new customers have been / will be added to the network after the succession?
16. How many new suppliers have been / will be added to the network after the succession?
17. Did you possess network contacts within this branch before the succession?
    a. Yes
    b. No
    c. Not specified
18. Do you agree with the following statement?
    I prefer exchanging existing network contacts with my own.
    (5-likert-scale: 1 = fully disagree, 5 = fully agree).
19. To what extent was the business network informed or will the business network be informed about you, the successor?
    (5-likert-scale: 1 = very superficially, 5 = very intensely; or not specified)
20. How do you rate the predecessor's business network?
    (5-likert-scale: 1 = not very helpful, 5 = very helpful)
21. In which direction has the age structure of the network contacts you added since your succession developed?
    a. The age structure has become younger.
    b. The age structure has become older.
    c. The age structure has remained the same.
    d. The age structure is varied.
22. Are there / have there been personal disagreements between your predecessor and his / her network contacts, that persist/ persisted until the time of the succession? (Yes / No / Unknown)
23. Have there been / are there inherited financial burdens that have been/ are being transferred? (Yes / No / Unknown)
24. Have you noticed a loss of trust by your network contacts due to the (impending) transfer of your company? (5-likert-scale, 1 = very weak, 5 = very strong; additionally "not noticed significant loss of confidence).

25. What are possible reasons for a loss of trust? Please mark all applicable answers.
    a. Lack of expertise
    b. Lack of social competence
    c. Lack of acceptance due to age
    d. Distrust
    e. New strategic orientation of the company
    f. Sudden takeover of the company
    g. Other

26. Please specify to what extent the following statements are applicable.

	Not applicable				Fully applicable
To this day, I make use of the majority of the transferred contacts.	❑	❑	❑	❑	❑
I have generated good conditions from the transferred contacts.	❑	❑	❑	❑	❑
Business transactions have often resulted from the transferred contacts.	❑	❑	❑	❑	❑
I often receive useful tips and information from the transferred contacts.	❑	❑	❑	❑	❑

27. Have / Will you introduce your own contacts into the business network? (Yes / No)

28. Have / Will you adopt all of the transferred contacts into your own business network? (Yes / No)

29. How many percent of the contacts are currently from your predecessor and how many percent are your own?

30. Do you feel like certain contacts have been forgotten during the transfer? (Yes / No)

31. Do you feel like certain contacts are / have been left out on purpose during the transfer? (Yes / No)

32. Do/ Did all the contacts of the business network want to be transferred to you? (Yes / No)

33. How many contacts of the following categories did you introduce to the business network yourself?

	None				Many
Banks	❑	❑	❑	❑	❑
Customers	❑	❑	❑	❑	❑
Suppliers	❑	❑	❑	❑	❑
Tax consultants	❑	❑	❑	❑	❑
Other, namely:	❑	❑	❑	❑	❑

34. How did you experience the transfer of the business network?
(5-likert-scale, 1 = very difficult, 5 = very easy)
35. How did you navigate within the business network?
(5-likert-scale, 1 = very badly, 5 = very well)
36. Please specify to what extent the following statements are applicable:

	Not applicable				Fully applicable	Not specified
The establishment of new contacts with external network contacts is important to me.	❑	❑	❑	❑	❑	❑
The transfer of business networks was conducted actively.	❑	❑	❑	❑	❑	❑
There are / were tangible economic obstacles present during the transfer.	❑	❑	❑	❑	❑	❑
There are obstacles present during the transfer of networks, since I, the successor, am not part of the predecessor's company.	❑	❑	❑	❑	❑	❑
The contact to co-workers, customers and other companies is / was particularly important to me.	❑	❑	❑	❑	❑	❑
The transfer of networks is going / went systematically and as planned.	❑	❑	❑	❑	❑	❑
I view the transfer of special networks (i.e. membership in associations, circle of friends etc.) as particularly important for the company's success.	❑	❑	❑	❑	❑	❑
The transfer of networks enables the establishment of new relationships to network contacts or the renewal of existing relationships.	❑	❑	❑	❑	❑	❑