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A power perspective on knowledge transfer in internal succession of small family businesses

Abstract

The aim of this paper is to apply a power perspective to knowledge transfer in internal succession processes of small family businesses. We argue that knowledge is a source of power. Distilling existing literature on small family businesses, knowledge transfer and power theory, we focus on the role of owner manager and successor in internal succession. Propositions are formulated, theorizing the influence of 1) expert power, 2) decision-making power, 3) trust, 4) rivalry, and 5) capabilities. First, we conclude, familiness and high levels of trust in small family businesses influence power relationships between successor and predecessor positively. Second, the existence of high power imbalances within familiness can slow progress in knowledge transfer in succession, and particularly negatively impact on tacit knowledge transfer from one generation to the next.

Keywords

Small family businesses, knowledge transfer, power theory, internal succession, familiness, trust, rivalry, capabilities

1 Introduction

Despite the fact that business succession in family businesses has been one of the most investigated topics within family business research (Benavides-Velasco, Quintana-García and Guzmán-Parra, 2013; Bracci and Vagnoni, 2011; Sharma, 2004; Zahra and Sharma, 2004), there often remains a “naïve, over-simplistic understanding of the motivation of those in the small business sector” (Culkin and Smith, 2000, 154). There is criticism that family business research mostly focuses on large and mid-sized companies, while little is known about small family businesses (Bracci and Vagnoni, 2011; Kirmanen and Kansikas, 2010). Authors claim more studies are needed to investigate the role of different types of resources, for example organizational, social, financial, human and physical, play in small family businesses (Greene, Brush, and Brown, 1997).

To the authors’ knowledge, there is no present study that takes a power theoretical perspective on knowledge transfer in family business succession. Knowledge transfer can be seen as a cumulative process of organizational learning (Borgatti and Carboni, 2007). Yet, an understanding of sources and the use of power, within this process is highly relevant, since knowledge itself can be regarded as a source of power (Elias, 2008; French and Raven, 1959; Bakhru, 2004). We argue that knowledge can be understood as a base of power (French and Raven, 1959). ‘Expert power’ includes the possession of knowledge in order to influence others. Expert power might be used to positively and convince others, but also to negatively make use of this source of power to execute one’s own goals. Elias (2008, 278) argues “the use of expertise solely as a means to achieve their personal goals (i.e. negative expert power) can result in resistance and resentment rather than perceptions of competence.”

As a consequence, we posit that power highly influences if and how information is transferred between the owner manager and the successor during the succession process in family businesses: which in turn may or may not lead to a successful business succession. Moreover, the influence of power on knowledge transfer behavior needs to be understood in a small family business context, as the centrality and dominance of the owner managers makes them the major knowledge holder at the start of the succession process (Chirico, 2008). This, in turn, suggests the potential for a great power imbalance between the owner manager and the successor, which has to be overcome to facilitate knowledge transfer over the course of the succession. Furthermore, the handing over of formal power from business owner to successor is necessary in order to make decisions and to make the succession process successful (Churchill and Hatten, 1997; Handler, 1990).

We propose that adopting power theory perspective leads to a better understanding of the process of knowledge transfer in family businesses; particularly as *knowledge* is considered to be the most intangible source of competitive advantage for businesses (Conner and Prahalad, 1996; Grant, 1996). A firm's knowledge based is formed through both explicit and tacit knowledge. Family businesses are particularly rich in intangible, tacit knowledge (Sharma, 2004), and the owner manager is the key knowledge holder in the small family businesses (Sambrook, 2005). Hence, the owner manager is likely to hold most of the firm's tacit knowledge. Tacit knowledge is usually captured within the experiences of the knowledge holder (Alavi and Leidner, 2001; Collins, 2010; Nonaka, 1994). Examples include knowledge acquired through action, daily processes and procedures, but also through values and emotions (Chua, 2002), and in family businesses, through family internal interactions. Habbershon (2006, 990) refers to these interactions as the "familiness" of the business. The construct of familiness is rooted in the resource-based view of the business and presents a strategic competitive advantage of family businesses with regard to generating firm wealth

and managing the firm compared to non-family businesses (Cabrera-Suárez, Saá-Pérez, and García-Almeida, 2001; Pearson, Carr, and Shaw, 2008).

We argue that familiness exists on both levels, within informal family relationships, and formal business interactions, and that as a consequence power multiplies – and intensifies in the succession phases. We concur with Merino, Monreal-Pérez and Sánchez-Marín (2015) that power is used as a means of leading and controlling the family business through the participation of the family in the management and/or governance of the firm. Power symbolizes the degree of the overall dominance of family members via ownership, management, and governance (Holt, Rutherford and Kuratko, 2010; Klein, Astrachan, and Smyrnios, 2005). In terms of knowledge transfer it is essential to preserve familiness throughout the succession process for two reasons. Firstly, familiness implies the close identification of family members with each other and the business, leading to a higher willingness to share knowledge and to greater individual contributions to the collective (Pearson et al., 2008). Secondly, the strong ties that result from familiness are a prerequisite for the transfer of tacit knowledge to the next generation of family members (Lee, Lim, and Lim 2003). Exercising power in familiness might include excessive caution in knowledge sharing or slow progress in transferring tacit knowledge to the next generation (Merino et al., 2015).

A contextual understanding of the power dynamics of knowledge transfer during succession processes is needed because small businesses differ from larger family businesses. Small family businesses have significant structural disadvantages. For example, the owner manager has a dominant influence on all business activities, small businesses are mostly operationally oriented and less strategic, and are more limited in resources (Massaro et al., 2016; McAdam and Reid, 2001). It is known that power in family businesses is often centralized (Chirico, 2008). The dominance of the owner manager make him/her the major

power holder with the highest influence on operations. At the same time, these characteristics are often the cause of business failure, and therefore need to be contextualized within family business research. For instance, the centrality of the owner manager has been identified as the main reason of succession failure (Bracci and Vagnoni, 2011; Feltham, Feltham, and Barnett 2005; Malinen, 2004).

We acknowledge that not all types of knowledge are relevant and need to be transferred during small family business succession processes. For instance, the owner manager's knowledge on growth management, process innovation, and dynamic capabilities may not be relevant; whereas network and subject-related operational knowledge might be of high relevance (Marouf, 2007). Consequently, we highlight that relevance of knowledge is certainly dependent upon distinct contextual characteristics of the business, and might vary between family businesses.

So, far there has been very limited discussion on how power theory can be used to conceptualize knowledge transfer in small family businesses. By offering a power theoretical perspective, we respond to this particular gap in research, and advance theory to enhance the understanding how knowledge transfer behavior between predecessor and successor in small family business succession. This contribution is necessary, as the literature has identified two distinct gaps: first, there is little research on knowledge transfer in small family businesses' internal succession processes (Venter, Boshoff, and Maas, 2005; Wickert and Herschel, 2001; Massaro et al., 2016). Second, there is an existing gap in research that offers a context-specific perspective on power in research on knowledge transfer.

The paper is structured as follows: the next section will present a summary of the literature on characteristics of small family businesses; small family business succession; knowledge transfer in family business succession; and finally, power theory and knowledge transfer. Next, we discuss our research propositions, explaining the constructs that influence

the power relationship of the successor and predecessor. Finally, the paper discusses limitations of the work and provides conclusions and future research avenues.

2 Characteristics and context of small family businesses

In order to conceptually explore knowledge transfer behavior within small business succession processes, we now establish the significant characteristics that distinguish small family businesses from large firms in general – and specifically from large family businesses. Small businesses, for instance, have significant structural disadvantages compared to large and mid-size firms, due to their lack of financial organizational and human resources (Wickert and Herschel, 2001). As a result small businesses are likely to underestimate the strategic relevance of knowledge (Beaver and Jennings, 2005). Small businesses are organized in simple, flat, and less complex structures with a high level of functional integration. Being less strategic, small businesses are generally operations oriented, governed by informal rules and procedures, less formalized and standardized in their work, and their organizational structures are likely to be organic and loosely structured (Beaver and Jennings, 2005; Spence, 1999). While being less strategic might lead into being less oriented to transfer knowledge purposefully, the connectedness of staff in small businesses has shown to lead to more informal learning and flexibility in knowledge transfer (Salavou, Baltas, and Lioukas, 2004; Wickert and Herschel, 2001).

Another characteristic that is important to consider when conceptualizing knowledge transfer behavior within small family businesses is the dominant role of the owner manager. The owner manager is the key knowledge holder and in this capacity ideally in possession of extensive key competences. “Indeed the competence of SME owner/managers is of crucial importance, given the nature and characteristics of SMEs and in particular, the dominant role

and influence upon decision-making of the owner/manager” (Carson and Gilmore, 2000, 365). This dominant role is further reflected in the owner manager’s large acquisition of tacit knowledge over time, for example acquired with direct contact to customers, competitors, networks groups, along with personal experiences. Subsequently, over time knowledge is highly concentrated on the successor and needs to be mobilized and shared in the succession process with the predecessor.

A further organizational characteristic is the social resources of the family – ‘familiness’. Familiness refers to the involvement of the family and the closeness of individuals in the social system (Habbershon, 2006; Pearson et al., 2008; Steier, 2001) and influences the small family firm’s connectedness and in turn the knowledge transfer behavior between its organizational members. Tagiuri and Davis (1996) summarize the unique alignment of overlapping memberships of family members. Their shared roles in both family and business often lead to shared identities between the family and business, as well as family members’ lifelong joint history. Although there is a perception that family businesses place family before the economic success of the business, Leenders and Waarts (2003) also point out the heterogeneity of family businesses, which can differ in their overall motivation, business models, and goals. Thus, family businesses might also differ in their value systems; differences might lie in the values of social family control vs trust, or growth and financial value (Leenders and Waarts 2003).

3 Small family business internal succession

Business succession, has been a central topic of the family business literature beginning from the 1960s and represents almost one-third of the literature (Cabrera-Suárez, et al., 2001). Family business succession is a process that takes time to develop and requires

detailed and strategic planning in order to be successful (Sharma et al., 2001). It is widely accepted that succession is a dynamic process rather than a static event, and spans over many years (Le Breton-Miller, Miller, and Steier, 2004; Murray, 2003). The need to integrate family and business interests over a lifetime creates particularly complex relational dynamics that influences knowledge transfer behavior (Cosier and Harvey, 1998).

Internal family succession is often challenging. Internal conflicts, between successor and predecessor often arise due to emotional issues, difficulties in business, failure to plan, and lack of communication. Even if inter-generational relationships between families are strong, internal succession planning still creates potential for conflict (Zehrer and Haslwanter, 2010). We argue that these internal conflicts stem from the influence and power of the predecessor (French and Raven, 1959) and power issues intensify as succession processes proceeds (Chua et al., 2003).

Although various stakeholders are involved in succession processes, including the predecessor, the successor, spouse, children, the extended family, and external stakeholders, when it comes to knowledge transfer in succession planning, the predecessor and the successor acquire the most important roles (Handler, 1990; Kirkwood, 2012; Steier, 2001). Ideally these roles should be clarified before the succession process commences, especially with regard to whom is responsible for day-to-day management versus who has a say in the strategic direction of the company (De Massis et al., 2008). Small businesses often face major structural problems when compared to large firms, due to their size and lack of professionalism (Sharma et al., 1997). Role changes are important because knowledge transferred from the predecessor to the successor is essential for the future success and the continuity of the business (Cabrera-Suárez et al., 2001; Poutziouris and Chittenden, 1996). At the same time, the centrality and the prominent role of the previous owner manager has been identified as one of the main reasons for succession failure (Bracci and Vagnoni, 2011;

Feltham et al., 2005; Malinen, 2004). This is because the success of succession strongly depends on two people – the traits and behaviors of the owner manager and of the successor (Gilmore et al., 2000; Sharma et al., 1997).

Handler (1990) depicts the succession process as a mutual role adjustment process. The first stage is characterized by the complete control and responsibility of the owner manager ‘sole operator’; so far, no role has been allocated to the successor. The owner manager and their business form a unity. In the second phase roles are changing. Although the owner manager still decides upon all aspects of business, the successor is beginning to get involved. Albeit with limited opportunity, and often in part-time positions without a clear role description, this second phase sees the next-generation family member take on the ‘helper’ role. Handler (1990) further explains that it is only in the third stage the successor gets involved full-time in the family business; and although roles and responsibilities are still limited at the beginning of this phase, extensive learning and skill development transpires. Next-generation family successors often feel disappointed because in spite of growing involvement, knowledge and decision-making power, the types of work they are assigned can remain limited (Handler, 1990). The final stage is achieved when power and responsibility have been transferred from the predecessor to the successor; this phase often commences instantly due to unforeseen events, for example the predecessor’s declining health condition. The predecessor’s engagement and motivation might also decline as a consequence of rapid technological advancement and in cases when the previous owner manager views learning efforts related to new technologies as being too excessive.

4 Knowledge transfer in family internal business succession

Knowledge transfer is essential to managing a small family firm's internal succession. Durst and Wilhelm (2012, 646) conclude that when small businesses "fail to tackle the problem of knowledge attrition it may strongly affect their survivability." Knowledge transfer is the businesses' ability to exchange knowledge (Goh, 2002; Smith and Rupp, 2002) and is essential for family business continuity after succession has occurred (Poutziouris and Chittenden, 1996). Minbaeva et al. (2003, 587) define knowledge transfer as "a process that covers several stages starting from identifying the knowledge over the actual process of transferring the knowledge to its final utilization by the receiving unit." Knowledge transfer has been identified as the one of the top three issues in family succession, along with taxation and finding the right successor (Malinen, 2004).

Explicit and tacit knowledge form a businesses' knowledge base. Explicit knowledge is tangible, accessible and mostly written down. Tacit knowledge is usually intangible and pragmatic and mostly based on the experience of the knowledge holder (Alavi and Leidner, 2001; Collins, 2010; Nonaka, 1994). Family businesses are rich in tacit knowledge (Cabrera-Suárez et al., 2001). Examples include operational knowledge on how to deal with customers, collective tacit knowledge on marketing practices competitors, as well as strategic relational competitor knowledge. Tacit knowledge is stored to a large extent with the owner manager (Sambrook, 2005). "Tacit knowledge is deeply rooted in action, procedures, routines, commitment, ideals, values and emotions" (Chua, 2002, 7) and as such is difficult to transfer, and requires managerial effort to be made explicit (Alavi and Leidner, 2001; Bartol and Srivastava, 2002; Chuang, et al., 2016).

During family firms' succession planning, specific issues can arise as tacit knowledge is more difficult to access and transfer. Tacit knowledge can be 'immobile' and there is a risk it will remain with the knowledge holder – the owner manager – if not managed and made explicit (Alavi and Leidner, 2001; Bartol and Srivastava, 2002; Smith, 2001). Research describes two ways of transferring knowledge that are relevant in family business internal succession planning: formal and informal channels (Alavi et al., 2005). Formal knowledge transfer occurs with the intention to share information in structured ways, for example via official meetings or writings (Zahra, Neubaum and Larrañeta, 2007). However, tacit knowledge is often transferred informally. Research suggests that effective ways to transfer tacit knowledge are face-to-face, and in unstructured settings (Orlikowski, 2002).

Although many stakeholders are involved in intergenerational succession planning, knowledge transfer from the predecessor to the successor is most important (Cabrera-Suárez et al., 2001; Poutziouris and Chittenden, 1996). A key factor in successful intergenerational succession planning is preparing members of the next generation to become the future owners and expanding the successor's capabilities is essential (Cabrera-Suárez et al., 2001; Ward, 2011). Poutziouris and Chittenden (1996, 35f) observe that most "family businesses are managed by the first generation, which benefit from the entrepreneurial drive of the founder. However, less than one third of founders successfully pass ownership and management control of the family business to the second generation. Only 10 per cent of the second-generation family firms are transferred to third generation and less than 5 per cent ever reach beyond the third generation of family management."

Cabrera-Suárez et al. (2001) propose a theoretical model for family business succession centered on the familiness concept, and suggest the importance of transferring the tacit embedded knowledge as well as other factors of competitive advantage. Steier (2001) analyses a more specific aspect of competitive advantage via networks and social capital, and

proposes a model to address the problematic relationship that can occur between the successor and other stakeholders (Marouf, 2007). Further, Chirico and Salvato (2008) confirm that knowledge integration is a pivotal aspect; integration of knowledge from individual and specialized family members leads to long-term success.

Research in the small family business domain shows that knowledge transfer is crucial in the internal succession process and highlights the intricacy of the transfer (Cabrera-Suárez et al., 2001; Chirico and Salvato, 2008; Malinen, 2004; McAdam and Reid, 2001). Failure in succession often occurs due to the successor's dependency on the transfer of the predecessor's knowledge (Cabrera-Suárez et al., 2001). The overall dominant role of the owner manager in the business and their high level of expertise can be either a success factor of succession, or contribute to failure (Bracci and Vagnoni, 2011; Feltham et al., 2005). One of the greatest challenges is transferring knowledge from the owner manager to the successor and "the successor's ability to acquire the predecessor's key knowledge and skills adequately to maintain and improve the organizational performance of the firm" (Cabrera-Suárez et al., 2001, 37).

Despite this importance, there is hardly any research exploring which factors drive knowledge transfer in a family firms' internal succession process and thus encourage the flow of information from predecessor to successor. Over a decade ago, Sharma (2004) called for more studies to understand the transfer of tacit embedded knowledge to the next generation. However, the subject remains under-researched, despite Understanding knowledge management of small businesses is highly relevant, particularly as knowledge management in small businesses is different from that in resource-rich companies (Durst and Edvardsson, 2012).

5 Power theory and knowledge transfer

Power in an organizational context refers to the ability and means to influence another person (Podsakoff and Schriesheim, 1985), levels of analysis of power might include individual-level perspectives, that is personal sources of power, and/or organizational perspectives, for example formal, organizational sources of power, decision-making and control (French and Raven, 1959). For the purpose of this paper, power theory can be used to understand how knowledge can be utilized as a means to influence another person. French and Raven (1959) refer to ‘expert power’ in their social influence and power theory, positing that one expert has superior knowledge and uses information to influence another person. This theory proposes that the expert utilizes knowledge and in doing so influences the cognitive structure of another person, assuming this person accepts the provided information. The power holder transfers knowledge either on the basis of credibility, or on grounds of informational influence founded on logic and self-evidence. However, the power holder can also refrain from transferring their expert power. “Expert power is at use when one relies on his or her superior knowledge in order to gain compliance” (Elias, 2008, 270). Knowledge may serve the holder as a possession and that serves as a means to influence decision-making power (Tolbert and Hall, 2015).

It is known that power in organizations is rarely static: instead it develops over time. There is rarely an absolute amount of power in the organization; consequently, expert power/knowledge can expand and decrease over time. Where power is shifting, uncertainty rises. For example, a power shift can reduce clarity for stakeholders of the firm, and uncertainty can increase as to whom to follow and who is in the possession of knowledge, skills and competencies. Further, changed formal and informal hierarchies of power might change

motivations and behaviors of staff and stakeholders, and lead to an incline in stability (Bunderson and Reagans, 2011).

Hence the question arises: under what conditions can expert power be successfully transferred? French and Raven (1959) note that trust in the power-holder's knowledge plays an important role. "So-called facts may be accepted as self-evident because they fit into (the person's) cognitive structure: if this impersonal acceptance of the trust of the fact is dependent on the more or less enduring relationship between O and P's acceptance of the fact is not an actualization of expert power" (French and Raven, 1959, 163f).

The business owner in family firms is the formal power holder and is central to daily operations, and as a consequence acquires and holds a substantial amount of the firm's knowledge. This centrality is even more salient in the management of small enterprises, in which the owner manager tends to be the main beneficiary of the firm's learning processes (Wong and Aspinwall, 2004). Consequently, to a large extent succession relevant knowledge is held by the owner manager (Cabrera-Suárez et al., 2001) and through the lens of power theory, can be regarded as a source of power and superiority (Szulanski, 1996). During the process of a family firm's succession management this knowledge, which is often tacit in nature, needs to be unlocked to become of strategic value and to contribute to the businesses' success (Williams, Nonaka, and Ichijo, 1997).

6 Research propositions

On the grounds of the literature review and the identified research gap on knowledge transfer in small family businesses' internal succession, the paper offers a set of propositions of factors that influence this internal transfer of knowledge and power. The following section conceptualizes the key components that either facilitate or constrain knowledge transfer in

family businesses during their succession processes. In doing so, the study focuses on the relationship between predecessor/owner manager and successor.

6.1 *Transfer and expert power*

We showed that through the lens of power theory, knowledge can be regarded as a source of power and superiority (Szulanski, 1996). During the process of a small family firm's succession management this knowledge is often tacit, and needs to be unlocked in order to become of strategic value and to contribute to business success (Williams, Nonaka, and Ichijo, 1997). Centrality of the business owner is salient in small firms, the owner manager holds most of the succession's relevant knowledge and tends to be the main beneficiary of the firm's learning processes (Cabrera-Suárez et al., 2001; Wong and Aspinwall, 2004).

Along the succession process, transfer of expert power is necessary. Successful transfer of knowledge includes an increase in the successor's knowledge whilst at the same time the predecessor's expert power declines. According to French and Raven's power theory, the predecessor, as the previous expert, loses credibility, informational influence and ability to influence the cognitive structures of the successor and the extended family business system. However, losing knowledge implies that the owner manager also loses the prominent and distinct role in the family system.

Proposition 1 therefore is: *Knowledge transfer from the predecessor to the successor increases as a consequence of transfer of expert power from the predecessor to the successor.*

6.2 *Transfer and decision-making power*

Transfer of decision-making power is a consequence of the predecessor's handing over of formal power and authority to the next-generation family member (Churchill and Hatten, 1997). The transfer of decision-making power from the predecessor to the successor

comprises the transfer of leadership and power (Sharma, Chrisman, and Chua, 2003), as well as the transfer of property, assets and business resources (Churchill and Hatten, 1997). Above all it is emotionally challenging for the predecessor. This is particularly the case when the decline of health or the aging process is a contributing factor, as it often is the case in family business succession (Filser, Kraus, and Märk, 2013; Zacher, Schmitt, and Gielnik, 2012). The predecessor's rendering of formal power and authority however is the prerequisite to fully transferring both tacit and explicit knowledge to the successor.

As discussed above, the prominent role of the owner manager and the centrality of the founder in the family business impacts on a family firm's management processes. The centrality – particularly in terms of power - arises through the owner manager's strong attachment to the firm, and the potential for the owner manager's identity to be interwoven between the family, and business (Dyer and Whetten, 2006). Handler's (1990) sequential model of role adjustment explains the process of succession through four stages, suggesting that the successor gradually adopts the owner manager's role to become the new leader. As detailed previously, in the first stage of adjustment there is no role allocation, in stage two the successor obtains an assistant role, and in stage three the successor reaches the role of a manager. However, the predecessor still oversees the business and holds the decision-making power. It is only in stage four that decision-making power is fully handed over to the next generation family member. The aim of the role adjustment over the period of succession is that the predecessor gives up their power to rule and acts as a consultant, while the successor's aim is to gain ownership of decision-making power (Handler, 1990).

Thus, we suggest **proposition 2:** *Knowledge transfer from the predecessor to the successor increases as a consequence of handing over decision-making power from the predecessor to the successor.*

6.3 *Trust, power, and knowledge transfer*

Trust is relevant in any social interaction. “Trust is the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group, or firm to recognize and protect the rights and interests of all others engaged in a joint endeavor or economic exchange” (Hosmer, 1995, 393). Trust develops over time and is strengthened by strong relationships and frequent social interactions (LaChapelle and Barnes, 1998; Tsai and Ghoshal, 1998). Family firms are particularly strong in relationships (Sanchez-Famoso, Maseda, and Iturralde, 2014). Tight social structures, communication and frequent interactions enable both the creation and sharing of knowledge (Chrisman et al., 2005; Zahra, Neubaum and Larrañeta, 2007). Cabrera-Suárez, Saá-Pérez and García-Almeida (2001) highlight the importance of a harmonious relationship between the predecessor and their heir in order to ensure a successful transfer of knowledge. As a dense social system, a family has the ability to form strong ties, developed by articulated expectation, values, and behaviors such as responsibility, reliability, and fairness (Lumpkin et al., 2008).

High levels of trust within the family even serve as a strategic competitive factor for family businesses (Chirico, 2008; Lumpkin et al., 2008; Steier, 2001; Sundaramurthy, 2008). When trust levels within family are high, businesses operate more efficiently, have higher profits and are more successful overall (Lee, 2006). In business succession high levels of trust are crucial, particularly between the owner manager and the successor (Chittoor and Das, 2007).

Given the interplay of trust, power, and knowledge transfer within succession processes, that either trust or power dominates the relationship between predecessor and successor (Bachmann, 2001). Subsequently, high levels of trust between the predecessor and successor are essential, as trust fosters knowledge transfer during succession, and is a prerequisite of the predecessor’s retreat from the family business.

Thus, **proposition 3a** is: *High levels of trust between the predecessor and successor is a prerequisite for successful knowledge transfer.* Further, we suggest **proposition 3b**: *High levels of trust reduce power-imbalances between successor and predecessor.*

6.4 Rivalry, power and knowledge transfer

Rivalry occurs to a larger extent in family businesses, compared to non-family businesses. Rivalry stems from the concentration of power in certain individuals, and is a barrier to knowledge transfer (Zahra, Neubaum and Larrañeta, 2007). Grote (2003) confirms that rivalry is a key obstacle for internal succession planning in family businesses. Family rivalry often originates when family members compete for the same resources, and is often driven by the desire to imitate behavior. “When adults fail to find their niche in life or their dream, they remain like children imitating the actions of the adults that surround them” Grote (2003, 118). In addition to hindering knowledge transfer rivalry also distracts from productivity. Grote (2003) proposes that awareness and management of rivalries helps to contain fears and emotions during the succession planning process, and concludes that succession cannot be accomplished without an open analysis of rivalries.

Family business operations frequently face conflict and rivalries within internal and external social structures (Kellermanns and Eddleston, 2004, Marouf, 2007, 2007). There are various sources of conflict in family businesses, including unclear roles conflicts, lacking of trust, different levels of commitments, or difficult relationships (Eddleston and Morgan 2014; Memili et al., 2015), which may have a negative impact on the relationship between successor and predecessor, and hinder knowledge transfer (Zahra, Neubaum and Larrañeta, 2007) as well as overall firm performance (Lee, 2006). In cases of conflict escalation, family

members may leave the business and, as a consequence, the significant loss of information may result in high business costs (Schulze, Lubatkin and Dino, 2003).

Consequently, we offer **proposition 4**: *Rivalry and organizational conflict have a negative effect on the transfer of expert power and decision-making power from predecessor to successor.*

6.5 Capability, power, and knowledge transfer

Innate capabilities can impede knowledge transfer in family business succession. King Marks and McCoy's (2002) study, for example, shows that the capability of the predecessor determines the future success of the business. Venter, Boshoff, and Maas (2005) also note that capability development in the form of training is critical. Succession is positively affected by the successor having formal and informal business education, including through seminars and coaching, and practical experience gained in other businesses (Venter et al., 2005). Ward (2011) also underlines the importance of experience in other companies.

The literature review showed that in family businesses the owner-manager is the key original knowledge holder and is ideally in possession of extensive key competences (Carson and Gilmore, 2000). Key capabilities are formed through ongoing experiences and deep explicit as well as tacit knowledge. Tacit knowledge includes the owner managers extensive external market relevant knowledge on customers, competitors, growth and innovation. Owner manager's internal, organizational tacit knowledge further is relates to and stems from the firm's history, relational internal relationships, capabilities, and further knowledge that and can be related to the familiness aspect of the businesses. In terms of the predecessor and successor relationship, the predecessor's tacit knowledge needs to be increased over time. Subsequently, the successor's capabilities increase as higher levels of tacit knowledge and higher influence is gained.

As a result, we suggest the following **propositions**:

5a: *Capabilities of the successor have a positive effect on expert power.* **5b:** *Expert power of the successor positively influences knowledge transfer from predecessor to successor.*

The aim of this paper is to apply a power perspective to knowledge transfer in the internal succession processes of small family businesses. Based on the extant literature we identified five factors that influence knowledge transfer within succession in small family firms: 1) expert power, 2) decision-making power, 3) trust, 4) rivalry, and 5) capabilities. In theorising these factors, we concentrated on the relationship between successor and predecessor. The propositions we developed are summarized in Table 1.

Table 1
Power and knowledge transfer in internal succession of small family businesses

Influencing Factors	Propositions
Expert power	1: Knowledge transfer from the predecessor to the successor increases as a consequence of transfer of expert power from the predecessor to the successor.
Decision-making power	2: Knowledge transfer from the predecessor to the successor increases as a consequence of handing over decision-making power from the predecessor to the successor.
Trust	3a: High levels of trust between the predecessor and successor are a prerequisite for successful knowledge transfer. 3b: High levels of trust reduce power imbalances between successor and predecessor.
Rivalry	4: Rivalry and organizational conflict have a negative effect on the transfer of expert power and decision-making power from predecessor to successor.
Capabilities	5a: Capabilities of the successor have a positive effect on expert power. 5b: Expert power of the successor positively influences knowledge transfer from predecessor to successor.

7 Discussion

Given these propositions, knowledge transfer in small family business succession is not just a matter of physical assets, or change in management and property. It is also an issue of role adjustment between the predecessor and the successor that comes with the hand-over of power from owner manager towards successor. Handing over power requires the development of operational and strategic knowledge that is embedded in the resources of the firm. If the transfer of power is not managed, small family firms face the risk of business succession becoming a major source of knowledge loss for small businesses (Wong and Aspinwall, 2004). Indeed, small businesses face a greater risk from knowledge loss compared to large organizations. This is because a few people, specifically the owner managers, hold most of the key knowledge. Further, family businesses are rich in intangible, experience-based tacit knowledge that is generated through interactions between family members (Chrisman et al., 2005), and it can be a particular challenge to mobilize this source of knowledge.

The level of trust between the predecessor and the successor impacts the predecessor's willingness to share knowledge. We also showed that either trust or power dominates relationship between predecessor and successor (Bachmann, 2001). The level of trust influences the willingness to share knowledge, with higher levels of trust leading to a greater willingness to share knowledge (Howorth et al., 2004). Increased levels of trust foster knowledge sharing without regulations and contracts (LaChapelle and Barnes, 1998). Further, there is evidence that the transfer of tacit knowledge related to decision-making, leadership tasks, and risk-taking, is dependent not only on the owner's willingness to share, but also the successor's willingness to acquire that knowledge (Sambrook, 2005).

We contribute to the existing literature of knowledge management in small family firm business succession through the development of propositions theorizing five power-related influencing factors: 1) expert power, 2) decision-making power, 3) trust, 4) rivalry, and 5) capabilities (see Table 1). This newly gained deeper conceptual understanding of elements influencing knowledge transfer during the role adjustment between predecessor and successor provides a more nuanced insight into the most intangible source of competitive advantage: knowledge (Conner and Prahalad, 1996; Grant, 1996). Based on our findings, we concur with prior research which suggests that the notion of “familiness” influences behavioral internal processes of family businesses (Habbershon, 2006), and needs to be regarded as a unique contextual factor that influences upon relationship quality and trust. With close ties and high levels of ‘familiness’ small family businesses have the unique opportunity to increase levels of trust and to balance power relationships between successor and predecessor. Further, we suggest that exercising of power within familiness might manifest as excessive caution, or slow progress in transferring tacit knowledge from one generation to the next (Merino et al., 2015).

8 Limitations and further research

This conceptual paper aids in creating awareness of the key variables influencing knowledge transfer during family business succession. However, the paper has certain limitations that need to be acknowledged. The most significant limitation is that this is a conceptual paper that has developed propositions on knowledge transfer of family business succession. Follow-up empirical studies are required to validate and/or modify the propositions that have been developed in this theoretical study. Such studies could be applied to any industry sector and might generate differences among industries.

Another limitation relates to the incompleteness of propositions. The power-related factors influencing knowledge transfer behavior in family business succession that were selected were those for which there was already information and analysis available in the literature. Certainly, many other factors could be included and equally justified. In addition, the paper adopted a rather closed scope, focusing on the predecessor and successor as our units of analysis. Hence, our propositions focus solely on those roles, based on the hypothesis that during family firm succession knowledge transfer from the predecessor to the successor is the most important phase (Cabrera-Suárez, Saá-Pérez and García-Almeida, 2001; Poutziouris and Chittenden, 1996).

However, we acknowledge that, in practice, the succession process can be more complex and involve other stakeholders, such as other family members (Chrisman et al., 2012; Daspit et al., 2015), particularly as both the individual-personal level, and the formal-organizational dimension of power in family firms need to be managed. As a consequence of the involvement of other stakeholders, social power systems will become more complex. Further, we choose to concentrate on the knowledge holder as the initiation point of the knowledge transfer process. In summary however, the discussed propositions are an attempt to structure the issue of knowledge transfer along power theory predispositions. Thereby, general characteristics of knowledge transfer are applied to the peculiarities of small family businesses. Thus, we advance theory in understanding power-dominated knowledge transfer in the context of small family business succession.

Future research could evaluate which forms of the successor's tacit and explicit knowledge might be relevant. For this present study, we acknowledge that the relevance of knowledge is certainly dependent upon the distinct contextual characteristics of the firm, and might vary among family businesses. Additionally, our paper looked into knowledge transfer in family business succession in general, but we did not focus on specifically on the

particularities of explicit or tacit knowledge with regard to the developed propositions. Thus, there should be more research that focuses on the distinction between explicit and tacit knowledge. We propose to extend our propositions and to examining concrete knowledge transfer mechanisms—for example formal documentation and informal face-to-face meetings, as well as technology can be applied in this context, in order to make a higher practical implication.

The purpose of this conceptual paper was to increase the understanding of power-driven knowledge transfer in small family businesses' succession. While a description of knowledge transfer is important to the development of its understanding in the context of family firms, further research examining an alternative array of influencing factors would considerably advance the understanding of knowledge transfer. Future research should consider qualitative, such as focus groups, ethnography or social network analysis, for refining underlying themes of knowledge transfer in small family business succession. In this regard, it is hoped that the propositions of this paper might stimulate the development of more robust theories for understanding knowledge transfer in small family business succession.

9 Conclusion

Business succession is considered the major source of knowledge loss for small businesses due to their lack in strategic orientation. The aim of this paper was to look at knowledge transfer behaviour in small family business internal succession processes through the lens of power theory. The paper conceptualizes knowledge transfer in succession planning for small family firms, arguing from the successor's perspective. Utilizing a power theory perspective to the succession process, the paper discusses how power influences

knowledge transfer factors and develops a set of propositions on influencing factors in family business succession in small family firms.

We show that influencing factors of knowledge transfer change over the period of succession, for example, when the decision-making power is handed over from the predecessor to the successor. Succession in small family firms can be difficult due to the predecessor's strong emotional attachment, the successor's inadequate management knowledge and/or lack of formal business background. Transitions need to be planned and processed in small family businesses for an internal succession to be successful. Clear organizational goals and objectives are often lacking due to the small-scale structure of the firms and should be defined prior the succession process. Without this, the given disadvantages might well result in a non-successful succession.

The five influencing factors 1) expert power, 2) decision-making power, and leveraging factors of 3) trust, 4) rivalry, and 5) capabilities identified in this paper can be regarded as an overall frame to overcome the challenges of succession. The contextualized perspective of the influence of power on knowledge transfer in small family businesses could function as a guideline for owner managers and predecessors of small family firms during their succession process.

Overall, we conclude that the factor familiness in small family businesses has a positive effect on power relationships between successor and predecessor; as familiness fosters trust and, consequently can stimulate knowledge transfer. In succession processes however, with high power imbalances between successor and predecessor, tacit knowledge transfer is negatively influenced. Succession can be best managed if the predecessor and the successor are both aware of the power-related factors that influence their roles during the succession process. In terms of practical implications of the study, we show that knowledge can serve as a source of power and consequently influence the success of internal family

business succession. Both successor and predecessor should be aware of the potential disruptive influence of these underlying factors during the succession period.

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