Leadership Transfer and the Successors Preparation in Bulgarian Family Enterprises

Summary:

Leadership transfer is a key component of succession in family business. For example, if the leader of the family business does not intend or is not ready to transfer the control of the business to the next generation, no positive results from the transition process could possibly be achieved. In many cases the current leader does not see the need for succession as a priority, which causes a number of problems such as the extension of the transfer, the discouragement of the potential successors, tension among staff, and other problems. On the other hand, leadership transfer depends on the presence of motivated successors. Moreover, the lack of an adequate preparation of the successors may negatively impact the smooth transition process and thus call into question the future of the family business.

Concerning business succession in Bulgarian family enterprises, the families declare as their priority passing into the hands of the next generation stronger and more competitive business. However, the youth of the entrepreneurship in Bulgaria, the lack of family business tradition, and insufficient support from both the public organizations and NGOs hinders the survival and succession of family businesses. Moreover, Bulgarian family firms are managed mainly by the first generation of family entrepreneurs, therefore just now the issue of transfer of business to the next family generation appears. In this regard the article explores and analyses the process of leadership transfer, including the preparation of successors in Bulgarian family enterprises. Acquiring better knowledge of the process of leadership transfer, of its features and problems may form the basis necessary for improving the management of the process and succession outcomes as a whole.

Key words: family enterprises, succession, transfer of leadership in family businesses, successors' preparation, Bulgaria

JEL: M1

Introduction

Family business is the foundation upon which most of the well developed economies are based. Besides the prosperity of the family, family firms also provide a significant contribution to the development of modern market economies. They contribute to job
creation and long-term stability of the global economy as they ensure more than 60% of employment and 50% of GDP in developed countries annually. Moreover, family enterprises create sustainable model of business relying on strong family values and long-term business orientation without seeking short-term returns and quick profits. Many studies emphasize sustainability as the most important characteristic of family business that is so necessary and valuable in times of economic crisis. Family business has a similar impact on the less developed economies like Bulgaria. For example, unofficial assessments show that more than three of every four Bulgarian enterprises are owned and/or managed by a family.

However, in the last decades the succession of the business has become the main problem for a growing number of family firms. Keeping the business within the family and making it stronger is a priority for the majority of the families, but in fact the succession rarely produces the desired outcomes. According to Family Firm Institute\(^2\), 70% of family firms will not survive into the 2\(^{nd}\) generation and 90% will not make it to the 3\(^{rd}\) generation. The same situation is observed also in countries with developing economies and succession challenges are expected to worsen in the future. This will inevitably have undesirable consequences, at least a loss of valuable economic potential. There are many and different reasons behind this negative trend, but at this time there are no clear general solutions.

The Bulgarian private business sector, which includes also family business, though still at its initial stage of development, has already been affected by the succession challenge. There is a need to pass on the business to the second family generation, in some cases also to third family generation. The first generation of Bulgarian entrepreneurs, who started their businesses in the first years of democracy, is due to transfer the control of their enterprises within the next ten years. The succession challenge of Bulgarian entrepreneurs and their families includes the necessity of successor’s development and motivation.

Despite that, in Bulgaria this important problem has not been examined yet in its managerial aspect, except for the work of a research team at the University of National and World Economy. The main reason for that is the fact that this problem did not exist in the period of socialist economy and respectively there is no experience and traditions in the sector of family business. On the other hand, at the early stages of development of the private business sector, the focus was put on more pressing public issues. Last but not least, the succession challenge is ignored by family entrepreneurs, which has a negative impact on the implementation of the succession process.

In this regard, the purpose of the paper is to explore and analyze the process of leadership transfer\(^3\), including the preparation of successors in Bulgarian family enterprises and on this basis to make key recommendations for its successful implementation.

The analyses and discussions regarding leadership transfer, including the preparation of successors, are based on empirical data and results obtained.
from a study of business succession in Bulgarian family enterprises carried out within the framework of university research project Managing Business Succession in Bulgarian Family Enterprises. The original Family Business Succession Program of Bulgarian Association for Management Development and Entrepreneurship (BAMDE), as well as on best international practices and expertise.

This paper is organized as follows: Section 1 presents brief literature overview on the leadership transfer as a part of succession process. Section 2 describes research design and methods of the study of business succession in Bulgarian family enterprises. Section 3 contains the empirical analysis and results. The last section 4 presents a discussion of the research findings, conclusions and key recommendations.

1. Brief overview of literature on leadership transfer as part of the succession process

As a narrow definition, succession means the transition of family business management control and ownership from one generation to the next (Carlock and Ward, 2001). Important requirements to the successful succession are ensuring and even developing the economic potential of the business, while preserving the harmony in the family. However, succession has a strong impact on the interests of all family business stakeholders, which is often the reason for the rise of severe conflicts that could negatively affect succession results.

The complex nature of family business succession suggests that it should not be simply regarded as a one-time activity, but viewed as a process that requires adequate preparation, planning and timely starting. In order to facilitate its management, the succession process could be viewed as two interconnected processes – management succession process and ownership succession process (Walsh, G., 2007). Furthermore, succession literature elaborates on various key issues that most family businesses face in the transition process such as the withdrawal of the current business leader and passing the control of the business onto the next family generation, choosing a successor, preparation of the next generation to assume responsibility for the business, ensuring family unity and harmony, establishing a new management model and maintaining the competitiveness of family business, the transfer of the business ownership and family estate, etc. (Bowman-Upton and Baugh, 2009; Aronoff, McClure and Ward, 2003; Carlock and Ward, 2001). Therefore, to be effective, family business transfer requires seeking the adequate ways to resolve a number of succession challenges. In this context, transferring the leading role is the most important challenge of business succession, because when the current leader of the family business is neither willing nor ready to transfer the control over to next generation, we can hardly speak of successful succession.

There are some key components, needed to guarantee the easy leadership transition: a current leader willing to transfer the power to his successors; a successor, who has willingness to take the position of the leader; a mechanism of transition to the next generation; and agreement in the family about the need to guarantee the
continuity (Sharma, Chrisman, Pablo, Chua, 2001). Respectively, the main factors to influence the process of leadership transfer are the intentions of the current leader, the presence (or absence) of an appropriate successor, whether he is ready to take on the leader's role, the (un)willingness of the other family and non-family members to agree on the choice for the successor.

The leader of the family business, no matter whether he is the founder or just main owner-manager, is the engine of the succession process. Many of the issues of succession involving when, how and to whom the business to be transferred are resolved on his initiative and with his support, whether or not with the participation of the other family and non-family members. The succession process leads to a significant change in leaders' business role and life style and, as a result, often family business leaders may become an important barrier to succession (Massis, Sharma, Chua, Chrisman, 2012). For instance, often the leaders do not want to retire over fears of loss of salary and benefits. Also, in many cases the current leader fails to see the need for succession as a priority, which causes a number of problems such as protraction in time of the transfer, discouragement of the potential successors, uncertainty for stakeholders, realization of unplanned and unorganized succession process under pressure for time and high emotion, and ultimately a worsening family business competitiveness (Bowman-Upton, 1991).

A smooth leadership transfer will never take place unless there is an interested and well-prepared successor. Developing individuals into effective successors depends on their education, attitude preparation, involvement in family business, gaining work experience outside the family business, and other things. The business families have different approaches to the process of leadership transfer and to the preparation of business successors, depending on whether they focus on family values or on business interests (Aronoff, McClure and Ward, 2003). In cases where the family harmony is a priority, the transfer of leadership is based solely on the principle of seniority, not on the competences and achievements, whereas in case the interest of the business is raised as a priority, the company and its management have aspirations for recruiting the best candidates for the manager positions – no matter whether they are members of the family or not.

Important criteria for choosing a successor are leadership qualities, the skills for making decisions in situations of uncertainty and insufficient information provision, assuming responsibility and calculating risk, making decisions under stress, the ability to set priorities, communication and negotiation skills, and other things.

Based on their observations of the practice of the family firms, Aronoff, McClure and Ward outline the following general approaches to the implementation of leadership transfer:

1. Unexpected transfer – the leader holds the control over the activity up to the moment when unforeseen circumstances (disease, accident, death) prevent him from doing so.
2. Postponing the transfer process – this case involves a promise on the part of the leader in favour of the transition implementation and transfer of part of his powers to the successor, yet eventual postponement of the transfer.
3. Partial transfer – the leader is willing to withdraw, leaving the control in the hands of his successor, but at a certain stage resumes his leadership functions.
4. Gradual transfer – the leader gradually expands the activity of the successor within a few years. At the end of the transition he could possibly either transfer
all his responsibilities or retain control, taking on the role of support or mentor.

5. Transfer to temporary leader outside the family – managerial control is transferred within a relatively short period of time (around two years) to an external for the family manager, who plays the role of the mentor of the successor. After his withdrawal the successor assumes leadership.

In any case, communication and understanding between current and next-generation family members are important elements of an effective leadership transition. This depends on the degree to which individuals enjoy good relationships that include trust, support and mutual learning. An essential requirement for the leader-successor relationships that respect should be mutual (Handler, 1991). For this to happen, the new-generation leaders must have sufficient self-esteem and win the trust of the other family business stakeholders. In the end, leadership transfer is not complete until the leader gives up control of the business and moves ahead.

2. Overview of research design and methods of the study of business succession in Bulgarian family enterprises

Given the specificity and complexity of the research topic, a mixed research approach combining qualitative and quantitative techniques has been applied. In this respect a detailed and comprehensive survey was conducted in order to obtain empirical data concerning different aspects of succession process and its realization. The survey uses a structured questionnaire containing questions about the characteristics of family businesses that are either implementing or preparing succession, the withdrawal of the incumbents and transfer of the leading role over to the successors, the relationship between family and business, the selection and development of successful successors, the management and ownership transfer, and other key issues pertaining to the development and management of family firms that have an important influence on the implementation of the succession process in the family businesses. This paper is based on the analysis and assessment of the data and results that affect only the issues related to the leadership transfer and preparation of successors in family businesses. Only the results of the first class that graduated the BAMDE successors' preparation program have been taken account of.

The survey covered enterprises which are identified as family businesses on the basis of ranking criteria identified in advance. These criteria are consistent with the European definition of family business (EC, 2009, p. 4), but also were adapted in order to reflect the specific characteristics of Bulgarian business and economy. Thus in the survey sample only enterprises that met the following two requirements have been included: 1) the family in which at least one of its members to be a majority shareholder (i.e. the family members own more than 50% of shares) in the company; 2) as an additional criterion, at least one of the family members should actively participate in the company management.

Besides the survey, qualitative techniques as case studies, personal interviews and observations were also applied. Thus various aspects of the succession process have been covered, taking into account the role and behaviour of the different sides in the process. The personal interviews with the incumbents and their successors in some family firms are used in order to acquire deeper insight into the studied issues and problems.

In summary, the empirical surveys include: 1) 88 randomly selected family firms where a total number of 66 owners and 77 prospective successors were interviewed.
In 36 of the cases both the incumbents (very often founders of the businesses) and their heirs were interviewed. It was possible to make a comparison between their views concerning the planning, management and implementation of the succession, including leadership transfer and successors’ preparation; and 2) 21 case studies based on detailed interviews with various stakeholders in investigated firms. The subjects of these case studies are selected randomly from within the whole group of examined family enterprises.

Before the presentation of empirical analysis and results, the main limitation of the study should be noted. It relates to the non-representativeness of the sample. Thus, the research findings should be interpreted with caution, considering that the results may not apply to all Bulgarian enterprises.

3. Empirical analysis and results

3.1. Bulgarian family business: main characteristics, development and succession

The state of Bulgarian family business, its characteristic and contribution to the social and economic development, are rarely the focus of public interest. At the same time, the family business sector is not regularly monitored by the National Statistical Institute (NSI) and there is no representative and reliable information on its state and development (EC, 2008). Moreover, there is no officially recognized definition of family business at the national level.

The only significant study of Bulgarian family business was carried out by NSI in 2010 at the initiative of the Association of the family business in Bulgaria. It states that over 42% of all Bulgarian enterprises are family businesses. But it should be taken into consideration that this evaluation is made on the basis of firms’ self-assessment about their family nature, i.e. no ranking criteria based on previously recognized official definition of family business have been applied. Therefore, in our view, the share of family firms thus estimated is understated because, if we consider even only the share of firms registered as sole traders (ST), it will turn out that more than 70% of all Bulgarian enterprises are family businesses (according to the national statistics more than 70% of all Bulgarian enterprises are ST, and by the simplest definition, every ST is family business, because it is owned by the members of one family and at least one of the family members is involved in its management).

Concerning the specific nature of the Bulgarian family business, the understanding that the Bulgarian family firms are small businesses, predominantly micro and small enterprises, typical of the traditional sectors such as agribusiness, retail trade, construction, tourism (most often small hotels and restaurants), various crafts manufacturers, and other sectors, has gained wide recognition. Due to their smaller size, family enterprises are considered to be close to the small and medium-sized enterprises (SMEs) by their characteristics and behaviour. In this regard, family enterprises are associated primarily with their contribution to employment, but also with their economic weakness and respectively needs of support. Their specifics and potential for development have been largely ignored.

The empirical data was collected and the analysis made in the frame of the university research project help us to identify the general characteristics of Bulgarian family firms. Their smaller size compared to the average European SMEs has been established, as well as the prevalence of informal and simpler patterns
of ownership and management, and finally, their leadership carried out by the first and rarely by the second generation family entrepreneurs. Other characteristics include the lack of company resources, orientation to small market niches and employment of family relatives (UNWE, 2009-2012).

On the other hand, often the ownership and management of large-sized companies in Bulgaria is still insufficiently transparent and it is difficult to identify the companies that are family enterprises. However, the data available from a host of informal surveys and rankings of the Bulgarian business leads to the conclusion that most of the large private companies could be defined as family enterprises. A proof in this respect is that entrepreneurs are members of the Association of the Family Business in Bulgaria and the companies they developed.

In both cases the majority of Bulgarian owners of family businesses are still the first generation of entrepreneurs and just now the issue of transfer of family business to the next family generation emerges. The Bulgarian researchers must take on their responsibility and propose appropriate solutions to the succession challenge.

According to the project results concerning business succession issues, in Bulgarian family firms ownership and management control are concentrated in the older family members and respectively succession management is mainly in the hands of the incumbents. Furthermore, the incumbents partly resort to the assistance of their prospective successors and quite often ignore the opinion and expectations of staff and others key parties. Such a style of succession management speeds up the implementation of the succession process and provides for preserving family harmony in the short term, but it also poses risks to effective motivation and training of successors, managers and key employees and, accordingly, to the long-term survival of the business (UNWE, 2009-2012). As a result we witness a sequence of major problems during succession. The most important is the unsatisfactory level of successors’ preparation to lead the family business and to replace the owners (see figure 1).

Other significant problems are the lack of professional management skills, the transfer and distribution of ownership, the introduction of modern family management

![Fig. 1. Main problems related to the realization of business succession in the Bulgarian family enterprises](image)

*Note: Total percentage exceeds 100 because multiple responses were possible.*
practices such as the use of external consulting assistance, the establishment of family councils and instruments for family conflict resolution. It could be concluded that the lack of family business tradition and insufficient support from both the public organizations and NGOs hinders the survival, successful development and succession of family businesses.

In contrast, Bulgarian family enterprises enjoy various advantages in the process of business succession such as the family commitment, the high degree of agreement among the incumbents and successors regarding the major issues of succession implementation, the strong desire of incumbents and successors to keep the business in the family and to achieve business excellence and success. Also, the lack of tradition could be viewed as an opportunity for Bulgarian family firms to transfer and adapt best management practices in accordance with their specific characteristics and needs (UNWE, 2009-2012).

3.2. The leadership transfer in Bulgarian family enterprises

According to the data gathered under the family business succession project, in the case of Bulgarian family firms the challenge of leadership transfer often means transferring the leading role of the entrepreneur-founder onto the successor, who is quite often their children. The incumbent leaders share the opinion that they have a willingness to transfer the business to family members (see Figure 2). However, some do not see this as a priority (39%), which can be interpreted in two ways: 1) the moment for this has not yet come or 2) they would not transfer the business to next generation at any cost. Only 5% of the incumbents declare they are not willing to transfer the business. This is in line with the results from another study on Bulgarian family firms that reasserts the willingness of the families to continue the business – 75% of the respondents tend to transfer the business to their children, while 25% of the respondents said "I do not know" (Fletcher, Hellenek, Zafirova, 2009).

In spite of incumbents’ positive attitude towards family business succession, transferring the leadership role, however, is not that easy and unproblematic. The reason lies in the specific personalities of Bulgarian entrepreneurs. They could be defined as strong leaders who succeeded in setting up and developing businesses, despite the...
severe conditions of the transition towards democracy and free market economy in the past 20 years. We should bear in mind that against the backdrop of a small domestic market, the lack of public support, heavy red tape and numerous administrative barriers, lack of business and managerial experience and minimum start-up capital, only individuals with strong entrepreneurial and leadership skills could start up and develop a successful private business. Nevertheless, this type of family entrepreneurs has disadvantages regarding the necessities of succession. Often they hardly accept that someone else could manage better the business they have themselves set up. Accepting that other people's views and management decisions are better than their own is even harder for the founders. It is not a surprise that such entrepreneurs aspire to preserving their top position in the business as long as they can. This makes it very difficult for the next generation to take over the business in a smoother way and to increase the company potential for successful development.

This is confirmed by the case studies, which show that the incumbents are not very confident in the outcomes of the succession process in their family businesses. Some share their observation of succession among their colleagues, pointing out that they have not seen a successful transition so far. In these examples of business succession none of the successors could perfect the business, though the founders cannot explain this phenomenon. No doubt Bulgarian families (according to the opinions of the both major sides in the succession process – the incumbents and their successors) show a strong desire to keep the business within the family, but the incumbents do not have sufficient trust in their successors' abilities. Such controversial attitude towards the succession process will certainly have a negative effect on its outcomes.

However, the successors' propensities to take over the family business are not as strong as their desire to keep the business within the family (see figure 3). Although the majority welcome the possible takeover of the leadership role in the family business (66%), there is significant share that, first, do not have a clear vision about their future involvement in the family business, second, do not want to get involved, but their families are expecting them to take over the leading role in the future, and third, do not want to get involved, because they have other plans for their future career development.

In summary, on the basis of the data presented in figure 2 and 3, it could be concluded that there is relatively high

![Fig. 3. The successors' willingness to take over the family business](image-url)
level of agreement among the members of the Bulgarian families to continue the business. This is especially relevant to the perceptions of the two key stakeholders in the succession process – incumbents and successors. The family agreement is a very important factor for successful family business succession and in particular for leadership transfer (Chrisman, Chua and Sharma, 1998).

Furthermore, ensuring financial independence is essential to the incumbents’ decision to retire. Considering that Bulgaria is economically less developed compared to the EU average level, financial security is an even more delicate and emotional issue at stake. The empirical data shows that more than 80% of incumbents have planned their financial independence after they leave the business. This indicates their real willingness and intention to carry out the transfer and to relinquish control over the business. However, the analysis of the approaches and instruments envisaged for ensuring their financial security is more important. Around ⅓ of owners-managers rely on dividends and bonuses from business ownership, likewise almost ⅓ count on personal savings and pensions, and another ¼ depend on incomes from family business without any involvement in its activities and management. In 12% of the cases there is a total absence of such a plan (see figure 4).

These results suggest that the majority of the incumbents (almost 70%) rely on income sources directly dependent on the family business performance. However, business experience and practice show that it is very difficult for owners that are financially dependent on the family business results to completely step aside, even they argue the reverse (Bowman-Upton, 1987). This reconfirms the desire but also shows a lack of preparedness needed for a successful business succession, which is main impediment for the start and implementation of the process.

Fig 4.Plans for ensuring the financial independence of the incumbents after their retirement
Note: Total percentage exceeds 100 because multiple responses were possible.
3.3. Successors’ preparation and training in Bulgarian family enterprises

The leadership transfer depends not only on the willingness and the readiness of the incumbents but also on the presence of a motivated successor. Furthermore, not only the lack of prospective successors, but also the lack of an adequate preparation of the successors may negatively affect the smooth transition process, and thus call into question the future of the family business.

The data presented in figure 5 shows that in Bulgarian family firms the challenge of leadership transfer often means passing the leading role by the company entrepreneur-founder onto successors, who are quite often their own children (in 79% of the interviewed firms) and rarely other members from the extended family (cousins, son-in-law, etc. – in 9% of the firms). Only in one case the prospective successor is not a family member.

These results confirm again the strong desire of Bulgarian families to pass the business onto the next generation, sometimes even against the interests and needs of the family business itself. Such an instinct is fully justified in view of the uncertain environment in which Bulgarian families and businesses have been operating in the past 20 years and more. In this respect the survival and success of family businesses are associated with family welfare.

In addition, the case studies highlight that the attitude of the potential successors towards the family business has an important influence on incumbents’ succession decisions. It is important to some of the incumbents to ensure successful business continuity instead of just retaining the ownership in the family business. Therefore, they tend to involve more prepared and interested relatives and associates in the transfer of the control over the business instead of just the closest relatives. This is especially true to the cases where the family businesses are unattractive to the potential successors in spite if their economic potential and prospects for development – there are such examples in the sectors of agriculture, construction and traditional services. However even in these cases, the incumbents tend to leave some share of the ownership to their children in order to secure them future income.
Figure 6 shows the preparedness of successors to take over the family business. According to the opinion of the incumbents, in more than a half of the family firms, successors are not sufficiently prepared to assume the business control. The objectivity of this assessment could not be questioned because the opinion of the owners is also shared by their successors. However, it should be borne in mind that in Bulgaria there is a lack of traditions in developing successors, and also lack of specialized institutions and programs in the domain of family business development and management (with some exceptions)\textsuperscript{6}. In this context it is no surprise that the preparation of successors is identified as a major problem for succession of Bulgarian family firms (Todorov, 2009).

The lack of successors’ preparation is directly linked to another important succession disadvantage – the late beginning of the succession process. According to the incumbents’ plans and intentions, family business succession is planned to start in about 5 years – in about half of the interviewed firms. Around \(\frac{1}{4}\) of the firms plan to start the transfer in a middle-term (from 1 to 5 years) and less than 10\% have already started the process or they expect to start it in less than a year (see Figure 7). Regardless of the youth of Bulgarian family business, including the firms in the survey, these results are unsatisfactory. This is because more than half of the interviewed family business owners are over 51 years old while a well-prepared succession process may take more than 10 years (Aronoff, McClure and Ward, 2003). The late start of the process is a weakness and a precondition for the emergence of various impediments and problems at different stages in the process of succession realization.

\textsuperscript{6} Such an exception is the original program for development and training of family business successors offered by BAMDE. In contrast to the similar training program known in developed countries, the BAMDE program besides its practical orientation, offers to the participating successors also development of personal skills and competencies (communication skills, risk assessment and assuming, team work competencies and even finding suitable hobby). For more information concerning the program, see Todorov, K., 2009.
A significant part of families put efforts into the preparation of successors by involving them in the family business activities or by formal education, but this only shows that the preparation of successors is not regarded as an integral part of the previously developed transition plan. This leads to the recommendation that the preparation of the successors should be a main priority in the process of succession planning and management in Bulgarian family firms.

The analysis of presented data and results indicates that in the case of Bulgarian family firms the challenge of leadership transfer turns out to be a source of major problems for business succession. Most often they are linked to the lack of preparation of successors and the late start of the succession process. The presence of significant problems at this point of the succession process hampers the possible finding of adequate responses to the next transition challenges.

4. Conclusion and recommendations

The leadership transfer and the successors’ development could be defined as succession components that play the role of catalyst in the process of business transition. The start of the process, its realization and management, including any decisions regarding the selection of a successor, the transfers of management and ownership, depend on the motivation and the readiness of incumbents and successors. In this context, the majority of Bulgarian family firms are in the process of transition for the first time, and in particular their founders and first generation family entrepreneurs will transfer the business to the second family generation. Moreover, a very important feature is that the succession process is carried out in the context of underdeveloped supporting infrastructure and lack of critical mass of knowledge and experience regarding the management of the family aspect of the business, including the lack of established family values and traditions, rules and procedures regarding successors’ selection, family decisions making and family conflicts resolution.

The analysis and assessment of the data and results obtained under the research project and BAMDE program show that in the case of Bulgarian family firms the transfer of leadership is a source of significant problems. No doubt, Bulgarian family firms display a strong willingness to continue the business, but the incumbents
do not have enough confidence in their prospective successors’ capabilities, although very often they are their children. Other problems have been identified as well, related to the underestimation and late start of the leadership transfer, inadequate financial security of incumbents after retirement and insufficient preparation of successors to take over the business. These problems can be regarded as crucial for the succession outcomes, considering that if they occur at the initial stage, they will inevitably limit the opportunities for finding effective solutions to the other challenges in the subsequent stages of the succession process.

The identified difficulties and problems require that the leadership challenge should be taken into account more seriously. Several recommendations in this direction could significantly improve the expected succession outcomes. First, it is important to ensure the financial independence (naturally in accordance with the business prospects and resources) of the incumbents in a way that is not contingent on the economic and financial performance of the family business. Next, in the ideal scenario it is advisable for incumbents to find and develop interests and activities (for example some kind of hobby) that can bring them happiness and meaning in life outside the family business (e.g. charity, sport and other). Such activities have a positive impact on their propensity to plan the withdrawal and transfer of the business to the next generation. Another option is to limit, or at least soften, the autocratic style of the founders of the business is attracting external experts to participate in the implementation and management of the succession process. The external view and support will help the families to make a more realistic assessment of the skills and capabilities of the successors and their level of preparation to take on the leading role. In summary, the entrepreneurs who successfully let go of the business should draft a reasonable financial plan for retirement and engage in activities outside the business that can provide social contact, power, confidence in the successor and the willingness to listen to outside advisors.

An effective solution to all problems associated with the leadership transfer in Bulgarian family firms will be development a formal succession plan to determine the timing of the transfer and what steps need to be taken in the long-, medium- and short term. The elaboration of a complete succession plan that describes when the founder will retire, as well as what steps need to be taken in five-year time horizon, for instance, can contribute to the smooth overcoming of the challenges arising in the leadership transfer, including the provision of the financial independence of the older generation.

The focus of the succession plan should be put on the development of the future leaders because the incumbents’ decision and motivation for withdrawal is largely dependent on the availability of suitable successors. Therefore it is advisable that a combination of different types and methods of development, including in-company mentoring and training (by the incumbents with support of internal and/or external to the company experts) and education and practice outside the business (through both formal training programs and specialized training courses) be applied. Combining formal education with practical business experience will enable successors not only to develop their personal skills and competencies and to increase their level of preparation, but also to boost their self-esteem, which can not be achieved by any acquired education certificate.

Bearing in mind the late start of the process of inheritance, there is a need to achieve quick results in improving the
preparation of Bulgarian family businesses successors. Therefore, specialized programs developed in line with the specific needs of the particular successors, their families and family businesses will produce the best effect. In all cases, the successors' development should focus on family involvement in the planning of successors' preparation, practical orientation of the training (making business decisions, business plans and projects for the benefit of family businesses), and successors' personal development, studying foreign best practices of family business development, networking and participation in national and international business networks. It is worth noting the success of the aforementioned BAMDE program for the preparation of UNWE students, who are potential successors of family firms.

An important aspect of the successors' preparation is enabling potential successors to reassert their expertise to parents and co-workers. They can do so by drafting a five-year business plan. That will not only show the candidates' sound understanding of the business, but also their working style and independent thinking. The successors will be ready to take over the family business when they manage to establish their own network of business contacts, attract and retain new clients, suppliers, distributors and partners with high importance to the family business development. This will be the right time for incumbents' retirement and the beginning of the new leadership by the successors.

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