

Occurrence of Entrepreneurial and Managerial Risks during the Transfer of Ownership and Leadership in the Family Businesses

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Abstract

Family business represents the most common form of the company ownership and management organization. According to the most recent research of the International Family Enterprise Research Academy, between 80 and 95% of all private companies worldwide belong to the family businesses and generate more than 75% of GDP while employing more than 85% of the total number of employees. The average life span of family business is 24 years which clearly demonstrates the generation change issue in the family businesses, and consequently – growth and sustainability issues.

Beside the ownership function, the family business entrepreneur also carries out management functions by leading and directing the family business. The performance of this function is reflected in the vital decision making on the work processes and results towards achieving sustainable growth. The function is regularly performed by the owner but in recent times it has been partly or completely transferred to the professional managers. Accordingly, the two entrepreneurial functions bear distinctly recognized risks associated with their performance. During the transfer of ownership and leadership in the family businesses, the crucial entrepreneurial and managerial risk is by its nature non-transferable and internally conditioned. Being inevitable in such a situation, additionally burdened with growth, sustainability and innovation imperatives, the risk requires an expert analytical and critical approach by use of all available research methods and techniques for its best estimate.

The biggest entrepreneurial and managerial risk lies in the resistance to changes or, in this case, the postponement of ownership and leadership trans-

fer decision-making. Such an approach will only increase the problems unique to family businesses such as the problem of the successor legitimacy and authenticity, rigidity, non-transparent communication related to the transfer planning, etc. On the other side, a well-led transfer with adequate approach to the associated risks can result in the company transformation into a growing or dynamic venture.

Keywords: family business, transfer of ownership and leadership, entrepreneurial and managerial risks, dynamic entrepreneurship, sustainable growth and innovation