

THE IMPACT OF SUCCESSION ON FAMILY BUSINESS INNOVATION:  
A CASE STUDY ON MACHINERY MANUFACTURING SECTOR IN ANKARA

A THESIS SUBMITTED TO  
THE GRADUATE SCHOOL OF SOCIAL SCIENCES  
OF  
MIDDLE EAST TECHNICAL UNIVERSITY

BY

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IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR  
THE DEGREE OF MASTER OF SCIENCE  
IN  
DEPARTMENT OF SCIENCE AND TECHNOLOGY POLICY STUDIES

SEPTEMBER 2014

Approval of the Graduate School of Social Sciences

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## **ABSTRACT**

### **THE IMPACT OF SUCCESSION ON FAMILY BUSINESS INNOVATION : A CASE STUDY ON MACHINERY MANUFACTURING SECTOR IN ANKARA**

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September 2014, 118 pages

The main objective of this thesis is to investigate the role of intergenerational business succession on Turkish family firms' innovation tendency with a comprehensive approach to both succession and innovation issues. By using qualitative data collected from 11 successors and 8 of their predecessors from 11 small and medium sized family firms which are active in the machinery manufacturing sector, we observed a positive influence of succession on innovativeness of family firms. Both generations in the firm management are satisfied with the developments upon succession which are characterised by mainly marketing innovations, however to a certain extent organisational and process innovations with a constant focus on product innovations. Successors' up to date generic skills gained through formal education, willingly and early involvement in firm operations and, gradual takeover of the management roles, positively influence firm innovativeness. Successors' knowledge of foreign language(s) directly, specific field of education indirectly contribute to marketing innovation. Misallocation of management roles between two generations, out of date management styles, predecessor's resistance to change and attitude towards saving socioemotional wealth negatively influences product and process innovations and, organisational innovations at the lower management level. Changing market conditions has equal impact with succession related factors on marketing focused innovativeness.

**Keywords:** family business innovation, succession and innovation

## ÖZ

### AİLE İŞLETMELERİNDE KUŞAKLARARASI DEVRİN YENİLİĞE ETKİSİ: ANKARA İLİ MAKİNA İMALAT SANAYİİ ÜZERİNE DURUM ÇALIŞMASI

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Eylül 2014, 118 Sayfa

Bu çalışmanın amacı, kuşaklararası devir ve işletme yeniliği kavramlarına kapsamlı birer yaklaşım sunarak, Türkiye’de bulunan aile işletmelerinin yenilik eğilimine kuşaklararası devrin etkisini araştırmaktır. Bu amaçla, 11 küçük ve orta büyüklükteki işletmeden 11 ikinci nesil ve 8 kurucu ile yapılan uzun görüşmeler ile niteliksel bilgiler toplanmıştır. Edinilen temel bulgu, aile işletmelerinde kuşaklararası devrin firma yeniliğine olumlu katkı sağladığı olmuştur. Firma yönetiminde bulunan iki kuşak da devirden sonra genel firma gelişimi konusunda olumlu yaklaşım sergilemiş olup; bu gelişim genellikle pazarlama yenilikleri, ve daha az oranda organizasyonel ve süreç yenilikleri ile sağlanmış; ürün yeniliği konusunda değişiklik görülmemiştir. İkinci kuşağın güncel yetenekleri, firma faaliyetlerine erken ve kendi isteğiyle katılımları ve yönetsel rolleri aşamalı olarak devralmaları firma yeniliğine olumlu katkı sağlamıştır. Firmanın pazarlamaya yönelik yenilik eğilimine, ikinci kuşağın yabancı dil bilgisinin doğrudan, eğitim alanının ise dolaylı olarak katkı sağladığı görülmüştür. Diğer yandan, iki kuşak arasındaki uygun rol paylaşımı yapılamaması, güncelliğini yitirmiş yönetim biçimleri, kurucuların değişime karşı duruşları ve sosyoduygusal aile birikimini koruma yaklaşımları, ürün, süreç ve alt kademe yönetimdeki organizasyonel yeniliklere olumsuz etki ettiği gözlemlenmiştir. Değişen pazar şartlarının, pazarlama ağırlıklı firma yeniliğine, yukarıda verilen devir ile ilgili faktörler ile benzer oranda etki ettiği görülmüştür.

Anahtar kelimeler: aile işletmelerinde yenilik, işletme devri ve yenilik, aile işletmelerinde inovasyon, işletme devri ve inovasyon

To my brother, Necdet Hacıbayramoğlu, who vitalized a family business.

## ACKNOWLEDGEMENTS

Writing this thesis was not a lone studying simple period, rather a one accomplished by the extensive help and support of below people.

First of all, I would like to express my deepest gratitude to my supervisor Assist. Prof. Dr. İ. Semih Akçomak for his extensive guidance, support and contributions during overall development process of the study. Without him, this thesis would not be deemed much successful. The contributions and enlightening comments of examining committee members, Assoc. Prof. Dr. Teoman Pamukçu and Assist. Prof. Dr. Çağrı Topal, also brought perfection to the study.

My dear bosses and masters from MAKRO Consulting, İpek and Doğan İncesulu, were the great facilitators of this thesis to come into being as desired. They not only supported the development of the study by allowing me to devote a significant staff time to it, but also helped to recover every single trouble that I encountered in this period, reassured and provided guidance when needed. So, in a sense, this thesis is a product of MAKRO Team.

I would like to thank all participants of field research, for their time and more importantly for their sincerity in answering every single survey questions and providing help for reaching other participants.

My dear friends, Merve Ceylan and Yasemin Levent's help was extensive for the transcriptions of tape recorded interviews which were a real burden to me. Besides, Yeşim Akmeraner who is another thesis veteran, and also Özge Uzel and İlknur Encan were always there every time that I was demoralised in this process. So, I would like to thank all for just being my best friends and to ZMB for being all I have.

I am indebted to every single member of my family, notably my mother and father, for their extensive support in this process.

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## **LIST OF ABBREVIATIONS**

AGMER	Family Businesses and Entrepreneurship Research Centre
EC	European Commission
GDP	Gross Domestic Product
IFERA	International Family Enterprise Research Academy
İŞİM	Construction Machinery Cluster
KOSGEB	Small and Medium Sized Enterprises Development Organisation
METU	Middle East Technical University
NPD	New Product Development
OECD	The Organisation for Economic Co-operation and Development
OSB	Organised Industrial Zone
P	Predecessor
R&D	Research and Development
S	Successor
SME	Small and Medium Sized Enterprise
TTGV	Technology Development Foundation of Turkey
TÜBİTAK	The Scientific and Technological Research Council of Turkey
TÜİK	Turkish Statistical Institute
UEAM	Human Research Committee of Applied Ethics Research Centre

## **CHAPTER 1**

### **INTRODUCTION**

Family businesses are widely recognised as the driving force of socio-economic development as they represent the oldest and most prevalent type of entities in the world. They account for 95% of all Turkish private sector enterprises (PWC Türkiye, 2012), thus a true backbone of Turkish economy too. Due to the importance of family firms in all settings, family business theme in the management and business literature has recently gained importance, in which succession has been the leading subject since the emergence of the research field.

Family business succession, in other words intergenerational transfer of leadership, is often a critical event in the life time of a firm (Ganzaroli et al., 2006). Indeed, many scholars regard that, despite family businesses' well accepted long-term orientation, only 30% of them survive to second generation and 15% to third generation. Succession issue is particularly important for small and medium sized enterprises (SMEs) as they are more fragile in this event because of less tendency towards separating ownership and control. Considering the magnitude of SMEs, which traditionally account for about 99% of all enterprises in Europe and Turkey (according to European Commission (EC) and Turkish Statistical Institute (TÜİK) Statistics), succession is more of an issue which threatens overall employment and economic growth.

In a similar vein, innovation, as a basic concept of creating, sharing and utilising new knowledge in business practices, is key to economic growth in today's knowledge based economy. Due to their prevalence, family businesses, which are generally also SMEs, are the major actors of this movement through firm level innovations. From a micro perspective, innovation has become an issue vital for sustainability and growth of family businesses. That is why innovation has recently been identified within plethora of new topics in family business research (Sharma, 2012).

Since both succession and innovation are important issues for sustainability of family businesses, they have been dealt with a strategic point of view. While succession scholars mainly deal with the factors affecting the success of succession process (e.g. Cabrera-Suárez et al., 2001; Chrisman et al., 1998; Handler, 1990; Miller et al., 2004), innovation scholars have been mainly investigating factors affecting the innovation intensity of family firms (e.g. Block, 2012; Chen and Hsu, 2009; Chrisman and Patel, 2012; Cassia et al., 2011 and 2012) . Yet, the necessity of an integrated approach to these issues in the literature is neglected. Indeed, it is quite important to elaborate the issue of overall or some of the succession related factors, which have ever been dealt, may also have significant impact on innovation activities of family firms. Besides, these may also come to effect as determinants of innovation tendency realised after succession, in terms of either continuity of specific types of innovation or adoption of new ones.

Our main objective in this thesis is to focus on this gap in the family business literature; thus mainly investigating whether succession enhances the innovativeness of family firms and more specifically which succession, predecessor or successor related factors affect the innovation tendency in terms of adoption of specific types of innovation. For such a comprehensive investigation, we followed multiple case study approach and conducted in-depth interviews with 11 successors and 8 of their predecessors from 11 family SMEs active in machinery manufacturing sector and located in Ankara. Case study approach allowed us to acquire detailed data on the issues that have never been investigated before in Turkey and also in other countries. Besides, gathering perspectives of both generations active in firm management has allowed a comparative but more importantly a complete analysis. Machinery sector SMEs are targeted because they are more likely to be lasting and old enough to succeed in second generation.

Investigation and data analysis have been structured around three main dimensions; succession, innovation and the relationship between succession and innovation, similar to their structure in overall family business literature.

Succession issue has been investigated by largely relying on the models developed in terms of succession stages and possible dimensions by several scholars (e.g. Le-

Breton Miller et al., 2004 and Brockhaus, 2004). Among the overall components of each stage of succession, successors' formal education, early involvement in firm operations, outside work experience as well as trust between family members and quality relationship between two generations (Cabrera-Suarez et al., 2001) and such are regarded as main facilitators of successful succession. Besides, role adjustments between two generations and mode of transfer can be regarded indispensable components of transition process. With a view of that all and more can be also important determinants of innovativeness and adoption of specific types of innovation, the issues have been independently investigated and elaborated in the analysis.

Innovation has been approached from all possible dimensions unlike the present bundle of research in this field which mainly investigates technological innovation in family firms as presented in De Massis, Frattini and Lichtenthaler (2013). Among these studies which focus on research and development (R&D) intensity (e.g. Block, 2012; Chen and Hsu, 2009; Chrisman and Patel, 2012) and new product development (NPD) activities (e.g. Cassia et al., 2011 and Cassia et al., 2012) of family firms, generally indicate that family ownership and control may differentiate strategic behaviour in terms of both because of various unique characteristics of them, such as; long-term orientation, aspiration to protect socioemotional wealth, higher aversion to risk, shared family values, etc. On the other hand, some studies investigate the influence of "familiness" on marketing orientation of family firms (e.g. Tokarczyk et al., 2007). Looking from a perspective that family firms are different because they pass from generation to generation (Ward, 1987), all these strategic behaviours may take different forms in the case of succession. A fresh blood in the firm management may influence the factors affecting innovation behaviour and consequently innovation behaviour, in terms of not only R&D and NPD respects but also orientation towards adoption of other types of innovation for the sake of firm sustainability and growth. So, with an attempt to elaborate how the succession related issues influence adoption of specific types of innovation, we have analysed all available recent information on product, process as well as organisational and marketing innovations in the participating firms.

As the core of investigation and analysis, the relationship between succession and innovation has been structured as an overarching between relevant succession issues to recent innovation tendency. Thus the main approach was not focusing only innovativeness in terms of finding new ideas and discovering new uses as done in Grundstörn et. al. (2012), but elaborating overall innovation tendency of the participant firms. The findings not only provide information about the influence of succession on innovation, but also shed light on the internal and external problems hampering Turkish family SMEs' innovation tendency. These problems paved the way for implications for policy at both micro and macro levels.

This thesis contributes to the family business literature along three main dimensions. First, to our knowledge, this is the first research which uses an integrative approach to succession and innovation issues with different possible dimensions. Contrary to few number of studies that focus on this relationship, this study not only investigates how succession affects the innovativeness of family firms, but also how individual succession, successor and predecessor related factors affect the innovation tendency in terms of adoption of which specific types of innovation. Second, the data used in the research not bounded by only one generation's perspective over the issues in question, but contains perspectives of both generations in firm management as they are the major actors of succession event. The methodology design is thus novel which enables a comparative analysis and validation of main findings. Lastly, to the best of our knowledge, this is the first study that explores the innovation issue in family businesses in Turkey. For an unexplored research field, this study serves as a comprehensive introductory to future research on family firm innovation.

The thesis proceeds as follows. The next chapter draws a theoretical framework for the issues investigated by providing an elaborative overview of the prior research on individual concepts of succession and innovation as well as the relationship between the two. At the end of this chapter, the main research goals have been delineated. Chapter 3 describes the research methodology and process, and provides definitions for basic terms used throughout the study. Chapter 4 presents overall findings of our qualitative analysis and Chapter 5 concludes the study with a brief presentation of the research results and implications for policy and future research.

## CHAPTER 2

### THEORETICAL FRAMEWORK

This chapter is structured around the basic concepts covered by this study. The first section presents the strategic importance of family businesses in the world and Turkey as well as basic and emergent themes in overall family business literature. Subsequent two sections elaborate the succession and innovation concepts individually by covering all aspects that have been dealt by family business scholars and are relevant to our study. These sections are followed by the presentation of relevant studies which bring an integrated approach to succession and innovation in family firms with an attempt to interrelate them. The last section delineates the research goals which rely on the identified gaps in the literature.

#### 2.1 Importance of Family Businesses and Emergence of the Research Field

Family businesses represent the oldest and most prevalent type of entities in the world, thus remaining a cornerstone of overall socio-economic development regardless of scale of operation, legal form and industrial activity (Poutziouris et al., 2006). Scope of their importance may well be reflected in quantitative terms as; they account for two thirds of all entities, create between 50 – 80% of all private sector jobs (European Family Businesses, 2012) and generate an estimated 70 – 90% of global gross domestic product (GDP) annually<sup>1</sup> around the world. They represent the true backbone of Turkish economy too, with similar figures in the world but a bit higher that they account for around 95% of all private sector enterprises (PWC Türkiye, 2012).

Family businesses not only distinguish from other type of entities with regards to their dominant effects in the world economy but also with their idiosyncratic characteristics. Recent global research, which also includes data from Turkish family businesses, shows that they do differ from their non-family business counterparts in terms of; having a longer term planning behaviour, faster and more flexible decision

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<sup>1</sup> Family Firm Institute, Inc., “Global Data Points” (<http://www.ffi.org/?page=globaldatapoints>), accessed on 01.08.2014



making, acting more entrepreneurial and more committed and with an approach based on trust and relationships (PWC Türkiye, 2012).

Due to their prevalence and high importance, family business theme in management and business literature has recently gained importance. Indeed, as Poutziouris et al (2006) touched upon in the first version of Handbook of Research on Family Business, this specific research field is relatively young one which formally initiated by some practitioners in 1960s. While the early researchers were struggling to get into relevant theoretical conceptualisations, the research field squeezed in management and business studies by focusing on the basics of; succession, strategic planning and management, governance, organization structure, operations, growth and performance (Gupta and Levenburg, 2013). Today, family business research has become more interdisciplinary by attracting researchers from other disciplines including sociology, anthropology, psychology, economics, finance, law, strategy, marketing and accounting, inter alia (Smyrnios et al., 2013). Today's principal themes are thus richer, more specific and, more importantly, allied to theoretical foundations with enhancement of traditional topics by interdisciplinary approaches as well as introduction of new topics in the literature. Smyrnios et al. (2013) drafted the emergent themes from 2007-2011 International Family Enterprise Research Academy (IFERA) Conferences, some of which are: family influence in terms of cohesion, power, culture, family values, psychology, emotions; social responsibility, environment and culture, philanthropy, ethnicity, innovation, etc.

Since family businesses have gathered considerable interest in Turkey too, because of their intensity and impact, the literature in Turkey is also developing rapidly. The development of Turkish family business literature can be seen in the main themes which have been subjected to regular Family Firm Conferences organised every two years by the Family Businesses and Entrepreneurship Research Centre (AGMER) in İstanbul Kültür University. The evolution of main themes from the first conference (2004) to the fifth (2012) represents a similar tendency with the evolution of the world literature as keeping the major topics constant but also focusing on more interdisciplinary aspects. However there are still many aspects of family businesses

in Turkey waiting to be investigated since the development of the literature is still rather in its infancy.

Despite the development of the family business as a specific research field in the world and Turkey, definition of family business is still a matter of debate. This may be arising from that there is a huge heterogeneity of firms which fall under the rubric of “family businesses” (Sharma et al., 2012).

In order to distinguish family businesses from others, researchers have used various approaches. As elaborated in Chrisman et al. (2003), some define family business by its components of a family’s involvement in the business: ownership, management and trans-generational succession; some left it to firms to define themselves and some concentrated on the essence of a family firm. The last approach have been given shape in the same research by the use of several complementary parts previously developed by individual researchers for a comprehensive *family business* definition; *intention to maintain family control of the dominant coalition; unique, inseparable, and synergistic resources and capabilities arising from family involvement and interactions; a vision set by the family controlled dominant coalition and intended for trans-generational pursuance*. The last component brings forward the succession issue as series of events in the life time of a durable family firm as a facilitator of firm vision pursuance over generations.

## **2.2 Family Business Succession**

Family business succession<sup>2</sup>, has traditionally been the leading topic in the overall literature since the emergence of family business research field and it still maintains its dominancy as it is still regarded as the most critical event in the life time of family businesses. The importance of the issue at macro level has been reflected in quantitative terms in the EC’s Communication from 2006, as one third of overall European family businesses would experience transfer of business to next generation in ten years time which regarded as it could affect up to 690.000 SMEs and 2.8 million jobs every year. On the other side, many scholars regard that, despite the high orientation towards continuity over generations, the family businesses’ rate of

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<sup>2</sup> Definition of “Family Business Succession” can be found in Section 3.1.

surviving to second generation is generally 30% and only 15% of these experience transfer to third generation. Considering the magnitude of SME population in overall enterprises, these numerical indicators show that succession not only threatens the existence of SMEs but also overall employment and economic growth. These are why intergenerational succession failure is a challenge that merits investigation (Miller et al., 2003), among other specific aspects of succession process.

Upon the review of the literature which mainly suggest unclear succession plans, incompetent or unprepared successors and family rivalries as the major reasons for failure of successions, however without any attributions to organisation's strategy, organisation and governance, Miller et al. (2003) developed a comprehensive model which touches upon all relevant aspects of failure of succession process. In their study, which has been based upon intergenerational successions followed by poor performance that ended either in successor dismissal or bankruptcy, they found that the core of the problem lies on the mismatch between an organisation's past and present in the succession process. They defined the patterns of succession as; conservative, rebellious and wavering for the successors' manners of subsequently; too strong attachment to the past, too wholesale rejection of it and incongruous blending of past and present. Each creates distinctive tendencies in firm strategy, organisation and governance which altogether have resulted in failure.

Possible drivers of defined succession patterns stand out as they signal for focal points for change or necessary actions for inexperience of failure after succession. Major drivers of conservatism, wavering and rebellion during succession have been found to be; occurred in the presence of parent-child relationships characterised by, respectively as the above patterns, dependency and idealization, vacillation and conflict and opposition. Again these found to be occurred where past and current leaders exhibit leadership styles characterised by dramatic, suspicious, obsessive and depressive behaviour and where these styles are not mitigated by broad business and educative experiences. Another important proposition has been given as the level of competitiveness, change and uncertainty in the environment is more likely to influence the succession patterns, as will be discussed in detail below.

A field research study conducted in Adana Region with the participation of 60 family firms in 2005 by Günel, reveals the problems encountered during succession to next generations categorised from the points of founders, successors, inter-family relationships, employees and environment. Source of problems and inadequacies to our major interest strike in:

- Founder perspectives which found to be; reluctance to leave authority and control to successor, fear of losing personal identity and operational activity, enviousness and competition against successor, fear of death and being undecided to select the successor.
- Successor perspectives which found to be; formal education, business related trainings, work experience, entry level positions, number of years worked in family business and in the industry, motivation towards involvement and perception of readiness to involve in family business.
- Inter-family relationship issues which found to be; communication, trust, commitment, unease within family, unshared values and traditions, enviousness, competition, founder spouse's reluctance to leave the role taken in family business, lack of vision about the future of family and indecision to select successor because of hardness to discriminate among siblings.

Patterns of succession and factors affecting success in succession process have also been of major interest in this specific portfolio of the literature. Early studies concerning specific issues of succession have been found to be too fragmented by several scholars (Le-Breton Miller et al., 2004; Brockhaus 2004), as these deals with “different parts of the elephant”, meaning that each topic is important but reflects relatively small part of the problem. Some deals with successor or predecessor attributes and some with family context, similar to today's succession literature. The studies of Brockhaus (2004) and Le-Breton Miller et al. (2004) are important in terms of reviewing all relevant succession research with an attempt to integrate and present succession process with all components and revealing the gaps in succession literature to suggest for further research. We will first present the integrative model developed in Le-Breton Miller's study (2004) in order to draw the whole picture, and then by the help this model and structure of the Brockhaus's study (2004), we will

examine studies concerning individual succession issues which are in close relation to our study.

By examining more than 40 articles and seven books written on family business succession over the last 30 years by 2004, Le-Breton Miller et al., firstly derived a preliminary integrative model of the succession process by extrapolating, interpolating and making logical connections among these studies. They found out gaps in the present literature by incorporating those with the already studied issues to a fuller integrative model of successful succession process. This model is important not only because it suggests further emergent research areas, but also in terms of reflecting the whole process with all potential factors that have major influence on succession.

Before describing the successful succession model, it is important to define 'successful succession'. Le-Breton Miller (2004:306) believe that the common definition is that; "the subsequent positive performance of the firm and ultimate viability of the business", supported by; "the satisfaction of stakeholders with the succession process."

The model shows us that the succession process is not simple but quite complicated with various factors affecting the course of succession event. These factors can be categorised in;

- *Non-family context* which includes industry and competitive environment of family business as these either constrain or drive its strategy, organisation and governance policies. Indeed, issues such as growth of demand, technological impacts, financial requirements, competitive environment, personnel required, governmental regulations, and economic strength of customers, suppliers, and competitors are all important industry factors that have direct impact on the strategic plan of family business, thus on family business context which itself directly influence succession process (Brockhaus, 2004).
- *Family business context* which includes primary actors within the firm who are predecessor and successor or set of potential successors, and also the ownership structure of family business and board composition. The

relationships between main actors seem to have more dominant impact on succession as the characteristics of predecessor and behaviour towards development of successor and also; characteristics of successor, with management ability, experience, motivation, age, personality, and compatibility are all critical and primary for successful succession.

- *Social context* which includes social norms, laws and values directly impact relationships within family and differentiation and concessions inherent in family roles. Social context has indirect impact on succession process through enclosing family context in it.
- *Family context* which includes dynamics of the family; relationships, trust, respect and roles of its membership and also, governance vehicles used by the family to manage capital and control or influence the business.

*The stages of succession process* lies at the heart of the model, each influenced by both family and business context, interconnected and sequenced. The stages have been modelled in four; ground rules and first steps (which includes creation of a vision for the future of the business and establishment of succession planning quite early and communication, adjustment of it in time, experiences and feedback), nurturing/development of successor(s), selection and transition process. We will elaborate the last three stages by including all related issues studied in the present succession literature, as those are the major concern to our study and also of major interest to scholars studying succession.

#### Development of Successor(s)

Main components of the development stage of potential successors given in the model are formal education, training, apprenticeship (early exposure to the business and transfer of knowledge) and outside work experience. Each component has been investigated in various studies in relation to succession and the major ones to our knowledge will be examined below.

Formal education of successors has been dealt in terms of its impact on succession process and also other successor or industry related issues. Regarding success of succession, Morris et al. (1997) in their large scale field research on correlates of

success in family business succession, concluded that business performance in general after succession is positively affected by the education level of the successor(s). Considering other similar field research studies concentrated on various succession issues, not mainly education level of successors, at least undergraduate level of education of successors found (Elalmış, 2011; Tatoglu et al., 2008) is remarkable because the importance and awareness on education is increasing over generations in almost all family firms active in various sectors. Elalmış (2011), evidenced this situation in their field research conducted in Bursa Region, with participation of successors from family firms active in automotive and machinery manufacturing sectors. The research reflects that the education level and also the education field of successors have been influenced by the sector that firms are operating in. Since machinery manufacturing sector firms have longer been operating, they became well aware of importance of successors' education and started to have them educated in sector specific fields. The education issue will be further examined in relation to stage of selection of successor.

Training of successors perceived as it goes through to acquire knowledge and capabilities which are vital for achieving credibility and legitimacy, and thus for effective succession and after succession performance (Morris et al., 1997). Since this is a long process, as it starts with the early involvement of successor and until the leadership role fully taken over, training is actually integrated in overall development process, especially in apprenticeship period of successors. According to Le-Breton Miller et al. (2004), the best apprenticeship starts at home by transfer of explicit and tacit knowledge from predecessor to successor(s) at dining table, subtly and imperceptibly, build up during summer jobs and continue through the career at family business. As the knowledge transfer from predecessor to successor forms the core of this early development process and also helps family firms to develop and maintain competitive advantage through transferring accumulated knowledge, it is important to focus on its all possible aspects and determinants as we did in successful succession process.

Cabrera-Suárez et al. (2001), developed an integrative model for the knowledge transfer and successor's development in the family firm by using knowledge-based

approach which mainly tries to analyse how organisations create, acquire, apply, protect and transfer knowledge. The model characterised around many critical factors which possibly affects knowledge transfer process between predecessor and successor. Although factors affecting success of succession and knowledge transfer processes can be regarded as similar, especially in terms of factors related to business and family context, knowledge transfer process mainly addresses those related to predecessor and successor and the relationship between them. The model simply suggests that quality relationship between predecessor and successor is vital for an effective transfer of knowledge between the two. Thus the individual motivation factors of both generations remain at the core of the model.

Predecessor's motivation towards succession found to be a key determinant of effective knowledge transfer and also successful succession if it is adequately developed. Because many succession scholars suggest that, it is highly possible that predecessors suffer motivation problems originated from the fears of losing control, falling at back story and experience a long denial stage. However, Cabrera-Suárez et al. (2001) suggest that predecessor's achievement to delegate and promote a business environment in which the successor feels free to make both decisions and mistakes are fundamentals to successor's development.

Similarly, successor's motivation towards succession event is another key determinant in knowledge transfer and succession process itself. In some of the cases, successors found to reject or undervalue the knowledge that the predecessor provides. In order to overcome these kinds of behaviours, it has been suggested that a strong, positive and functional relationship is vital which in time become mature through transcending child/father relationship and adopting leader-successor/mentoring-predecessor one appropriate for business environment.

In the same model, quality relationship between two generations found to be influenced by also age and gender issues. The relationship between two generations is more harmonious when predecessor is in his fifties, but successor in mid-twenties and problematic when predecessor is in his sixties and successor in mid-thirties. Similarly, when the successor is female and predecessor is male, the relationship between two generations found to be more harmonious and complementary, however



tend to be more controversial when both generations are male. Because the son identifies himself with his father and want to be like him and on the other hand, there are feelings of envy and rivalry against father which originate in the son's childhood.

The gender issue comes more on the forefront in the studies concerning selection of successors, especially in the case of daughter successions. So the gender issues will be further elaborated in the later stages of succession below continued in the model of Le-Breton Miller et al. (2004).

Outside work experience of successors before full time involvement in family business placed as an important component of successor's development stage of the succession model. Many succession scholars (given in Le-Breton Miller et al., 2004, Brockhaus, 2001) argue that experience gained outside family firm helps successor to be prepared for the range of problems that possibly be confronted and more importantly develop a knowledge base, identity, self-confidence and credibility in the family business. Despite widely recognised importance of outside work experience, it seems that that it is still not fully recognised as a necessity in practical terms, especially in Turkish case. A recent large scale field research study conducted in Turkey by Tatoglu et al. (2008) evidenced that about 75% of successors had no prior work experience in other firms.

### Selection of Successor

In the model of Le-Breton Miller (2004), the potential factors that should be considered in successor selection are given as; (1) who should be performing the evaluation and selection, (2) what criteria they should be using, (3) when and how to carry out the assessment and (4) range of position to fill. The potential issues to decide for the first factor is that the choice should not be left to one person but choice of outsiders like consultants and outside board members should also be taken in to account to offset dysfunctional family biases. For the second factor, the criteria should be set by considering talents demanded from a successor which would best fit the business strategy and competitive challenges. Third one is about that the selection should not be left after the death or forced departure of a predecessor, as often done, but planned and monitored over many years. And for the last one, it has been

proposed that the position of successor should be determined as it should be complementary and appropriate repertoire of skills on the top management team.

While the model suggests a complete and ideal selection process with all components which have been previously studied, and mostly the ones suggested to be studied further in succession literature, scholars have been and still mainly focused on issues related to selection criteria. However, we encountered a study which touches upon the issue who mainly performs the selection in Turkish case. It has been found out in the study of Tatoglu et al. (2008), about two-thirds of the sample family firms, successors were selected on the basis of the predecessors' sole decision. This situation well reflects that the predecessor as the business owner is the most effective person in succession process. Other selection methods used have been given as, from most to least adopted ones; consultation with all family members, consultation with some of the family members, successor's self-nomination and consultation with predecessor's friends.

As mentioned above, the issues related to determining selection criteria found to be a major concern to scholars. Among the most focused issues, family members' trust to successor to take over, sustain and develop the family business found to be an important criterion (Lansberg and Astrachan, 1994). Trust of family members, especially predecessors, is obviously affected by various successor attributes that are expected to meet the strategic plans of family business. Firstly, there is major consensus regarding the importance of successor's commitment and integrity to the family business (Chrisman et al., 1998). Second important attribute of successor found to be the present skills especially in terms of technological and managerial that mainly developed through formal (university) education.

The recent field research studies on family business conducted in Turkey, which mainly includes manufacturing firms, show that there are different tendencies regarding the education of successors as a major selection criterion. Tatoglu et al. (2008) found out that, in successor selection decisions, the successor's education level acts as a substitute for general competence and interest in the business, regardless of the relevance of education field to the specific sector that the firm is operating in. However, as shortly touched upon, Elalmış (2011) evidenced the

increasing importance of sector specific education of successors. This situation has been correlated with that, while experiences and instincts of predecessor were enough to sustain the business at earlier times, later generations faced with the developments in technology and mechanization which necessitate them to be educated in sector specific fields and gain necessary technological skills. That is why many successors found to be educated relevant to the main field of businesses who are mainly the firstborn males as appropriate to longstanding male-dominated feature of the manufacturing sector.

At this point, it would be meaningful to deepen the impact of cultural stereotypes in selection of successors, which are mainly related to gender issue. It has been regarded that the selection criteria have become more objective in Brockhaus (2004), as it is more focused on present capabilities of successor, integrity and commitment to business while transcending importance of age, birth order and sex of the successors. However, there are still many studies examining succession process with regards to its aspects related to especially gender of successor, not only as an important selection criterion but also, education, choice of involvement and challenges that they face. In terms of female involvement, there are studies evidenced that females are generally not expected to be involved in family firms (Howorth and Ali, 2001) and also they do not assume themselves as they would one day be the successor (Vera and Dean, 2014). Howorth and Ali (2001) examine gender issue in relation to involvement, education and outside work experience. They encountered that sons tended to enter the family business with low levels of education, contrary to Elalmış's finding (2011), and little outside work experience; whereas daughters, many of whom were not expected to be involved in the family firm, were more likely to undertake higher education. Vera and Dean (2014) refer to the challenges that female successors generally face after succession. They found to be encountered difficulties in achieving balance between work and family life as they are also mothers and face gender discrimination/stereotyping from outside business world, rather than in their internal business dealings.

### Transition Process

Continued from the model of Le-Breton Miller et al. (2004), the major components of transition stage are given as predecessor's phase out and/or definition of a new role for him/her and successor's phase in. As Handler (1990) concluded, succession represents a mutual role adjustment process between predecessor and successor during which predecessor saturates the latter's involvement. Indeed, as previously mentioned, the leading actor in this process is the predecessor as s/he is the one who fears losing control and identity gained in the family business by leaving the leadership role to the successor. However, as Tatoglu et al. (2008) found out, predecessors delegate more decision-making authority when they are certain about the future direction of the business in their absence. These predecessors are the ones who feel confident about enough competencies of successors gained through relevant education and work experience. Besides, successors' relevance of education and background found to be an important criterion for predecessors to shift higher authority to successors.

Overall, by looking from a broad perspective to all determinants of succession process listed in every single stage, from development of successors to transition, two important issues come to the fore. Firstly, although there have been attempts to bring all specific aspects into models like developed by Le-Breton Miller et al. (2004), the succession literature have been continued to be a fragmented field. There is a need for approaching all possible dimensions in single settings. Secondly, while all dimensions that have ever been dealt could be categorised as determinants of the success of succession process, these can also play important role in firm sustainability and growth after succession through innovation. Even more, all or some of relevant aspects of succession and also successor and predecessor related factors may also influence the innovation tendency of firms in terms of adoption of specific types of innovation. For such an overarching research on innovation in family business should also be elaborated, as done below, so that a more specific research focus can be delineated.

### 2.3 Family Business Innovation

In today's knowledge based economy, innovation as a basic concept of creating, sharing and utilising new knowledge in business practices is vital in order to ensure long term sustainability and growth. Considering the business enterprise sector as key to overall economic structures, firm level innovations are consequently major driving force for economic growth (Kraus et al., 2012). As the knowledge created in single settings is being dispersed more easily and rapidly, thanks to developments in information technologies, innovation increasingly stimulate competition in global marketplace. That is why interest in understanding the factors associated with innovation has gained importance in line with increasing competition in the marketplace (Zahra, 1993).

Among the business enterprises that have potential to facilitate innovation, obviously SMEs are the major actors by constituting over 99% of all European enterprises<sup>3</sup>. According to recent statistics, SME density in Turkey represents a similar trend traditionally and currently by constituting 99,9% of all enterprises (TÜİK, 2013). Innovation tendency of SMEs over the years has been observed by Turkish Statistical Institute by use of Innovation Surveys which based upon Community Innovation Survey Model of Oslo Manual (OECD, 2005) and implemented biennially between 1995 and 2012. Looking at the recent survey results (2010 and 2012), only approximately half of the enterprises, which mainly constituted by SMEs, have been found to be innovation active. In detailed terms, while technological innovation activities (product and process) represent even a decrease from 35% in 2010 to 27% in 2012, non-technological innovation activities (organisational and marketing) represent a constant tendency at approximate 43%.

Considering that these statistical indicators are mainly attributable to SMEs, 95% (PWC Türkiye, 2012) of which are family firms, the indicators are important in terms of reflecting general innovation tendency in Turkish family firms as well. The research activities directed towards innovation tendency in family firms in terms of;

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<sup>3</sup> European Commission, "Innovation and SMEs – Keys to Prosperity", (<http://ec.europa.eu/research/sme/leaflets/en/intro02.html> ), accessed on 10.08.2014

factors affecting this tendency, problems in innovation activities etc., thus then well can be attributable to larger number of actors in the economy.

Regardless of the general innovation tendency in global means, which may reflect a more promising picture, innovation management issue is still a core challenge for all enterprises against the background of global competition (Kraus et al., 2012). That is why innovation research at enterprise level which mainly includes family businesses is important. Consequently, innovation has recently been identified within plethora of new topics in family business research (Sharma, 2012). Major interest among family business innovation scholars has been investigating the impact of family involvement on firm innovation, thus the research landscape has been mainly structured around comparisons of various innovation indicators between family and nonfamily firms, as presented in De Massis, Frattini and Lichtenthaler (2013). Since innovation has traditionally been well observed in R&D indicators or maybe because these indicators can well be analysed in quantitative terms, majority of research in this field is focused on technological innovation tendency of family firms, specifically in terms of R&D investment and product development activities. However, no research has been encountered which mainly focuses on organisational or marketing, even process innovation tendencies of family firms. Besides, subject of analysis generally covers medium to large publicly listed firms (De Massis, Frattini and Lichtenthaler, 2013), ignoring the density of small and micro enterprises in overall family business population worldwide. Overall, there is a dearth of studies focusing on only family businesses, specifically non-technological and process innovation tendencies of family SMEs, as well as using qualitative methods. The issue have been found to be ignored in Turkish family firm literature; no research to our knowledge have been encountered that basically analyses impact of family involvement on innovation tendency, even R&D investments or product development activities.

Nevertheless, all specific issues of interest in family firm innovation, to our knowledge, are elaborated below.

## Technological Innovation

Freeman (1976) defines technological innovation as the set of activities through which a firm conceives, designs, manufactures, and introduces a new product, technology, system or technique. In the technological innovation process R&D plays a crucial role, as it comprises those activities, that is basic, and applied research and new product design and development, that serve to generate new technological knowledge and turn it into new products, services, and techniques, which are then manufactured, implemented, marketed, and distributed throughout the remaining phases of the technological innovation process (Chiesa, 2001, cited in De Massis, Frattini and Lichtenthaler, 2013). So, the present bundle of studies focused on technological innovation tendency of family firms uses various R&D data of various family firm samples.

Majority of research in this field can be classified as empirical, based on relevant qualitative but mainly quantitative methods, focused on samples selected from manufacturing industry (De Massis, Frattini and Lichtenthaler, 2013). As previously mentioned, majority of them have been developed as family versus nonfamily firm comparative studies (e.g. Block, 2012; Cassia et al., 2011 and 2012; Chen and Hsu, 2009; Classen et al., 2014; Chrisman and Patel, 2012; De Massis, Frattini, Pizzurno and Cassia, 2013; Sirmon et al., 2008), in order to define unique and distinct strategic behaviour of family businesses, and rarely covers only family firm comparisons (e.g. Cassia et al., 2011).

Looking at the main studies examining family involvement on R&D investment behaviour in family firms, we encountered consistent results; that the family involvement and ownership negatively affects R&D investments. Block (2012), found out this specific result in their study which covers 154 R&D intensive family and nonfamily-lone founder firms. He specifies the difference between family firms and lone founder firms in terms of management and ownership structure, as in the former the two are separated while in the latter both are still in the hands of the one person. Reflecting this situation to R&D investments, he acknowledges that since family firms suffer from conflict of interest between ownership and management which results in agency costs, less risky and more conservative firm strategy and thus

lower level of tendency to invest in R&D compared to founder firms. He further concludes that, the longstanding argument of long-term orientation of family firms should be used more cautiously since family ownership is negatively correlated with R&D spending, which suggests that firms with a family shareholder actually invest less in long-term projects than do other firms. The results of this study also suggest important implications with regards to the relationship between intergenerational transfer of management and R&D spending behaviour, thus will be further discussed in Section 2.3.

In a similar vein, Chen and Hsu (2009), by using data from a sample of 369 Taiwanese family and nonfamily firms active in electronic industry, found that firms with a high level of family ownership tend to reduce the amount of R&D investment and thus may discourage risky long-term R&D investment. They interpret this finding may mean that firms with high family ownership closely and carefully monitor innovation activities, they thereby are efficient in their use of R&D investment and thus tend to invest less compared to the firms with low family ownership. They further conclude that this situation may be well transcended when CEO and chair roles can be separated and/or by inclusion of independent member on the firm board. Chrisman and Patel (2012), attribute the low R&D tendency of family firms to their attempts to avoid perceived threats over their socioemotional wealth, in their study which covers the responses of 964 family and nonfamily public-held firms.

The last study to mention that have major contribution to relationship between family involvement and R&D investment is the study of Sirmon et al. (2008), which is based on the responses collected from 2531 French family and nonfamily SMEs in manufacturing industries. They focus on a different dimension by investigating family firms' R&D behaviour in the case of threats of imitation in the market. Their basic finding is that family-influenced firms are less rigid in their responses to such threats, reducing R&D and internationalization significantly less than firms without family influence.

Another important topic of interest has been the affect of family involvement on NPD activities. Major studies in this topic mainly investigates how management



structure (Cassia et al., 2012) and family related factors (Cassia et al., 2011) affect NPD success and also how family firms differ from nonfamily firms in terms of product development strategy and organisation (De Massis, Frattini, Pizzurno and Cassia, (2013). Since unique characteristics of family firms can both positively and negatively affect NPD process, findings of the following studies are mixed.

The first study that investigates NPD in family business is the one of Cassia et al., (2012) which uses qualitative analysis method by focusing on 10 Italian family and nonfamily firms belonging to different industries. They draw a theoretical framework of relationships between the managerial factors differentiating family from nonfamily firms and those affecting NPD success. Among the most striking relationships found, the presence of family variable entails a typical long-term orientation of family firms, and this will be positively associated with NPD long-term thrust. On the other side, conservativeness of the strategic behaviour and risk aversion tendency of family firms are found to be negatively affecting the creation of innovation-friendly climate in the organization, thus also negatively affecting the success of NPD activities. Another study developed by the same team of Cassia et al. (2011), uses a similar research methodology focusing on 4 Italian firms, but this time which are only family owned SMEs, and mainly investigates how family-related factors enable or constrain NPD process. The key finding of the study is that, family firms with shared family values, a high desire to raise the family name and reputation, high level of communication among family members, and low agency costs are likely to experience more successful NPD processes. Besides, the firms that represent a higher “closure” attitude towards the external environment, a higher aversion to risk, and less professional management, appear to be disadvantaged with respect to the NPD. The last study that of De Massis, Frattini, Pizzurno and Cassia, (2013) investigates on how family firms differ from their nonfamily counterparts in terms of product innovation strategies and organisation, thus using data from a sample comprised of family and nonfamily firms which are 10 in number and small and medium in size. It has been emerged from their exploratory analysis that, while family firms engage in only incremental new products by relying on their functional organisation structure which enables high levels of decisional autonomy given to the project leader, nonfamily firms invest both in incremental and radical innovations

and do it by establishing cross-functional teams with limited delegation of decisional authority to the project leader. Besides, while predominant organisational climate in family firms found to permeate the attitude towards product innovation and is largely informal and unstructured and mainly risk averse; nonfamily firms are found to be more risk taking, and individual entrepreneurship is strongly encouraged.

The bundle of research on technological innovation tendencies of family firms mainly investigates the impact of family involvement on R&D investments and product development issues. Thus, there is a dearth of studies mainly investigate process innovation<sup>4</sup> tendencies of family business which is an indispensable component of technological innovation behaviour. To the best of our knowledge, there is only one study which compares product and process outcomes of family and nonfamily firms. The study has been developed by Classen et al. (2014), by using data from the Community Innovation Survey on 2087 German SMEs. The key finding of the research is that, family SMEs are at least equally effective in accomplishing product innovation and on average more effective than nonfamily SMEs in achieving process innovation.

### Organisational Innovation

As previously mentioned, the literature on family business innovation suffers from the lack of studies focused on organisational innovation<sup>5</sup> behaviour of family firms, more specifically which family related factors may affect this behaviour and how. These studies either investigate the impact of adoption of organisational innovation on other types of innovations and vice versa, in studies with no interest in family involvement effect (e.g. Damanpour et al., 1989) or the impact of organisational innovation in corporate success and growth under family influence (e.g. Kraus et al., 2012).

In their study, Damanpour et al. (1989), focuses on the complementarities of different types of innovation with special emphasis on the relationship between organisational and technological innovations. For example, when a new and

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<sup>4</sup> Definition of “Process Innovation” can be found in Section 3.1.

<sup>5</sup> Definition of “Organisational Innovation” can be found in Section 3.1.

sophisticated piece of equipment is installed in a plant, workers must be trained to operate it. So, in order to ensure the successful implementation of technological innovations, the social system should change accordingly; on the other hand, to ensure initiation and development of technological innovations, the administrative component of the organisation should be open to new ideas and practices. Damanpour et al. (1989), use data derived from 85 public libraries in the U.S. in order to test the role of organisational innovations (in administrative respect) in facilitating technological innovations over time. They found out that organizations continually adopt both types of innovations, simultaneously and sequentially; while administrative innovations influence the adoption of technological innovations over time, the influence of technological innovation on administrative practices found to be more immediate.

A similar research approach has been followed by Kraus et al. (2012) who investigate the differences between family and nonfamily firms and the role of organisational innovation in growth performance, by using a dataset collected from 533 Finnish firms. They distinguish managerial innovation from the generic organisational innovation context, as the former refers to a new organisation of work, management structures, or relationships with external partners; the latter refers to innovations in management systems, knowledge management and supporting activities. They found that, organisational innovation is more important than managerial since the former found to be in a positive relationship with overall corporate success as well as product innovation intensity, while the latter found to be in no direct relationship with these. So this means that if a firm rebuilds e.g. its organisation of work, management structure or relationship with external partners, following the logic of increasingly changing markets, it is more likely for that firm to innovate new products and grow.

### Marketing Innovation<sup>6</sup>

Individual studies mainly focus on market orientation of family firms and/or nonfamily firms and distinguish in three main categories in terms of main subject of investigation as; the relationship between innovativeness and market orientation

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<sup>6</sup> Definition of “Marketing Innovation” can be found in Section 3.1.

without a family influence focus (e.g. Verhees and Meulenbergh, 2004; Beck et al., 2011); impact of unique family firm characteristics and “familiness” on market orientation (e.g. Tokarczyk et al., 2007; Zachary et al., 2011). All studies approach market orientation from the viewpoint that firm should understand consumers and in turn develop products and services that meet consumer needs better than the competitors (Zachary et al., 2011), thus an effort facilitated by perfect mix of customer and competitor focus. Considering these can be achieved through adoption of updated marketing methods, a good market orientation can be considered as a dispensable facilitator of marketing innovations.

Verhees and Meulenbergh (2004), investigated the combined effect of market orientation and innovativeness on product innovation and company performance in small firms, by the use of data collected from 152 rose growers. Their results indicate that the business owner’s level innovativeness directly influences market orientation and thus firm innovation and performance. A similar result has been found under family influence in Beck et al.’s study (2011), using data from a sample of 111 small family firms, that market orientation positively influences firm innovation.

Focusing on distinctive characteristics of family businesses in terms of ownership, governance and decision making processes, Zachary et al. (2011) investigated whether these factors drive differences in market orientation behaviour of family firms relative to nonfamily firms, by using data drawn from 1120 shareholder letters from 224 firms listed in the S&P 500 comprised of both family and nonfamily large publically-held companies. Their key finding is that family firms are less market oriented compared to nonfamily firms. This result is much apparent in family firms’ lower level of competitor orientation and profitability concern which found to be aroused because of their unique characteristics. On the other side, Tokarczyk et al. (2007), found that “familiness” qualities of family firms such as; strategic focus, customer orientation, family relationships and operational efficiency collectively contribute to effective market orientation, in their case study research on 8 family firms from various industries.

To sum up the literature on family business innovation, the present bundle of research in this field manly investigates the impact of family involvement on

technological innovation by mainly relying on R&D and NPD data. As a rough inference from the relevant studies above, the unique characteristics of family firms may differentiate their strategic behaviour in terms of innovativeness. However, each individual study discussed above generally deal with only one specific dimension of innovation and mostly ignored the non-technological innovation behaviour of family firms. Thus, there is a need for investigation on the adoption of all specific types of innovation in single settings. Besides, looking from a perspective that family firms are different because they pass from generation to generation (Ward, 1987), the unique strategic behaviour of them may take different forms in the case of succession. A fresh blood in the firm management may influence the factors affecting innovation behaviour, in terms of not only R&D and NPD activities, but also orientation towards adoption of other types of innovation for the sake of firm sustainability and growth. So, succession can be overarched to innovation through its all possible dimensions which may possibly affect firm innovation.

### **2.3 Succession and Innovation**

Given the strategic importance of succession and innovation in family businesses, these two subjects have taken much interest individually from family business scholars as presented in the previous sections. To our knowledge, the attempts to bring an integrated approach to these two dimensions have newly started in the family business literature and, thus the development of this specific literature is in its very infant phase. Scarce number of studies which particularly focus on the relationship between succession and innovation as well as the ones which touches upon the issues related to this relationship in a nutshell will be elaborated below.

To date, innovativeness is found to be negatively affected by succession event by several scholars who particularly investigate the impact of succession on innovation capacity and intensity in family firms (e.g. Grundstörn et al., 2012 and Ganzaroli et al., 2006). Based on 10 case studies, Grundstörn et al. (2012), compares the impact of within-family successions and external-party takeovers on firm innovation. The results of study indicate that, following the succession of a family SME to family members, the innovativeness of the firm is characterised by a minimal focus on finding new ideas and discovering new uses for existing ones, and continue with

incremental innovations and thus lower innovation intensity compared to which of the firms taken over by external parties. However, their possibility to achieve radical innovations has been found to be possible through a good market orientation. Ganzaroli et al. (2006), focuses on the relationships between predecessor and successor and successor attributes in their study, developed by the data gathered from 26 small family firms. They conclude that; both generations do not have positive expectations regarding the influence of succession on firm's competitive profile since the successor has been found to be strongly socialized with predecessor's vision of future business. They further found that innovativeness is negatively affected by successor's low level of formal education and lack of outside work experience and, absence of intergenerational trust.

Some other studies in family business literature in which the main focus is not on this specific relationship, also signals that the innovativeness of family firms negatively affected by intergenerational succession in a nutshell (e.g. Beck et al., 2011; Block, 2012; McConaughy and Philips, 1999). Later-generation family firms have been found to be less innovative by Beck et al. (2011) and, similar to Grundstörn et al. (2012) finding, they conclude that the influence of the generation in control on innovation is mediated by market orientation. Block (2012) attributes low level of R&D intensity of second generation family firms to the complacency of successors; that since successors inherited the firm without any effort, their main ambition remains as firm's survival not long-term success though R&D and growth. In a similar vein, McConaughy and Philips (1999) discovered that while founder-controlled firms are more innovative and growth oriented through exploiting new ideas and technologies and invest in capital equipment and R&D, descendant controlled firms exploiting their established positions in the market to generate greater profits for the owners do not grow as rapidly or invest in capital assets and R&D.

Relevant aspects of succession that would possibly affect the innovation capacity or antecedents of which have also been of interest to several scholars (e.g. Letonja and Zenko, 2012; Meneses et al., 2014). Letonja and Zenco (2012) follow a case study approach by focusing on data collected from 20 founders of family SMEs and mainly

show that the transfer of tacit and experiential knowledge as well as of social capital positively influence innovativeness of successors. The founders found to be aware of the role of successors' education and outside work experience, more importantly early involvement of them in firm's operations is important for the development of firm's products, services and processes. Again by using a case study approach which covers successor perspectives from 6 family SMEs, Meneses et al. (2014), investigates the relationship between succession and internationalisation as an antecedent of various firm innovations. They acknowledge that while objective factors like successor's age, educational background, professional and international experience and knowledge of foreign languages had little impact on internationalisation of firm. However, subjective factors like their international vision, proactivity and innovative spirit had significant impact on such.

## **2.4 Delineation of Research Questions**

Overall review of family business literature on succession and innovation reveals some important research gaps.

First of all, since the individual studies on succession process deal with just small parts of the problem each, succession literature is too fragmented (Le-Breton Miller et al., 2004). There is an increasing need for research which focus on all relevant aspects of succession including all stages defined in this process, successor and predecessor attributes, family context and such.

Likewise, innovation literature is also too fragmented, as each individual studies deal with family business innovation by focusing on tendency towards adoption of only one type of innovation, which are mostly technological (R&D and NPD). The tendency towards marketing and especially organisational and process innovations has been neglected; on top of that, to our knowledge, no study has ever provided an integrated viewpoint to the tendency which covers all types of innovation.

Lastly, as previously mentioned, since the literature dealing with the relationship between succession and innovation is still in its infancy, the scarce number of studies focus on the impact of relevant aspects of succession on the general innovativeness

of family firms. This leaves the impact of succession with all relevant aspects on tendency towards adoption of all specific types of innovation unexplored.

Besides, the investigation of such relationship in Turkish context may yield in interesting and unique results when we look from two main perspectives. First one is the conventional family ties which may result in each specific dimension of succession to take different forms and in turn has differential impact on the firm development through innovation. Secondly, SMEs in Turkey, as in other developing countries, are known for their limited capacity for resource allocation for innovation and managerial conservativeness which result in surviving in the market rather than sustainability and growth (Duygulu et al., 2008). Considering that majority of the SMEs are family firms, this behaviour may either positively or negatively change upon succession event.

Overall, these lead us to develop our research question as:

- *Is there a difference realised in innovativeness of family firm after intergenerational succession?*
- *How does this difference in innovativeness take place?*
- *What is the impact of succession on innovation tendency in terms of adoption of specific types of innovation?*
  - *What is the impact of succession related factors on the change in innovation tendency?*
  - *What is the impact of successor related factors on the change in innovation tendency?*
  - *What is the impact of predecessor related factors on the change in innovation tendency?*



## CHAPTER 3

### RESEARCH METHODOLOGY

This chapter mainly describes the research methodology and overall research process. It starts with the definition of basic concepts which have been used in preceding chapters and will be used in the subsequent chapters of the study. The second section elaborates the research design, sampling and data collection procedure as well as the research instruments used. The third and last section gives information about the sample and individual participants as well as the research ethics and limitations.

#### 3.1 Definitions

**Family Business:** The comprehensive definition given for family business by Chrisman et al. (2003) in Section 2.1 does not provide necessary properties of a family business which can be used in defining relevant sampling criteria. For this reason, we use the definition made by Rosenblatt et al. (1985:4-5, cited in Brockhaus, 2004) which suggests that a family business is *any business in which the majority ownership or control lies within a single family and which two or more family members are or at some time were directly involved in the business*.

**Family Business Succession:** Beckhard and Burke (1893:3, cited in Handler, 1994) define the term as *the passing of the leadership baton from the founder-owner to a successor who will either be a family member or a nonfamily member; that is 'professional manager'*. However, in this research we consider only inter-generational succession, thus *passing of leadership to family member successor* and ignore succession to nonfamily member.

**Small and Medium Sized Enterprise (SME):** According to the Regulation on SME Definition, Properties and Categorisation released in Turkish Republic Official Gazette numbered 28457, dated 04.11.2012, an SME defined as; *any enterprise which employs less than 250 employees and one of net sales revenue (turnover) and financial balance sheet does not exceed 40 Million Turkish Liras (TL)*. The limits put

for *Micro Enterprise* are; less than 10 employees and 1 Million TL, for *Small Enterprise*; less than 50 employees and 5 Million TL, and for *Medium-Sized Enterprise*; less than 250 employees and 40 Million TL.

**Innovation:** According to Oslo Manual (OECD, 2005:46), *an innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational in business practices, workplace organisation or external relations.* The minimum requirement for an innovation is given as that the product, process, marketing method or organisational method must be new (or significantly improved) to the firm. This includes products, processes and methods that firm is the first to develop and those that have been adopted from other firms or organisations.

**Types of Innovation:** Oslo Manual (OECD, 2005:47) distinguishes four types of innovations as; product, process, marketing and organisational.<sup>7</sup> The definitions are given below:

- A **product innovation** is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics.
- A **process innovation** is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software.
- A **marketing innovation** is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.
- An **organisational innovation** is the implementation of a new organisational method in the firm's business practices, workplace organisation or external relations.

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<sup>7</sup> For further information about the specific properties of all types of innovation and distinctions between each please see Oslo Manual (OECD, 2005: 49-52)

**Research and Development (R&D)**<sup>8</sup>: According to Frascati Manual (OECD, 2002:30), *R&D comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications.*

**Technological Innovation:** Frascati Manual (OECD, 2002:18) also gives detailed information about which activities fall under as technological innovation. These defined as *all of the scientific, technological, organisational, financial, commercial steps, including investments in new knowledge, which actually, or are intended to lead to the implementation of technologically new or improved products and processes.* R&D has been regarded as one of these activities which may be carried out at different phases of the innovation process.

### **3.2 Case Study Design and Procedure**

By elaborating the important research gaps in the family business succession and innovation literature as well as the neglected integrative approach to the relationship between succession and innovation, we have developed the basic research questions in Section 2.4. Since the issues in question necessitate an exploration of internal dynamics by acquisition of in-depth views, similar scarce number of studies have structured around qualitative data analysis (e.g. Grundström et al., 2012; Letonja and Zenco, 2012; Meneses et al., 2014). Besides, as mentioned in Section 2.3, innovation have been left as an unexplored field in Turkish family business literature and needs an introductory research which is comprehensive enough with an integrated approach to leading and emergent subjects of succession and innovation in family firms.

Because of such reasons, our research is structured around qualitative against quantitative data analysis; in order to deepen our understanding on the issues in question by gathering in depth meanings from few resources rather than few data from a number of resources. Since we desire to discover the dynamics through getting into the real life contexts, we have not structured specific hypotheses while designing the research. The theory has been built upon the data obtained from field research as a reverse process from traditional social science research. We began with

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<sup>8</sup> For further information about the basic activities covered by and excluded from the definition of R&D, please see Frascati Manual (OECD, 2002: 30-34)

developing a main research question and sub-questions which directed us to find out the answers in the field and discover the theory through the analysis of these answers (Glaser and Strauss, 1967). This method allowed us to evolve theory during the actual research which was possible through continuous interplay between analysis and data collection (Strauss and Corbin, 1994). The grounded theory has revealed through the use of propositions which lean on the systematic analysis of qualitative data.

Case study approach has been adopted as the most relevant method in order to analyse the qualitative data at hand and reveal the grounded theory. This method also enables us to focus on the dynamics present in single settings (Eisenhardt, 1989), which are family firms in our study. Multiple-cases have been explored (Yin, 2003) in order to find out differences within cases and also similarities and differences between cases which help replicating the findings across cases. As Yin (2003) describes the means of use of multiple case studies as; predicting similar results or predicting contrasting results but for predictable reasons, we used both means in order to provide robust and reliable study even if it has been extremely time consuming and expensive to conduct (Baxter and Jack, 2008)

#### Case Selection Criteria

By the finalization of the main research question as; “*Is there a difference realised in innovativeness of family firm after inter-generational succession?*” and sub-questions given in detail in Section 2.4, the next step was to determine the most relevant research methodology. For such an unexplored relationship, it was necessary to gather the initial knowledge from primary resources and by using relevant methods that can elaborate the issues scarcely investigated. For this, we used in-depth interviewing method; conducted pretty much similar interviews with both successors and predecessors within the same family firm. By using this method, we aimed not only to find out answers to our initial research questions but also to reveal the perception differences between generations.

Although sampling of cases from a chosen population is unusual when building theory from case studies in general social science literature, we adopted a mixed

approach consisting of focusing on a specific population while selecting the first round of cases and continued with theoretical sampling in the second round selection by keeping the population constant. By using this method our cases fill theoretical categories and provide examples of polar types where applicable, as well as help reducing extraneous variation and define limits for generalising the findings (Eisenhardt, 1989).

That is why we firstly focused on a specific sector and then define other primary case selection criteria, in which being family firm and located in Ankara are the lead. Following by a detailed search for the sector to focus on, which has been decided as machinery manufacturing, as the most appropriate one in terms of meeting the below criteria and also reflecting other important characteristics for such a research study containing various innovation measures.

Overall, for the selection of first round of cases (firms) from machinery manufacturing sector, we have defined the below criteria:

1. *Family businesses (firms)*: As the primary condition above all, the firms should be defined as “Family Business”.
  - 1.1 *Firms have already by-passed succession and/or transfer of leadership/management period several years ago*: As the core of our research, the successors should actively take role in the firm operations together with (or without) predecessors.
  - 1.2 *Firms at the age of 30 or above (as an asset)*: It has been assumed that it is highly possible to find both generation together even if the succession have already been realised and the predecessor retired willingly. However, this criterion was not pursued, if the previous criterion has already been met.
2. *Firms operating in machinery manufacturing industry*: The criterion which facilitates the definition of other criterions.
3. *Firms located in Ankara*: Since family firms are generally equally distributed to all regions of Turkey, where 95% of all enterprises are categorised as family firm. So taking advantage of close proximity to the participants was not missed by the researcher.

4. *Firms that classified as SME:* The purpose of searching only for SMEs is that, especially in Turkey, they are more likely to allocate the management tasks to the family members who are generally the owners (predecessors) and their sons/daughters and in most of cases other close relatives may also involve in the management. So this means that any change regarding overall operations and innovation would highly dependent on the family members' common interests. This situation would not be a common case in large family firms where the influence of just a few family members is decreased to minimum so that the change does not depend on family member managers, but also other professionals in the management.
5. *Exporting firms (as an asset):* When the literature investigating the relationship between innovation and export behaviour at firm level have been reviewed, a significant and reciprocal causal link between innovation and export intensity has been discovered (Roper and Love, 2001; Pla-Barber and Alegre, 2007). So it is assumed that the selection of exporting firms would be an asset for the sample structure in order to observe the innovative change realised by the acceleration in export and the extend of both changes are dependent to successors' role.

#### Identifying Cases and Reaching Participants

In order to select or actually identify the relevant cases fit on the criteria given above, the researcher used several methods by trial and error. Firstly, since the firms are operating in machinery manufacturing industry in Ankara, the firm databases released by the main Organised Industrial Zones (OSB – Turkish abbreviation) where majority the relevant firms are located are searched by using some key words. The researcher started by refining the machinery manufacturing firms on Ostim OSB Firms Database on web, where the firms also located in some of the other OSBs are also included. The firms operating in the machinery manufacturing industry have been shortly introduced on the database. Although there was little information whether the firms in the database fit the overall criteria given above, some of them were selected on the bases of the year of establishment and whether it is a family

firm etc. Even by gathering the ones that more or less fit the criteria, there were at least 70 firms identified at the first glance.

The firms have also been searched in other databases hosted by the sector specific associations and their web platforms, however it was not possible to identify the firm characteristics in these databases.

Reaching the firms was the first bottleneck within the overall research process. It was not possible to identify the number of firms which exactly fit the above criteria by searching on the internet. So we decided to contact a relevant institution with a close interaction with the firms that fit our criteria, and request for help to identify the firms that we can investigate further. For this reason, we got in touch with Fevzi Gökalp, the Coordinator of Construction Machinery Cluster (İŞİM) which is established in Ostim OSB Administration Office. If we shortly describe the İŞİM cluster; it has been established in 2008 by the collaboration of Çankaya University and Ostim OSB. The main objective of the cluster is to contribute to the international competitiveness of the members which are all SMEs and mostly operating in various branches of construction machinery sector at the same time. The cluster has more than 100 members.

İŞİM initially directed the researcher to 16 firms among its members which met the above criteria. It has been planned to conduct research in at least 10 out of these 16 firms to be able to reach a significant edge of making generalisations regarding the research questions.

Since the successors are the core of our research, as they are supposed to have or will eventually have considerable impact on firm innovation more than the predecessors, the researcher tried to contact the successors via phone calls. The participation of predecessors was guaranteed during the interviews with successors.

Although the majority of potential participants were very interested in participating such a research containing family firm subject, they were mostly unavailable to spare the specified duration for interview. So, the acquisition of cases and getting appointments for initial couple of interviews lasted about a week full of phone calls spent for convincing them. However, this slow process yielded a positive result as

creating necessary time span for turning the sampling plan to a more theoretical/purposeful in the second round of interviews by the help of impressions gathered from the first cases. By the emergence of case categories, a kind of snowball method has been used for the selection of second round cases. The participants were demanded to nominate others which exactly meet the preliminary criteria but also fit in the categories newly and naturally created.

By making use of relevant sampling approaches mentioned above, 11 successors and 8 predecessors from 11 family firms in total have been interviewed. The numbers are out of balance because; one of the founders was passed away, one was retired willingly after transfer of management and was out of Ankara for a long time, and other rejected to participate.

#### Data Collection Process

During the field research, the primary and mostly only data source was the series of interviews conducted with the participation successors and predecessors.

Contacting the participants and conducting a total of 19 interviews were realised between the beginning of April 2014 and the mids of May 2014.

The interviews were conducted by the researcher herself; first with successors and then predecessors. Only in the first case, thesis advisor was present during the interview in order to help researcher when necessary in her very first interview experience. The sessions with successors lasted one hour and the predecessors half an hour on average. Some were longer than two hours even with predecessors, because they were very interested in the research because of its main subject of family business and automatically told about other stories, sometimes in a very sensitive way when the times from past of firm were remembered.

All of the interview sessions were fully tape recorded and transcribed. The transcriptions were made well structured and refined several times in order to make them ready for the analysis where any of the important points should not be missed.

Before starting each interview, all participants verbally well informed about the background and goals of research, the methodology followed during interview



sessions. Besides, all have been assured about participant and firm names will be kept confidential; fictional names will be used in thesis and, also the research questions had already been approved by the Applied Ethics Research Centre of METU (which will be mentioned in detail later on).

### Instruments

There were three main interview instruments (questionnaires) used; two for successors and one for predecessors. The major one was created for successors which included entirely open ended questions regarding, roughly<sup>9</sup>;

- *Basic information about the firm and participant* – The information regarding central firm properties, from which we have drafted the Table 3.1, was collected with a short questionnaire formed by the use of close ended basic questions.<sup>10</sup> This instrument was the second one used during the interviews with successors.
- *Details of succession process and progress*
- *General tendency regarding R&D and innovation (all types)*
- *The relationship between succession and innovation*
- *Problems and recommendations*

The predecessors were interviewed with a shortened version of the questionnaire used in sessions with successors. The questionnaire included questions regarding only;

- *Basic information about firm and participant* – except the firm properties, only the establishment story about firm
- *The relationship between succession and innovation*
- *Problems and recommendations*

### **3.3 Firm Profiles**

The firms are listed in terms of the basic criteria and also some other important features below in Table 3.1.

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<sup>9</sup> A full version of the Successor Questionnaire can be found in Appendix A.

<sup>10</sup> A full version of the Questionnaire on General Information about the Firm can be found in Appendix B.

We used fictional names for each case which are selected from the whole Latin names of endangered plants disorderly and in pieces. So they do not mean something individually, however considered meaningful for being selected from a similar kind as family firms.

Even though we desired to choose the cases which exactly fit our main criteria, there were some minor deviations in some of the cases. But we did not exclude them because; the deviations did not affect the whole research purpose, however positively contributed.

All firms are defined exactly as family firms, except one (FOLIA); have founder(s) (predecessor) and successor(s) from one family each who all have influences in the management of firm. FOLIA is owned by the equal shares of two individuals, but these became families by the transfer of management / role delegation to the second generations of both. So the firm actually fits the other basic feature of family business in which the ownership and control are in the hands of multiple generations. About half of them established with the partnership of brother founders, however split generally after 1990s because of various conflicts or else. Only one of them, SNOW, succeed to pursue the partnership of three brothers and continue by the involvement of several successors of all brothers.

All of the firms are older than 30 years, except SNOW. Some of them established as sole proprietorship, but mostly turned out to limited companies after 90s. In overall, except ARUM and VENUS as sole proprietorship and FOLIA as joint stock, all other eight firms are limited companies.

All firms are operating in machinery manufacturing sector, except FOLIA, majority of them manufacturing spare parts for mining, quarrying and construction machinery and only few of them are manufacturing complete equipments in the same sector. By involving FOLIA which is manufacturing electrical motors, generators and transformers, we got beyond our main sector of machinery manufacturing. However, since we considered that this firm would contribute to our research with its various characteristics other than sector specific ones, we kept it within our sample.

SME criterion has been analysed by the use of two different data; number of staff and turnover in 2013. According to this classification, all firms are SMEs except a micro one (ARUM). Even if some of them meet one condition of small and one condition of medium at the same time, they all fit the basic criteria of being SME in Turkey.

As we determine the exporting criterion, however not intentionally look for the ones exporting, we have found that all of them have been exporting during the last three years, except (ARUM).. The share of exports in total turnover varies.,majority of them experienced a significant increase recently, however only one firm (VENUS) declares that there is a significant decrease last year. The degree to which this information is in relation to specific findings will be discussed in detail in Chapter 4.

Lastly, succession issue has been analysed by the use of information about number of existing successors and the one(s) in the managerial role. All of the founders have more than one successor, however there is only one firm (BASE) in which all the successors are involved in management and majority of others have only one successor in the management. Although there are cases where more than one managerial successor exists, only one of them has been chosen for the interview who has more influence in the firm management compared to other successors. In the firms where there are more than one founders (FOLIA and SNOW), only the number of successors of one of the founders (the father of the successor interviewed) are considered as to be the total and other founder(s)' successors are not considered as they are involved in the management. These restrictions were necessary to measure the degree of relevant changes in innovation tendency which are attributable to the successor interviewed.

**Table 3.1: Firm Profiles**

<b>CASES</b>	JADE	FOLIA	TACCA	ARUM	ASTER	SNOW	VENUS	BOIS	COSLEY	BASE	MIRA
<b>Year of establishment</b>	1975	1971	1978	1978	1978	1986	1973	1968	1974	1970	1969
<b>Main subject of manufacturing*</b>	Machinery (various)	Electric motors, generators and transformers	Machinery for mining, quarrying and construction	Machinery for mining, quarrying and construction	Machinery for mining, quarrying and construction	Machinery for mining, quarrying and construction	Machinery for mining, quarrying and construction	Machinery for mining, quarrying and construction	Machinery for mining, quarrying and construction	Machinery for mining, quarrying and construction	Machinery for mining, quarrying and construction
<b>Number of staff</b>	50-99	50-99	25-49	1-9	10-24	25-49	10-24	25-49	25-49	10-24	1-9
<b>Turnover in 2013 (TL)</b>	8 – 40 M	1 – 8 M	1 – 8 M	<1 M	1 – 8 M	8 – 40 M	1 – 8 M	1 – 8 M	1 – 8 M	1 – 8 M	1 – 8 M
<b>Share of export revenue in total sales (2011-2012-2013)</b>	%20	%2	%13	None	%1	%5	%20	%1	%40	%5	%5
	%25	%2	%9		%2	%7	%20	%3	%45	%10	%10
	%35	%2	%18		%4	%10	%15	%4	%50	%20	%15
<b>Number of successors</b>	3	2	2	2	2	2	3	3	3	4	3
<b>Successors in managerial role</b>	1	1	1	1	2	1	1	2	2	4	1

\* Statistical Classification of Economic Activities in the European Community (NACE) has been use for the classification.

Individual participants to our field research are, specifically;

- Successors who have already undertaken the leadership position or are actively involved in firm management by undertaking a specific role by delegation; not necessarily has shares or ownership status.
- Predecessors who have transferred the leadership position to the successor or still actively involved in firm management but together with the successor or retired willingly after transfer of management; not necessarily transferred the ownership status or allocated shares to the successor.

Specific attributes of successors and predecessors can be found in Table 3.2 and Table 3.3 respectively. If we make some specific comparisons between predecessors' and successors' attributes in general, in relation to the aspects we will mainly focus on in Chapter 4:

- While all predecessors are males, there are a considerable number of female successors among total 11 successors; which shows that the firms have been saved from being male-dominated by the involvement of successors.
- While the predecessors are generally not educated after primary school and received necessary certificates to find jobs in the sector, the successors' education seems to be paid strict attention.
- While the predecessors had to work in other firms either as worker or partner in other firms before the foundation of family firm, majority of successors directly started their career in the family firm.
- While the predecessors have generally pursue the leadership role but focusing more on manufacturing operations, in relation to their long experience as old hands in the sector, after the instatement of successors; successors have been delegated to administrative management and also took active role in foreign trade, sales and marketing independently from their educational background.

**Table 3.2: Successors' Attributes**

CASES	JADE	FOLIA	TACCA	ARUM	ASTER	SNOW	VENUS	BOIS	COSLEY	BASE	MIRA
<b>Age and Gender</b>	32 - Male	37 - Female	34 - Male	33-Male	34 - Male	26 - Male	38 - Male	31 - Female	33 - Female	36 - Female	38 - Male
<b>Education</b>	Bachelor in Business Administration + Bachelor in Tourism Management	Bachelor in Economics + Master in Economics	Bachelor in Business Administration	Bachelor in Industrial Engineering	Primary Education + Certificate of Mastership on Machinery Reparation + Open High School (still continuing)	Bachelor in Civil Engineering	Bachelor in Mechanical Engineering	Bachelor in Chemical Engineering + Master in Technological Entrepreneurship	Bachelor in Business Administration	Bachelor in Mechanical Engineering	Bachelor in Mechanical Engineering
<b>Work Experience before Family Firm</b>	None	None	None	None	Yes - as worker in another company	Yes - as worker in another company	None	None	None	Yes - as worker in another company	None
<b>Specific role of successor in the management</b>	Managing director of overall operations + active in foreign trade, sales and marketing	Financial manager + active in administrative management	Administrative and financial manager	Sales and marketing manager	General coordinator + active in foreign trade, sales and marketing, HRM	Foreign trade manager + active in sales and marketing in Turkey	Managing director	Foreign trade manager + active in sales and marketing	Administrative and financial manager	Business developer + active in foreign trade, sales and marketing	Managing director of overall operations (lone manager)

**Table 3.3: Predecessors' Attributes**

CASES	JADE	FOLIA	TACCA	ARUM	ASTER	SNOW	VENUS	BOIS	COSLEY	BASE	MIRA
<b>Age and Gender</b>	Over 60 - Male	Over 60 - Male	Over 50 - Male	Over 60 - Male	Over 50 - Male	Over 50 - Male	Over 60 - Male	Over 50 - Male	Over 60 - Male	Over 60 - Male	Deceased
<b>Education</b>	Primary + Evening Art School	Bachelor + Master + Doctorate in Electrical and Electronic Engineering	Primary + Certificate of Qualified Mastership	Bachelor in Mechanical Engineering	Primary + Certificate of Qualified Mastership	Primary	Primary	Primary + Certificate of Qualified Mastership	Primary + Evening Art School	Secondary	Secondary
<b>Work Experience before Family Firm</b>	As worker in another firm	As academician	As partner of another firm	As worker in another firm	As worker in another firm	As worker in another firm	As worker in another firm	As partner of previous family firm	As worker in another firm	As worker in another firm	As worker and partner in another firm
<b>Specific role of predecessor in company operations after transfer of management</b>	Observer and problem solver	Member in board of management + active in R&D operations	Member in board of management + observer and problem solver	Managing director + active in manufacturing operations	Managing director + active in manufacturing operations	Manufacturing operations manager	Consultant and problem solver	Managing director + active in manufacturing operations	Managing director + active in manufacturing operations	Managing director + active in manufacturing operations	-

### **3.4 Data Analysis, Limitations and Ethics**

As we have discussed in Section 3.2, we have adopted case study approach as the most relevant method in order to analyse the qualitative data at hand and reveal the grounded theory. In order to achieve this, individually transcribed interviews for each case have been processed on tables structured around main draft categories formed by interview questions sequentially. Draft categories and the content have been refined several times, until cross-case patterns started to emerge. In more detail, the questions in the individual questionnaires have been aligned vertically in the tables where the individual answers of the participants of each case, which have been more or less standardised, are aligned horizontally. The first step in the analysis of answers to each question has been made by finding out the major concentrations and minorities. All categories have been then overarched to all possible patterns represented by the cases as those are distinctly visible on the global tables. For instance, the analysis of work experience of successors in Section 4.2.1, firstly made in general whether they have worked outside of the family firm before the involvement in firm management. By looking at the minority situation, this have been overarched to the most possible attribute of them which is clear on the table as the ones with technical education background were also the ones who have work experience. This simple result has been then analysed in terms of all other possible reasons that could have been revealed in other related answers of successors and also of predecessors to provide validation. Lastly, if possible, the most representative quotations have been provided to enrich the analysis.

All in all, the patterns have been analysed within the context of main research questions and also the relative aspects between predecessors and successors within the cases. The main focus during the analysis of the overall data has been whether the recent innovation tendency is related to any of the factors attributed to the succession event. In order to develop the propositions regarding the main research questions and also other dimensions revealed during the analysis process will be examined in detail in Chapter 4.

The major limitation during the field research was the rejection received from one of the predecessors which affected the data analysis. Apart from this, some of



successors and majority of predecessors did not fully understand some of the questions. Upon these situations, the researcher gave them examples which facilitated them to answer especially the core questions. Sometimes it was very hard to interrupt when they start to mention about other issues not related to the questions and also they could get bored. However, all these minor limitations were generally manageable, did not affect the data analysis and required no re-interviews.

As shortly mentioned before, the field research instruments were all submitted to Human Research Committee of Applied Ethics Research Centre (UEAM) of Middle East Technical University (METU) for approval and the approval gathered in terms of the research instruments have been designed as they do not create any ethical inconveniences for the participants<sup>11</sup>. In accordance to what the ethical approval suggested, all the participants were required to sign a Voluntary Participation Form in which all necessary information about the research regarding, background, goals, interview methodology, confidentiality of firm and participant names and the voluntary nature of participation were given and the participant signed and returned the document instantly to the researcher during the interview. All agreed to sign the document without any concern, but one of the participants required also the researcher to sign the same document in terms of to be loyal to the defined confidentiality purposes and took a copy of it. They were also provided an After Participation Form to stay, which included basically what the research will result and when it will be completed for their review and also the contact information of researcher. This complete ethical procedure made them feel relieved and comfortable to answer all questions without any drawbacks.

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<sup>11</sup> A copy of UEAM Approval can be found in Appendix C.

## CHAPTER 4

### FINDINGS

#### 4.1 Introduction

In order to find relevant answers to our main research question and subsequent questions, we have analysed various succession and innovation indicators respectively in Section 4.2 and Section 4.3 and bind them in Section 4.4 where the interplay between succession and innovation has been elaborated. In detailed terms;

- Succession related issues have been analysed in three phases as; ‘Before Succession’ where establishment stories of firms, successors’ involvement and development of their attributes have been analysed in order to represent the whole picture with necessary preliminary information; ‘Succession Process’ where successors’ selection procedure and mode of succession, and ‘After Succession’ where transfer of leadership from predecessors to successors and also role allocation procedure have been elaborated.
- Recent innovation tendency has been analysed in terms of relevant ‘Technological’ (product and process) and ‘Non-technological’ (organisational and marketing) innovation indicators, which have also been compared to past orientations where relevant in order to reveal the impact of succession.
- The relationship between succession and innovation tendency then has been elaborated by blending succession and recent innovation indicators where the link between succession and innovation has been concluded by various propositions.

The indicators will be enhanced by the use of comparisons between perspectives of successors and predecessors (where relevant). ‘Predecessor’ term will be expressed as *P* and ‘Successor’ as *S* from now on, to provide a practical reading.

## 4.2 Succession

### 4.2.1 Before Succession

Establishment of Firms. Various indicators of establishment processes of family firms may be best analysed in relation to the limited opportunities and resources of the establishment years, earliest of which dates back to 1980's.

First of all, since *Ps* did not have the opportunity to study further after primary education, they had to start working earlier to earn a living as apprentices in other firms. Some formed partnerships with other brothers or friends. Of course there were luckier ones, but few, who had the opportunities after secondary school to study at the university departments that are closely related to their current field of activity. One way or another, accompanied with lack of enough possibilities that brought about at those times, they all had to work and actually grow as old hands in the machinery manufacturing sector, established their own firms (*ateliers* earlier) which are based on their original work experiences.

During their establishment in 1970s, the firms could easily penetrate to market and established well-known brands in the sector, as they learn by doing, at the times when the influences of globalisation were hardly felt in all over the manufacturing sector in Turkey. As even small firms, they could meet the country wide specific needs alone since the sector was not dominated by technological capital and mechanization but craftwork and mastership on machinery that no regular person could have at those times. With the advantage of being rare and sometimes only in the sector to develop the products demanded by individual customers, the *Ss* mostly got benefit of high profit margins which was gained from customers who queue up in front of the *ateliers*. BOIS's *S* told about this situation with the *P*'s words;

*We had a mint of money in our cases which we could even lend to banks.*

However, while the economy was continuously liberalised and sector was becoming crowded ('mushroomed' as one of the *Ss* defines) during 1990s and still, majority of the *Ps* realised the need for more effort in order to keep the achieved position in the new market conditions but some resisted to change and chose to stay small. These

courses of structural decisions coincided with the transfer of management to *Ss*, who would eventually create impact on the courses initiated by *Ps* and with a degree that *Ps* favoured.

Advance Involvement of the Successors. While the *Ss* were growing up, they also witnessed the progress and growth of family firms. They became familiar in time, but not fully equipped, with many operational processes because of time spent in the firm from the childhood. This is especially true for the male *Ss*; majority of them have worked in various manufacturing processes in short terms during their recesses, but many could not get to know about other management practices like administration, finance, marketing, human resources, etc. This can be explained by the *Ps*' stand about the *Ss*' career development in the family firm should start from the base and climb through the management in order to learn best about overall operation. Even though, this process sounds to be well planned, in all cases it did not work well because of many factors such as; limited availability of *Ss* during their holidays, intensive workload of *Ps* that hampered the systematic adaptation process of *Ss*. Moreover, obviously in almost all cases there has been no systematic approach or methodology followed for *Ss* early involvement in firm operations or possibly the *Ps* just did not know how to do it. These are why majority of male *Ss* had to take role in management without any managerial experience in the firm. Only one of the male *Ss*, who is from MIRA, mentioned about a different reason for not taking role in other operations before succession;

*Earlier, my father did not want me take place in management deliberately. The intention behind this was to keep me away, actually save me, from trade and money work as much as possible.*

While many male *Ss* formed the same sentence; "*I have grown up here in this firm*", none of the female *Ss* referred to this. Of course they were well aware of the family business before succession, but their early involvement in the operations were supposed to be ignored by the *Ps*. This may be caused by an old perception of that the machinery sector is dominated by males and industry environment is not appropriate for women. That is why at least none of the female *Ss* have never taken place in manufacturing operations before and also after succession, however we can infer that it is more common for them to involve in administrative operations at some

degree. For instance, one of our female *Ss* did her management internship in the family firm during undergraduate education.

Education and Career Choices. All but one of the *Ss* have bachelor degrees (one also has master) from public or private universities, which is a consistent situation in the studies of Elalmış (2011) and Tatoğlu et al. (2008) where all *Ss* found to be educated at least at undergraduate level. Among all, there are ones who studied or joined long term language (English) courses abroad. This shows us even if the *Ps* could not get enough opportunities to study further after primary or secondary education, they tried to do their best in order for their children to be well educated. However in one case, the *S* could get formal education after primary school, only sector specific certificates obtained while working in another firm in the same sector. This situation could not be explained with a reasonable factor, because the *P* and *S* gave totally different answers to the question “Why?”. According to *P*, the one who did not want to study further was the *S* himself; but according to *S*, *P* did not let him to study.

If we analyse the educational choices of *Ss* with their field of early involvement in firm operations, we encounter several inconsistencies and important implications.

First of all, there is an equal tendency towards the interest in applied and social sciences among the *Ss*. While almost half of the graduated *Ss* studied engineering, the other half studied in administrative or economics departments. This shows us that the *Ss* were inclined to study in departments from which they could gain knowledge to directly put in practice in business life. However, among the ones who studied engineering, only half of them graduated from mechanical engineering which is directly related to the main field of operations of the firms, which is again consistent with the *Ss*’ education status in the study of Elalmış (2011).

There has been no specific tendency observed among female and male *Ss* in their educational choices related to their fields of advance involvement in firm operations. In other words; inconsistent with our previous finding regarding that the males took place in manufacturing operations and females in administrative operations, the educational choices does not differ according to gender. There are male *Ss* who grew up within only manufacturing but chose business administration, again a male who

took place in administration but chose civil engineering and also females chose mechanical and chemical engineering. From the viewpoint of *Ss*; this situation may be a result of that *Ss* made their choices according to their current capabilities or interests regardless of their field early involvement in firm operations or maybe they were not fully inclined to plan their future in the family firms. And from the *Ps*' point; this may be a result of that *Ps* did not fully inclined to plan the *Ss* future in the firm management or the plans did not work as it happened in the career development of *Ss* because of various factors or simply they kept their future plan undisclosed and let the *Ss* make their own choices. **We can simply conclude here as there is a lack of specific vision regarding the future of *Ss* among the *Ps*; they just wanted *Ss* to be well educated, gain the capabilities that *Ps* do not possess especially in terms of foreign languages.**

In terms of work experience of *Ss*, as seen in Table 3.2 in Chapter 3, only a few of them has work experience before family firm as workers (consistently with the results of Tatoğlu et al.'s study in 2008) who are the ones have engineering or technical (the one who has sector specific certificates) background. So we can infer that there is tendency towards gaining experience outside the family firm among the *Ss* who have technical education. This assumption become strong when we look at other *Ss* with technical education who once desired to gain experience or currently carry out another work independently from family business. From the *Ps* side, we assume that they were generally neutral about their experience gained outside of the firm, no intentional guidance were provided to *Ss* for this issue, or they simply stayed silent again as the *Ss* make their choices. However the importance of work experience generally appears during the succession period, not before succession, as will be discussed in Section 5.2.

Whatever the reasons have been for the free choices of *Ss*, the career development plans were not fully communicated between *Ps* and *Ss*. This is well reflected in *S*'s sentence from MIRA;

*I always knew that my father wants me here in this firm one day, not because he told me himself but because I felt it myself.*

So in relation to previous implications we came up with an important issue; **there has been continuous lack of communication between *Ps* and *Ss* regarding the overall career development of *Ss* before succession.**

#### *4.2.2 Succession Process*

Selection of Successors. All individual *Ps* have more than one *S*, however in majority of cases only one of the *Ss* is taking role in firm management as clearly seen in Table 4.1. As a very interesting point, we found by chance that there is a causal relationship between the number of successors in management and female involvement. Because, while all but one female *Ss* are involved in the management together with all or at least one of other *Ss*, males are the *Ss* took role in the firm management alone. This situation can be best explained by; the involvement of other siblings may facilitate female's involvement or maybe vice versa and make them feel comfortable while joining a male dominated sector.

Although we cannot define a specific procedure for the selection of *Ss* by *Ps* or *Ss*' choice of involvement in the firm management at this stage, the implications regarding the involvement of *Ss* among all siblings refers to gender issues. As can be seen in Table 4.1, the possibility of male involvement among all siblings seems to be higher compared to the possibility of female involvement. This situation can be attributed to that while males were more inclined to choose or to be selected to work in family business regardless of their field of education; females seem to have higher possibility to choose whether or not to work in family business and to plan their career out of the family business without family influence. Thus the females are the ones who are not expected to involve in the family business as much as males, as also found in the study of Howorth and Ali (2001).

**Table 4.1: Succession Issues**

CASES	JADE	FOLIA	TACCA	ARUM	ASTER	SNOW	VENUS	BOIS	COSLEY	BASE	MIRA
<b>Number of successors</b>	3	2	2	2	2	2	3	3	3	4	3
<b>Successors in managerial role</b>	1 - Male	1 - Female	1 - Male	1 - Male	1 - Male	1 - Male	1 - Male	2 (1 Female + 1 Male)	2 (2 Females)	4 (3 Females + 1 Male)	1
<b>Mean of transfer</b>	Natural and planned	Natural and planned	Natural and planned	Natural and planned	Natural and planned	Natural and planned	Natural and planned	Natural but unplanned	Natural but unplanned	Natural but unplanned	Unnatural but planned
<b>Facilitator factors during natural transfer</b>	Good relations between two generations + Guidance by P	Gradual transfer of aggregate information on company operations + Guidance by P	Having been worked within the firm since childhood + Good relations between P&S + Guidance by P + Consultancy and training support	Well known characteristics of predecessor	Experience gained in previous work	Having been worked within the firm since childhood	Having been worked within the firm since childhood	None	Trust between family members + Guidance by P	Present capabilities gained in education and previous work + Guidance by P	
<b>Difficulties during natural transfer</b>	P's traditional way of making business and reluctance in technological investments	None	P's traditional way of making business and reluctance in technological investments	Emotional father-son relation + Continious communication problems between two generations	Pressure of more responsibilities as manager than as a worker	Pressure of more responsibilities as manager than as a worker	Pressure of more responsibilities as manager than as a worker	Emotional daughter-son relation + Economic crisis and fierce competition in the sector	The unplanned nature of the transfer	Pressure of more responsibilities as manager than as a worker + Fierce competition in the sector	
<b>Modes of transferring social capital</b>	Observing at work + Occasional mentoring by P	Observing at work + Mentoring by P + In house trainings	Observing at work	Observing at work + Occasional mentoring by P	Observing at work + Occasional mentoring by P	Observing at work	Observing at work + Occasional mentoring by P	Observing at work	Observing at work	Observing at work	Observing at work + Occasional mentoring by P



Succession as Transfer of Management. All *Ss* started to take active role in the firm management after they got their bachelor degrees and some after working a while in other firms. By defining this process as ‘taking active role in the firm management’ we re-specify what we mean by ‘succession’ in our research as; ‘transfer of management / delegation of management roles among *S* and *P* or among *Ss* and *P* where more than one successor exist’. Because in all but one of the cases, none of the *Ss* have firm shares but authority to sign. Partnership has not been considered as an important issue among both generations because of the general and common belief of the firm equity will eventually inherited to *Ss* in due time, so it is meaningless to distribute sample shares to *S(s)* in firm management already now.

How Management Transfer Occurred? All but one of *Ss* define the general process of management transfer as natural and majority as planned. As an integrated outlook, the processes defined as natural and planned mostly go together (see Table 4.1). This is most probably because there is a one-sided influence between the two situations; meaning that the planned nature of succession may facilitate the natural way of succession. A few cases experienced different combinations, such as; natural but unplanned and, planned but unnatural.

When we analyse the factors affecting the succession process to be perceived as natural, we encountered several perception differences and also concentration on some basic factors among the *Ss*.

We found a major concentration on willingly involvement without external or internal forcing factors. There is also a consensus on that the process was natural because it happened automatically in due course, *S* from SNOW define it as; “*inevitable ending*”. Accordingly, *S* from JADE declares;

*Even if I tried to postpone the succession as later as possible by getting a second bachelor degree as well as joining various student activities, I finally came full circle in the industry.*

These may sound odd when we hear it from the *Ss* who experienced a natural way of management transfer. Actually, these *Ss* are the ones who have always been inclined to be a part of family business but just needed some time out of it before starting a this task for an indefinite duration. According to a couple *Ss*, the process was natural

because it gradually occurred. Gradual transfer meant to one as gradual withdrawal of *P* when the *Ss* start to take role in management, and to other as taking over the defined roles gradually based on the degree of capability development.

As for the major reasons of the management transfer to be occurred as planned, the leading factor has been found as the influence of being familiar with the family business from childhood and general perception of that takeover will be realised sooner or later. In some of the cases, the *Ss* have attributed planned nature of the process to *Ps*; they were the ones who planned and however had not been reflected to *Ss* until the due course built in their minds. For instance, in BASE, the *P* reflected his plan when the *S* enter into mechanical engineering department in university, as; “*Great! We can step up from here.*” So, the *Ps* most probably waited for the appropriate time to disclose their plan about *Ss*.

Among the minority of *Ss* who experienced different combinations of mode of transfer, there is only one case, MIRA, in which the *S* experienced a well planned but unnatural succession process. Although the *S* had been planning the succession since long, he had to take over the overall management while studying in mechanical engineering because of the *Ps* chronic disease which followed by decease.

Last but not least, a few number of *Ss* experienced natural but unplanned succession process which reveals some important implications. The background factors of unplanned nature of succession generally gather around the intensive desire of *Ps* to involve the *Ss* even if they already have other plans like gaining work experience outside or start own enterprise. These cases are the ones where there are more than one *Ss* are in the firm management, thus the *Ps* well reflected their plans and induced their children with their expressions like the *P*’s from BOIS;

*I did not found this firm to sell, of course my children will take over it one day.*

Obviously the desire of *Ps* seems to be the major reason for the maximal number of *Ss* involvement regardless of mode of transfer they experienced.

Overall, even though the transfer issue have not fully planned by both *Ss* and *Ps* or the hidden plans were not revealed earlier, the involvement of *Ss* have been ensured

anyways. Hence the sustainability of firms has also been ensured, at least for a period that covers lifetime of another generation.

When we analyse the factors that facilitated or prohibited the natural way of management transfer, we acquired two different category of factors; internal (family related) and external (other) factors which may take different forms according to planned or unplanned nature of succession.

First of all, the major internal facilitator factors in case of planned nature of management transfer seems to be; being familiar to the family business, early involvement in firm operations and good relations between two generations (see Table 4.1). All of these factors have also been regarded as the facilitators of successful knowledge transfer between two generations (Cabrera-Suarez et al., 2001) and indispensable components of successful succession (Le-Breton Miller et al., 2004). As rather a professional but scarcely found factor; guidance by *Ps*, in terms of transferring knowledge to *Ss*, has also facilitated the process.

Although the number of internal facilitator factors decreased under the condition of unplanned succession, there are similarities to the above factors. While one of the *Ss* had no facilitator factor, the other *Ss*' involvement mainly facilitated by the guidance provided by *Ps*. The most salient factor is the trust between family members when it comes to unplanned succession. COSLEY's *S* explained how trust factor affected her involvement process:

*The members of this firm trust you because you are member of family. When you feel the trust, you fell like –I should be here!*

While the trust factor has been regarded as an important criterion for the selection of successor in the general of succession literature (Brockhaus, 2004; Le-Breton Miller et al., 2004), in our case it has been found as more salient in *Ss*' feelings to involve in family business rather than *Ps*' or other family members'.

In terms of external facilitator factors, which are similar in both cases (planned and unplanned succession) but very scarce, general capability development through formal education and outside work experience are the ones which facilitated the process.

Internal difficulties experienced in general are concentrated on two main factors and both caused conflicts between two generations during the involvement process. These factors can be further seen in Table 4.1 in summary;

- *Ps'* long lasting and mostly obsolete way of making business which makes *Ss* become desperate when imposed to sustain. Moreover, the reluctance of some *Ps* to invest in technological processes seems to be imposed upon *Ss* as will be discussed in detail in Section 4.3.
- Confusion between family and firm identities – the tendency to sustain emotional father – daughter/son relationships within firm, mostly generated from *Ps'* attitudes,

BOIS's *S* well explained how she experienced a mixture of these situations, representing a summary of whole process:

*In our kind of firms, it is very hard to overcome the general perception of 'father's child'. The father, as the director, does not let you to make radical changes within the firm in the beginning. I used to confront with the reaction of: "Your knowledge is worthless compared to my experience, as you are too young." many times. He might be right to some degree but it was very hard to accept since I believed that I know this business, because I have been fully equipped with both engineering and business administration educations. Eventually, he softened this stance as he observed how I could manage things. While I was only allowed to make small decisions at the first stage, then it turned out to: "Ok, as you wish." Reaching to this point took about four years full of pain.*

Apparently, overcoming these internal difficulties was highly dependent on the *Ps'* trust gained by *Ss* for being equipped with enough capabilities to take role in firm management, as well as a strong, positive and functional relationship to transcend this emotional relationship and adopt the one more appropriate for business dealings (Cabrera-Suarez et al., 2001).

In only one case, COSLEY, where an unplanned nature of succession itself is seen as the major internal difficulty during the involvement process. In *Ss'* words:

*It would be best if the process realised as planned. What would happen if it was planned?: I would make my undergraduate choice according to the main field of our business as for instance,*

*engineering. This education would contribute my catch-up with the manufacturing operations of the firm. Or maybe, if I knew that I will involve in management one day, I would try to make it earlier. This would help me to save time and thus be avail earlier for our firm.*

External difficult factors are in minority compared to internal ones, which seem to be common in some of the cases as;

- Pressure of undertaking too many responsibilities as manager which is a common factor for the ones who have work experience as employees, thus previously undertaken rather limited responsibilities. In the case of VENUS, the Ss, with early involvement in manufacturing process of the firm but had to take over the management, complained about that the management is harder than manufacturing because of responsibility issue.
- Market related factors (under non-family context in the succession model of Le-Breton Miller et al., 2004) during the involvement period, such as; economic crises and fierce competition which hampered the business operations and indirectly affected the involvement process.

Transfer of Social Capital. We referred the social capital term in our research as the relations within and beyond the firm (Burt, 1992), containing overall external network of customers, competitors and also internally communicated firm rules, regulations and culture.

In all cases, the Ss received the network relations and firm regulations by their own observations (see Table 4.1). However, some of the Ss' observations have also been enriched by mentoring provided by Ps regarding important members and relations in their network. Since these transfer processes mostly realised on occasion like business meetings, we cannot mention about a professional and systematic transfer process as well explained by ASTER's S:

*No one taught me these, I learned myself while spending time here. Sometimes instantly, sometimes when needed because of the non-systematic structure of firm operations.*

#### 4.2.3 After Succession

This process has been analysed in terms of; degree of authority gained by *Ss*, degree of change in authority already taken over by *Ps* after the instatement of *Ss*, role allocation among two generations and the factors affecting the role allocation procedure.

Withdrawal of Predecessors. In all cases, the *Ps* still have major influences over the firm management, except one extreme case, as the ultimate decision maker especially for important financial issues. The cases where full authority or leadership has totally been transferred to *Ss* are defined as extremes because these are not common especially among the small and medium sized family firms in Turkey. ASTERS's *S* seems to be the most miserable one about this: "*Fathers never go before their death!*" We have one extreme case, COSLEY, in these terms where the *P* has totally withdrawn after the gradual transfer of management to *S*. There is also one case proving ASTER's *S*'s view above, MIRA, where the *P* is deceased and left the *S* alone with full authority.

The degree of *Ps*' withdrawal is in correlation with two main factors:

- The degree of trust to *Ss*' capability to sustain family business; as we have specified before trust is gained through capability development which in turn facilitates the withdrawal by *Ps*, as also supported by Tatoglu et al. (2008).
- The number of *Ss* or other family members involved in the firm management; *Ps* are more likely to decrease their full authority when the number of *Ss* and also other family members who take active role in the firm management increase as happened in BASE.

Role Allocation.<sup>12</sup> Since it is generally a big challenge for all SMEs to create employment for every single management task because of limited financial resources, a more integrated model of role allocation is a common interest among them, as also regarded in previous research (Ozgener, 2003; Börü, 1997). Family

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<sup>12</sup> The managerial roles undertaken by both generation after transfer of management have been given in Table 3.2 and Table 3.3.

firms which are small or medium in size are more advantageous in this respect, because the integrated tasks can be allocated among family members, mostly among *Ss* and *Ps*, without a need for external employment which provides them cost advantage with a rather more integrated role allocation than other SMEs. This situation hampers to make specific job descriptions for every position in management, which are partly undertaken according to present knowledge and skills gained through education and experiences and partly according to personal choices or because there is no other one who could more likely to undertake. Some of our cases represent a mixture of the first two conditions, and expressed as, by ASTER's *S*:

*In my opinion, the only special aspect of family firms is that every member of management can make job choices and make it settled in time.*

Also by FOLIA's *S*:

*As it is the case in all SMEs, we do not have specific job descriptions in management positions; every member of management is responsible for the firm operations mostly associated with their present knowledge and skills.*

However, regarding the last condition, we encountered a concentration among the cases where the majority of new members in the management had to undertake some roles because there is no one more likely to undertake. The major reason behind this situation is that the *Ps* are reluctant to transfer or share their lasting roles with the new members of management even if they are more equipped with the necessary knowledge and skills than *Ps* to sustain the role. It can be regarded as rather normal for them to keep their major role as managing director, since they know the best with their extensive experiences in the firms as founders, but more importantly since they generally fear of losing personal identity and operational activity (Günel, 2005). However, the problem arises when they keep managing overall manufacturing operations as happened in almost all cases. Although this role has also been sustained along with the foundation of the firm together with director role by *Ps* as a main field of expertise, it is rather a sharable or transferable one if the *S(s)* are also equipped with technical knowledge gained through engineering education.

Due to the conditions above, the *Ss* with technical (engineering) education seems to be the least lucky ones in terms of undertaking the management of sales, marketing and foreign trade operations; as ARUM's *S* (with industrial engineering education) declares:

*I am an engineer, but since my father hold the manufacturing I became a sales and marketing manager. My father does not intervene in my actions in these fields.*

While all of the *Ss*, working together with *Ps*, undertake all or a part of these roles depending on the number of other *Ss* in the firm management, the ones working without the *Ps*, two in number, have undertaken the managing director role including active involvement in sales, marketing and foreign trade. In overall, looking at the degree of relation between the engineering (or technical) education of total 7 *Ss* and undertaking these roles, we encountered no direct relations but indirect contributions and also important implications referred by *Ss* as below:

- Being equipped with technical knowledge, regardless of specific engineering field, helps in quick recognition of all functions of machinery to be procured or sold.
- Being educated in English, helps in managing foreign trade operations.
- Mechanical engineering education helps as a facilitator label for especially women in machinery sector. BASE's female *S* tells about her experiences in this regard:

*Before anything else you are trying to sell products in a male-dominated sector. Early on when I meet with customers, who generally extenuate me because I am a little and petite girl and nothing more, my first action was directly putting my card before them. So, my profession helped people to trust me regarding my knowledge about the machinery that I sell. I used the engineering label, despite I have never worked as an engineer.*

This situation well reflects how females still face gender discrimination/stereotyping from outside business world, as also found by Vera and Dean (2014).

The lucky group of *Ss* were the ones who equipped with administrative and economics knowledge which they could effectively put in practice in firms where *Ps* again kept the management of manufacturing operations. These *Ss* have also



undertaken similar roles as the ones with technical background, however more integrated with financial management.

In conclusion, although in ideal cases the *Ss* or other family members can choose what role to undertake, in our cases *Ps* hampers the free choosing by keeping a major role which they sustain the best. So, while the manufacturing was on the right track because the *Ps* have always been watched it, other management operations were left weak. So, the roles had already been defined, just needed to be undertaken by second generation regardless of their field of education but by paying regard to their English education and overall capability development in order for them to broaden firm horizons. As SNOW's *Ss* describes the inevitability of situation:

*My education on civil engineering has been forgotten about when I started here. My position had already been defined; I would have been sustaining it even if I studied in quite different field. Or was a footballer...*

### **4.3 Innovation**

We have investigated innovation data by gathering various recent product, process, organisational and marketing innovation indicators from the cases. In order to compare and validate recent tendencies to the past, we based our investigation to level of innovativeness and changes in concentration on types of innovations over the years. Recent tendency regarding product and process innovations, which may possibly enclose effects of the succession process, will be presented in the next section and, organisational and marketing innovations in the subsequent sections. The indicators used will also be presented where relevant.

#### *4.3.1 Technological Innovation*

We have analysed recent technological innovation tendency among our cases by mainly investigating recent data on R&D since it plays a crucial role in technological innovation process and leads to major product and process innovations in business enterprise sector (Chiesa, 2001). In order to distinguish the R&D data from non-R&D data, we not only asked whether the firms invest in R&D but also elaborated our investigation by gathering details such as; scope of activities in terms of basic, applied or experimental (new product or process design and development) research,

share of R&D expenditures in total budget over the recent years and information regarding special R&D departments, personnel and source of information to conduct R&D activities.

The answers given to the basic question of; “*Do you invest in R&D activities?*” varies, although we had expected specific and similar answers, since the firms are operating in the same industry with similar capacities and market shares, except FOLIA<sup>13</sup>. About half of our sample firms declared that they are involved in R&D activities. Assuming that there are perceptual differences among *Ss* regarding the meaning of R&D, we kept on disclosing other possible indicators of R&D activities given above even in the cases we gathered a direct “No” answer.

Since R&D as a concept is sometimes problematic in terms of included or excluded activities, even if there are rich resources and guidelines, such as Frascati Manual (OECD, 2002) for this specific purpose, it is actually normal to encounter various views in this regard. Because the firms are operating in a relatively disorganised sector which is dominated by SMEs and the importance of R&D have recently been recognised (Bayülken, 2012). So, there are still perceptual differences because of lack of enough awareness about R&D.

Product Innovations. When we elaborate the scope of R&D relevant activities, we found out that all our cases continuously engage in product development activities to some extent, even though some assume these as R&D and some as non-R&D. Apparently none of them engage in basic and applied research activities as manufacturing firms, however they mostly and continuously improve products upon customer demand (market pull) and develop new products, but scarcely, which can be regarded as experimental development to some extent. Individual product development activities are the following, ranged from the most to least implemented ones among the cases as given in Table 4.2;

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<sup>13</sup> FOLIA will be considered as exceptional in terms of R&D activities, since its operations are totally based on R&D. The firm will not be included R&D tendency observations in general unless it represents commonalities with other firms in individual indicators.

1. Improvements and modifications on existing products in product range to develop derivatives which may involve changes in materials, components and other characteristics that enhance performance (OECD, 2005)
2. Development of products that are not included in product range but available in the market by reverse engineering

These are all being conducted upon customer demand, thus on occasion, non-systematic and informal way; a customer comes up with a different product demand, necessary actions involve modifications on the design of similar products if available or overall new functionality and design from the sample if there are no similar products in the present product range. Although these activities do not necessarily fit in the basic criteria of R&D because of not providing an applicable element of novelty and resolution of scientific and/or technological uncertainty (OECD, 2002), they do include staff time and effort spent on resolving degree of modification needs or research on applicability. The modified products are then added to product range, standardized by continuous testing, as have been the case with available products, and marketed. This process can be best described as learning-by-doing. ASTER's *S* summarizes the overall process as:

*In our case, R&D process is rather based on demand and supply, when we receive a new product demand that is not available in our product range we develop it by using various methods including reverse engineering and hereby add these products on our product range. That is why our product catalogue is much raised; customer demanded, we developed, we learned by doing.*

The non-systematic and market pull nature of product development activities seems to affect various R&D indicators and determinants as given below:

- **R&D Investments:** Since these activities are conducted as nested with everyday manufacturing process and because of the difficulty to decompose these two, in the majority of cases these investments are regarded as not measurable. However, some stated in percentages which are more likely to reflect the real case, as max 1% of average share of product development investments in total budget in the last three years.

**Table 4.2: Recent Innovation Indicators**

CASES	JADE	FOLIA	TACCA	ARUM	ASTER	SNOW	VENUS	BOIS	COSLEY	BASE	MIRA
<b>Product Innovations</b>	Development of product derivatives - improvement in design and function (Firm level innovation)	New product development - overall new functionalities (Market and firm level innovations)	Development of product derivatives - improvement in materials used (Firm level innovation)	New product development + Development of derivatives (Market and firm level innovations)	Development of product derivatives - improvement in design and function (Firm level innovation)	Development of product derivatives - improvement in user friendliness (Firm level innovation)	Development of product derivatives - improvement in design and function (Firm level innovation)	New product development + Development of derivatives (Market and firm level innovations)	Development of product derivatives - improvement in design and function (Firm level innovation)	Development of product derivatives - improvement in design and function (Firm level innovation)	Development of product derivatives - improvement in design and function (Firm level innovation)
<b>Process Innovations</b>	Use of modern manufacturing equipments	Fulfilling documentation and manufacturing plant requisites of customers	Use of modern manufacturing equipments	Manual improvements in manufacturing process	Use of modern manufacturing equipments	None	Manual improvements in manufacturing process	Use of modern manufacturing equipments	Development and use of modern manufacturing equipments with own means	None	Manual improvements in manufacturing process
<b>Organisational Innovations</b>	Improvements in labour organisation	Improvements in management structure and departmental organisation	Establishment of departmental organisation system and task allocation at management level	None	Improvements in management structure	None	None	Improvements in departmental organisation and task allocation at management level	Improvements in task allocation at management level and labour organisation	Improvements in departmental organisation and task allocation at management level	None
<b>Marketing Innovations</b>	Acceleration in exports + Participation in international fairs	Participation in international fairs + Membership in international sector portal to enlarge selling space	Establishment of retail store + Participation in international fairs	Improvement in firm visibility - active use of firm website + Participation in international fairs	Acceleration in exports + Participation in international fairs	Establishment of mobile marketing and sales team + Acceleration in exports + Participation in international fairs	Participation in international fairs	Participation in international fairs	Improvement in firm visibility - use of new logo + Participation in international fairs	Establishment of sales office + Improvement in firm visibility - active use of firm website + Participation in international fairs	Participation in international fairs

- **R&D Staff:** Similarly, measuring R&D staff was also challenging in our cases where no special personnel have been allocated to take role only in product development activities have been allocated. In majority of cases we encountered that necessary design and drawing work for product development are being managed by *Ps* since they are also managing manufacturing processes by the involvement of technical staff and rarely by the involvement of *Ss*.

- **R&D Unit:** As it is regarded as usual in general of SMEs active in this industry not to have a special R&D department (OECD, 2002), as a matter of course, there is also none in our cases where there are no special R&D staff has been allocated.

- **Sources of Information:** Since the customer demand is the major determinant for product development activities, accordingly major source of information to conduct these activities is the market itself. In all cases, after gathering preliminary information from customers, they make use of in-house resources which include experience and knowledge of managers and technical staff and internal know-how, and sometimes consult with experts in business organisations such as the Small and Medium Sized Enterprises Development Organization (KOSGEB). Other important sources of information are fairs and competitors. The most salient point here is that, the lack of use of institutional resources, in terms of collaborations with universities which may indicate a more professional process of collecting information. Although they involve in indirect collaborations, such as İŞİM Cluster in Ostim OSB, there are no direct relations for information flow or partnership observed in any of cases even in FOLIA which is an R&D active company. The reasons behind the lack of direct collaborations with universities will be elaborated later on while discussing factors hampering new product development activities.

- **Access to Financial Support for R&D:** Since all product development activities are conducted on non-systematic and occasion basis, thus are not convenient for project design; these were never subjected to any of the public R&D support provided by various national organisations such as TÜBİTAK, TTGV, Ankara Development Agency, etc. This is also the case for international sources of

R&D support. Even though, in some of the cases there were attempts to apply for national R&D support opportunities, these had never been conceptualised as projects because of the lack of enough internal intellectual capacity and lack of tendency towards completing the available know-how with professional resources like universities through information flow or collaborations. So the reasons behind the lack of tendency towards collaboration with universities may also explain the factors affecting the lack of access to R&D support.

Only a couple of the cases have been engaged in new product development activities recently which may also be associated with general adoption of the market pull motive. Since they mostly engage in non-systematic product improvements/modifications upon customer demand, product innovations are generally limited to firm level, meaning all products alternatives are already available in the market. However, when we compare recent level of innovation in terms of products to the past, we encountered that the product innovations were more at market level especially during the times when craftwork was on the foreground in machinery industry not the technological capital. During the foundation years, the *Ps* were able to develop more radical products based again on market pull by the use of embodied know-how gathered during apprenticeship period. The available know-how was enough for these activities when the range of products was still limited and not diffused in all over the market. This may explain *P*'s stand from BOIS regarding their extensive wealth at those times as we have discussed above. Yet, today it is quite challenging to develop new products for rather a saturated market where almost all possible alternatives are already available. So, the success of new product developments and diffusion are no more allied to incidents by amateur work, but regular and systematic work with a scientific research focus.

These arguments were validated by also *Ss* with their common views about factors hampering new product development activities. This investigation has also revealed some other important hampering factors which may be attributed to special characteristics of family businesses.

- **No demand in the market:** As such in the major motivation for the development of modified products in a market pull manner; since there is no product

demand which require a specific novelty, there is no motivation for new product development. This actually refers to that the market has reached to a significant saturation level.

- **Lack of professional R&D management systems:** Although in some of the cases, *Ss* regard the new product development as a major need for survival, they face the amateur management style adopted by *Ps*. Because the *Ps* had always been successful in their long-lasting methods, they seem to be reluctant to change it according to today's new systems. Their resistance to adopt more professional systems seem to hamper systematic R&D processes enhanced by university collaboration and on project basis, as experienced by BOIS's *S*:

*We have always been in close relations with universities but this never resulted in a collaborative project. Although we gathered preliminary information and guidance from them for an initiative, we could not sustain it because of inadaptability of my father as an old hand to experts from academia.*

Interestingly, the *Ss* who are not working with *Ps* any more have also been sustaining a similar approach for new product development activities with a tendency towards saving the day. Since they face no internal factors like *Ps*' resistance for such activities, their stance in this point can be more attributable to other SMEs including non-family ones active in this sector ,such as VENUS's *S*:

*Why the firms like us in Turkey engage in R&D can be explained by two main reasons: either they earn a lot and able to consider engaging in different activities, or they suffer because of stagnation in sales/operations and thus hang about with different activities.*

- **Lack of qualified team and financial resources:** In association with the lack of enough financial strength or maybe reluctance to devote relevant financial resources to employ qualified engineers and teams for R&D activities is challenging for majority of our cases which are generally small in size. MIRA's *S* expresses the severity of their financial capacity:

*My company cannot afford to employ one or several engineers, in any case the profit earned over a year can only cover their salaries.*

Investments required for establishing a systematic R&D process is also another challenging financial factor for some like ARUM's P:

*I have several R&D ideas in mind, but R&D means money which I do not have enough.*

Process Innovations. In the general of machinery manufacturing sector, process innovations stand out mainly in manufacturing processes where recent technological developments and their acquisition play an important role. Recent developments in manufacturing technologies facilitates overall organisation and management of processes by the use of integrated systems like computer aided/integrated manufacturing and process planning systems. These provide direct advantages in time planning and decrease in unit cost (Bayülken, 2012).

Although making use of cost advantage is a common interest in all firms active in this sector, transition to use of these modern technologies is still low because of various factors which especially -small firms are subject to. The major factor hampering transition to modern methods is the manufacturing capacity problem. It is quite challenging for these firms that cannot make use of specific capacity output level because of demand pull operating manner, to invest in high technology manufacturing equipments (Bayülken, 2012). Because these investments would increase the cost if not compensated with returns from mass manufacturing, on the contrary to main purpose of cost reduction. That is why conventional methods and medium/low level manufacturing technologies are still being used intensively in the sector.

A similar but more positive tendency towards transition to modern manufacturing technologies has been observed in our cases. Although the firms face the same problems as other operating firms in the sector, they seem to be more oriented to transcend conventional methods by the use of relevant design softwares, modern counters,etc (see Table 4.2). Because they achieved to survive over the years and more able to afford these compared to rather new firms. Majority of them improved their manufacturing processes by the adoption of medium level technologies during 1990s with a common interest of unit cost decrease in manufacturing. So, in general,



firm level process innovations are in question with adoption of available modern methods of necessity.

As the manufacturing processes entirely under control of *Ps* in the majority of cases, the developments in manufacturing technologies seem to be highly dependent to *Ps*' stance about financial issues. Although majority of the firms have achieved a significant level of financial stability, *Ps* are still reluctant to take risks by investing in higher level of manufacturing technologies. Because it is quite challenging for them to devote available resources or incur debts for uncertain benefits if it threatens family socioemotional wealth which have been built up over years with significant effort. This situation have also been found as an important explanatory factor in low R&D investment behaviour of family firms in the study of Chrisman and Patel (2012). This seems to be the major internal reason for that some of them are still using medium level technologies in manufacturing processes, apart from de facto reasons in the sector.

Whatever the reasons for not adopting modern technologies, these firms are still interested in all efficiency possibilities in manufacturing processes. They mostly have been contented with the available cost advantages brought about by the use of medium/low technologies while operating in demand pull manner. However, when they get orders which cannot be rushed in quality with available equipments they make use of their own special methods which directed towards saving the day by instant manual improvements in manufacturing process. MIRA's *S* describes his method:

*Our major problem is that we operate in demand pull manner. When we get serial orders which we cannot handle with our available manufacturing facilities, we instantly set alternative solutions like making use of other firm's facilities which we work in collaboration in such cases.*

Use of these kinds of short term solutions is a good sign of out of date management style which is originated from orientation towards survival.

In several cases, there are recent investments in high manufacturing technologies. Although *Ps*' tendency towards making risky investments in equipments is considered as common in all cases, we encountered that there are also some

motivating factors for acquisition of technologies which highly affect the general tendency in a positive way. Since these acquisitions are realised generally after the instatement of *Ss* in firm management, the factors are directly associated with their involvement. Examples are given below:

- *Ps* were ignoring or just not aware of possible benefits before *Ss*' involvement in management: *Ss* seem to convince them. TACCA's *P* was happy with this process:

*When my son first suggested acquiring new manufacturing equipments in 1999, I did not consider it as a necessity because of my lack of long term vision at those times. However, my son was right. Even though we could not achieve the desired efficiency in the beginning, our labour costs started to decrease by effective use and this has been reflected to our prices, and in overall accelerated our operations.*

- *Ps* were well oriented towards technology acquisition and aware of the benefits but had not considered to make it with own decision but with a collective decision made together with *Ss*' involvement. So it seems that they had waited for the involvement *Ss* in the firm management to feel confident about decisions that affect the family wealth or maybe they felt the confidence about longer term existence of firm which worth to invest more.

Unfortunately these cases are very few to make generalisations over our sample.

In general, the firms have not been experiencing radical product and process innovations recently, apart from minor changes and improvements to adapt in modern day. As ASTER's *S* describes:

*If you do not improve your products you lag behind the market and if you do not improve your processes you cannot recover your burden.*

The possibilities of further developments that yield in longer terms seem to be ruled out by *Ps*, primarily because of financial reluctance and *Ss*' possible contributions have mostly been limited because the *Ps* hold the management manufacturing processes. Since they are oriented to sustain their long-lasting and conventional methods even today in fierce competition conditions, the firms seem to be survival

oriented not growth as yet which can be clearly seen in the orientation in lower level product and process innovations.

The orientation towards survival rather than growth may also be associated with other sector specific factors which should not be missed out. Considering that half of the firms are mainly operating as manufacturing spare parts to construction machinery, in a sense technological innovation potential of these firms is attached to demand from manufacturers of complete equipments which is also attached to the demand from construction sector. Their potential for new product developments is blocked because their major function is manufacturing the standard products to be replaced with disrupted ones and continuously improve them to function better. In order for the firms to become more innovative, especially in terms of products, the firms need to establish lasting collaborations with the manufacturers who continuously develop new equipments and get the necessary parts developed by their suppliers.

By any means, the firms survived and continued their existence in the market which means that they reached a considerable level of development despite out of date management style. However, in order to sustain this situation or maybe to go a step further, the areas to be developed have already or automatically been determined to be undertaken by Ss.

#### *4.3.2 Non-Technological Innovation*

Organisational Innovations. Innovations at organisational level in the manufacturing sector should ideally stand out especially as new techniques to improve labour productivity. Because it is still labour intensive for especially the firms operating by the use of conventional and/or medium level manufacturing technologies. Besides other innovations in business practices, workplace organisation or external relations would also enhance overall performance as in all business organisations active in other sectors.

When we look from a broad perspective to our cases in terms of recent implementation of organisational innovations, we encountered that no, but few, specific and different methods that have been implemented recently for the purpose

of improving management practices and rarely labour productivity (see Table 4.2). In just a couple of the cases, there were recently adapted new methods for efficiency in management operations which can be classified as methods that have not been used in the firm operations before (OECD, 2005), but these were the ones that *Ps* could favour. Besides, there were of course some other minor organisational improvements in order to sustain the efficiency level gained over years.

Since these innovations and improvements have been realised generally after the involvement of *Ss* in firm management, we can confidentially refer that they have significant impact on organisational changes. Examples are given below:

- Although we could not find any important change in labour organisation and productivity methods in our cases, there are some minor improvements such as increasing participation of labour representatives to some of management meetings, use of premium method as incentives, etc. These are actually the continuation of long lasting labour management methods that had been adopted incidentally by *Ps* ever since the foundation. The major reason for not adopting significantly improved methods for labour productivity in our cases can possibly be the challenge of committing to change long lasting and settled labour management system adopted by *Ps*. Because some of the manufacturing workers have been working since the foundation of firms when there was no specific method adopted to improve their productivity at those times, any change in labour organisation would eventually discomfort them and thus negatively affect the productivity. This is not acceptable for *Ps* who are leading the manufacturing processes and intimately work with production workers. So even if this situation would bother *Ss*, they cannot take necessary actions for now, at least until *Ss* have equal authority with *Ps*. SNOW's *S* describes the situation in his case:

*Majority of our workers have been working here since 20 years and they cannot adopt today's working conditions. This is an issue to be improved later on.*

- As our cases had mostly been established and managed by the involvement of few people apart from *Ps*, *Ps* had always actively took part in almost all business operations which was quite manageable when the firms were micro in size and thus

rather self-sufficient. However, while the firms were growing, the need for departmental organisation and specific task allocation for each operation came in forefront because of the decrease in efficiency, but had not been recognised by the *Ps* before *Ss* involvement in firm management. As majority of *Ss* came together with new perspectives into overall management organisation, they easily recognised this need. Especially the ones educated on administrative sciences were more in need of allocating specific tasks to each individual and create job definitions at management level, TACCA's *S* mentions about how he implemented a proper organisational innovation in his case:

*I have been trying to establish a system by which we can recover the general logic of "Boss performs all." Today, everyone in the management have specific and independent responsibilities; accounting, sales and marketing, foreign trade etc. I recognised that we need a reorganisation when I formally involved in the firm management and had to take active role in almost all operations which eventually resulted in inefficiency.*

Majority of *Ss* declared that they keep sustaining established organisational system after their involvement in the firm management. However it is obvious that they meant the overall system including manufacturing labour organisation. Considering top and lower level organisational improvements separately, the *Ss* seem to take freer actions at the top level compared to lower level management organisation. This situation may be best explained by the *Ps*' tendency towards being personally involved in labour organisation as they keep managing manufacturing operations where the majority of labour is employed and thus in a sense blocking the *Ss*' intervention in this field. Moreover, since *Ps* still care about efficiency at the top management level but do not know how to do it, they seem to trust in *Ss* capabilities in this field and thus let them to implement necessary improvements.

Marketing Innovations. Machinery manufacturing sector has rather different marketing methods and distribution channels from other sectors. As discussed before, in general and common with our cases, the firms are in direct relation to customers and, design and manufacture upon their demand. Since they manufacture intermediate and capital goods, their main customers are producers from various sectors (Bayülken, 2012).

During 1990s, at the age of craftwork, the major priorities in customer demands were aligned as high quality and then low price. However today, together with the increased competition in the sector and changing market trends which are reflected on customer priorities, the alignment seem to be changed over recently as; first low price and then high quality. This new trend signals what the new marketing strategies should focus on.

Since the price issue is closely associated with costs, there have been recent cost alterations by the use of relevant process improvements in our cases as discussed before. They could decrease the prices thanks to these improvements, but at a level that could only ensure their survival in the market, thus work in short terms. None of the firms have recently adopted a new pricing strategy which can be classified as a significant departure from the existing (OECD, 2005) because of various factors, such as; short term orientation, lack of awareness and capacity to adapt these methods or else. Apart from de facto ones, in majority of cases we observed a reluctance to abandon the long lasting ‘quality first’ approach which had been adopted during the foundation of the firms. Since they became known in the market with their constant quality in products and this had been assured with major costs which cannot be altered without radical improvements in manufacturing process. In this case, any new pricing method would eventually be directed towards the alterations in quality which is not favoured at all. Although this approach threatens their long term existence in the market because of changing trends, they are using the advantage of appealing to old and regular customers who also look for quality first.

In relation to the increasing competition in the market, the firms are no longer being found by the effort of customers but the own efforts of firms, as majority of *Ss* and *Ps* stated: “*Customers no longer come us, but we go them.*” Inherently, all our cases have long been used several promotion methods in regular and possible media to reach their customers, such as; websites, catalogues, product placement in sector magazines and channels and etc. Use of various media seem to be accelerated by the involvement of *Ss* in the firm management and in some of the cases *Ss* were also effective in firm visibility improvements like; updating or renewing firm website and logo as can be further seen in Table 4.2. However, apart from the use of regular

marketing instruments, in just a couple of cases we found recent introduction of new product placement methods. These involve; introduction of new sales channels such as; establishment of a sales office, a retail store for standard products and mobile marketing and sales team for the sake of reaching more number of customers and becoming more customer oriented. Considering all these are newly introduced or ongoing processes, *Ss* seem to have a major role in their establishment as they have been actively involved in sales and marketing operations. This situation can be regarded as it supports the argument of the influence of the generation in control on innovation is mediated by marketing orientation (Beck et al. 2011).

Even though we could not encounter any recent and common breakthroughs in terms of marketing, there are important developments in terms of enlarging selling space which could be classified as major improvements in marketing even proper marketing innovations for such scale of our firms (see Table 4.2). While the majority of firms had not been engaging in direct selling abroad until recently, they experienced acceleration in direct exports and continuously increased export revenues in the last years. Besides, almost all have newly started participating machinery fairs abroad as a facilitator trend for foreign trade performance. This trend is also reflected upon their tendency in making use of public support programmes which are in all cases realised as fair support gathered from Ministry of Economy and KOSGEB. Again considering that both foreign trade and participating fairs are quite new movements for our cases, *Ss* role cannot be underestimated. In the majority of cases, they are the ones who personally manage export operations and participate in fairs, thanks to their knowledge of foreign language(s), contrary to Meneses et al.'s (2014) argument that knowledge of foreign languages has little impact on internationalisation process.

Overall, *Ss* have not encountered any obstacles, related to *Ps*' resistance or reluctance to change, in *Ss* freedom of act in sales, marketing or foreign trade operations. This situation may be best explained by three main factors:

- Acceleration in especially sales and foreign trade operations is rather more preferable for *Ps* as it facilitates surviving in the market without incurring

large scale financial commitments in the beginning and yielding in short terms.

- Managing these operations was generally never been of interest to *Ps*, as they had always been worked in manufacturing operations before founding the firms. While they were barely managing sales by themselves or by the involvement of others, they became aware of that there is a need for improvements in order to sell the available products in a larger market. So, any new action taken by *Ss* for the sake of improving these operations has been welcomed by *Ps*.
- Since these operations under responsibility of *Ss* have no direct effects in manufacturing processes, which are generally under control of *Ps*, no intervention to each others' field is in question.

#### **4.4 Succession and Innovation**

Our main focus in this part is to develop concrete results regarding the role of succession on the change in innovation tendency in our selected family firms. For this purpose, we blend our observations given in Section 4.2 and Section 4.3 with the perceptual differences or consensus between *Ps* and *Ss* in a global viewpoint. We conclude with propositions on the link between succession and innovation.

*Have the firms become more innovative after succession?*

Reviewing recent developmental activities realised after the involvement of *Ss* in firm management; although none of the firms has implemented radical or high (market) level innovations in any field, almost all of them introduced firm level innovations in terms of products and improvements in marketing and organisational fields. Besides, in some of the cases there have been recent significant improvements in manufacturing processes which seem to be promising events for others too. Comparing this status to period before succession, the firms were more able to introduce market level product innovations, but were weak in implementing innovations especially in marketing and organisational fields.

In quantitative means and considering the recent improvements as non-innovation activities, one can suggest that there is no change in innovativeness of firms after



succession. However, since the classification of innovative firm is not limited to numerical indicators but adoptable to research needs (OECD, 2005) by use of other autonomous indicators. We preferred to use some special indicators to classify our cases in terms of innovativeness after succession; areas have potential for further development, variety of innovation activities, ongoing innovation activities and attempts for innovation. **As a result, since these indicators have been representing a more promising trend by the involvement of new generation, we can state that our firms have been more innovative after succession,** contrary to the main finding of Ganzaroli et al. (2006). This finding has also been approved by a predominant consensus between *Ss* and *Ps*, meaning; almost all *Ps* and *Ss*, from individual cases, agree on that there have been a positive change in innovation capacity and potential after succession. Neutral perspectives or inconsistency and their reasons will be elaborated later on.

**Proposition 1. Succession positively affects the innovation tendency in family firms.**

*In which sense the firms are more innovative?*

By relying on the elaborative analysis given in Section 4.3 and also as specified earlier in this part, there is a general tendency towards improving operations in marketing, organisational and manufacturing processes, even if not at a degree to be classified as innovations, while keeping product focus as much as constant.<sup>14</sup> When we analyse this situation from the *Ss*' and *Ps*' perspective in a collective manner, we encountered that both groups largely approve the dispersed nature of innovations after succession without major inconsistency.

So, in general terms, a more dispersed focus in innovativeness is in question after succession in order to '*complete what is missing in the family firms*' as some of the *Ss* define this situation. TACCA's *S* elaborates their case:

*My father is the one who found the firm with strong infrastructure and sustained it with only his own efforts until my involvement. Now I have been contributing the firm development by providing*

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<sup>14</sup> Since we have already discussed all factors affecting this trend in Section 4.3, we will not mention about them here again.

*professionalism in organisational and marketing operations and accelerating technological investments. My major contribution is completing what my father is lacking. All others that already available are his own achievements.*

JADE's S agree with TACCA's S:

*The supreme advantage of family businesses is the availability of skeleton structure which brought to these days by grandfather, father or uncle and then clothed, beautified by later generations.*

**Proposition 2a. Positive innovation tendency after succession is possible if there is an established structure in the family firm where the innovation activities are implemented to improve the latent operations.**

Although concentration on combinations of innovation types varies after succession according to Ss, there is a major consensus on the combination of organisational and marketing innovations. However concentration on marketing innovations is more de facto status. Ps mostly favour the development only in marketing operations, however without a major opposition to Ss' notion about different combinations including marketing that are realised after succession.

The few neutral views about the innovation tendencies among Ss and Ps, seems to be indicative of the need for change again in terms of marketing. As they do not consider recent developments in firms as significant to be classified as innovations, they do favour marketing as the most important field to focus on and expect the necessary actions from Ss.

**Proposition 2b: Family firms concentrate more on marketing innovations among other innovation types after succession.**

We have elaborated major factors behind why sales and marketing operations were left weak until succession and recent innovations in these fields were more radical compared ones in other fields in Section 4.3. Almost all of the hampering and facilitator factors for innovation were dependant to Ps' stance in terms of their:

- Reluctance to allocate necessary financial resources for especially product and process innovations,

- Fear of deranging the lasting firm structure for organisational innovations at especially labour level.

However, we did not encounter any hampering factors attributable to *Ps* in terms of marketing innovations; on the contrary they seem to stand up for major improvements in this field because;

- The improvement actions in marketing would not necessarily mean attempts to change long lasting firm structure since these can be achieved as articulation to existing structure and operations.
- These would not incur significant financial commitments as would in product and process innovations.

**Proposition 2c. Marketing innovations are more favoured in family firms among other innovations, because of their less threat over lasting firm structure and family socioemotional wealth.**

*Which successor related factors have impact on the change in innovation tendency?*

Education. Educational status of *Ss* has been discussed in detail in terms of the relation with undertaking management roles in Section 4.2. Overall, we have found that having technical or economics and administrative education background is not directly related to undertaking administrative roles because they had already been default before *Ss* involvement in firm management. However, economics and administrative education directly and technical education indirectly contribute to sustain these roles.

Considering the major role of *Ss* in the innovation tendency realised after succession which represents a common concentration on marketing (as de facto) and organisational and sometimes process innovations, we may encounter a similar situation. Marketing innovations have been equally focused on in each case, no matter which educational background that *Ss* have, similar to Meneses et al.'s (2014) finding regarding the impact of educational background on internationalization of firm. In terms of process innovations, which have been rarely implemented, seem to

be equally concentrated by both group of Ss. **Apparently, Ss' specific field of education has no direct impact on the innovation tendency realised.**

This finding has also been approved by the Ss, as the ones educated in economics and administrative departments regard a direct impact, technically educated ones regard no direct but again indirect impacts on the recent innovation tendency. The second group of Ss regard that indirect impact arises from being well educated in general, not from the special field of education. This view has been approved by the Ps in general, including the ones with S(s) educated in economics and administrative departments. They do not consider Ss' educational field as an important determinant, but being well educated, that contributes to gain up to date skills such as; knowledge of foreign language(s), communication, use of technology etc., have direct impact on recent positive innovation tendency. The importance of education has been supported in the study of Ganzaroli et al. (2006) with a different perspective that successors' low level of education negatively affects the firm innovativeness.

**Proposition 3. Successors' up to date generic skills gained through formal education has direct impact on the positive innovation tendency after succession regardless of the field of education.**

*Which succession related factors have impact on the change in innovation tendency?*

Mode of Transfer. As we have elaborated in Section 4.2, majority of Ss have experienced a natural and well planned succession processes. It is highly possible that the positive mode of transfer have an impact on positive innovation tendency, without requiring specific types of innovations realized. Majority of Ss approve this argument, as; natural mode of transfer in terms of gradual takeover of management roles by gaining experience in various departments and planned in terms of long lasting expectation of transfer during continuous adoption in firm operations from childhood, have positive impact on the recent innovation tendency. FOLIA's S explains the contributions of natural transfer:

*When you see the great picture, you learn the areas that need to be developed and take necessary actions.*

TACCA's S explains how planned transfer contributed the firm innovation:

*Since I have long been in a transfer period which dates back to my childhood, I became well informed about firm operations, personnel and sector. Therefore in time I could form ideas for the development needs in the firm. If I start to work in the firm after finishing my education, without any earlier experience in firm operations, I could not see the areas for further development and my contribution would have been limited to sustaining the role given to me.*

**Proposition 4. Natural and planned succession positively influences innovation tendency of family firms.**

*What other factors have impact on innovation tendency realized after succession?*

While investigating successor and succession related factors that may possibly have impact on innovation tendency, diversification of innovations and dispersion to other business operations, we encountered that there is major consensus among both Ss and Ps on that **sector and market conditions have also significant impact among others**. This common view has been revealed in evaluation of individual successor and succession related factors by both Ss and Ps. Examples are given below:

- FOLIA's P:

*Alongside to, and to some degree independent from, my daughter's healthy involvement process, we had to implement innovation activities in many firm operations. Because, in a sense the innovation needs are being determined by our customers and we have to adopt these all together.*

- BASE's P:

*Even if the succession process had been realized as unnatural, the recent innovations would most probably occur anyway. Because our sector and customers necessitate them.*

- ARRUM's S:

*There have been generally tendency towards focusing on marketing innovations by my involvement. However, it is the fact that today's trade conditions are totally different from 1980s. For instance; while then customers look for products themselves by visiting limited alternatives in the industry, now they do not come to us but*

*we go them. So, since it was not possible to sustain out of date trade practices, we had to focus on modern marketing methods.*

- BOIS's S:

*Of course my education has an impact on recent developments, but as much as changing market conditions. Recent developments in economy and their reflection on market are the factors pushing us to realize innovations.*

**Proposition 5. The motivation towards surviving in the market and succession related factors have comparable impact on the marketing oriented innovativeness of family firms.**

## **CHAPTER 5**

### **CONCLUSIONS**

#### **5.1 Summary**

The aim of this study is to investigate the impact of succession on Turkish family firms' innovation tendency with a comprehensive approach to both succession and innovation issues. Since succession is widely recognised as strategically important for survival of family businesses, much has been written about succession issues (Sharma et al.,1996). Similarly, innovation has become an issue that is as vital for sustainability and growth, and thus gaining importance in the family business literature. Yet, little is known about the interplay between the two, in terms of whether or not succession enhances the innovativeness of family firm and which specific aspects of succession affect the innovation tendency and how. These gaps in the literature constituted our main research goals.

In order to investigate the issues in question, we followed multiple case study approach and conducted in-depth interviews with 11 successors and 8 of their predecessors from 11 family SMEs active in machinery manufacturing sector and located in Ankara. The analysis of interviews revealed important findings regarding the impact of succession on innovation tendency as well as individual processes of succession and innovation. Main findings are summarised below, implications for policy and future research are followed in detail in Sections 5.2 and 5.3.

Our main finding is that, succession positively affects the innovativeness of family firms. Both generations regard the positive innovation tendency as the overall development of firm operations by dispersion of innovation activities to mainly marketing, and rarely organisational and manufacturing processes while keeping product focus constant. Predecessors' attitude towards keeping the leadership of manufacturing operations, resistance to change and saving socioemotional wealth, come to effect in major improvements to be limited to mainly top-management level organisation and marketing operations. Successors' up to date generic skills gained

through formal education, especially knowledge of foreign languages, has direct impact on the positive and marketing oriented innovation tendency regardless of their specific field of education. Successors' willingly and gradually takeover of the management roles and early involvement in firm operations positively influence innovativeness of firms with regards to their benefits to realisation of areas for improvement and implementation of necessary actions. General orientation towards survival in today's fierce market conditions positively influences the marketing oriented innovativeness as much as succession, successor and predecessor related factors given.

## **5.2 Implications for Innovativeness in Small and Medium Sized Family Firms**

Our investigation has revealed some important implications regarding internal (arising from family ownership and control) and external (arising from specific sector and government policies) problems that have significant impact on general innovation tendency. The problems faced by the firms, by both *Ps* and *Ss*, indicate key implications for small family firms to be more innovative. The implications for internal problems largely rely on firm level policies while implications for external problems on government policies which are relevant not only for family firms but also for Turkish SMEs in general.

### *5.2.1 Internal Problems and Key Implications*

Major problems declared by *Ss* which negatively affect innovation tendency of firms are listed below which either have direct and rather indirect impact on innovation tendency:

1. Relationship between *P* and *S(s)* in the firm management which generally result in:
  - Conflicts between two generations for large scale technological investments to introduce especially process innovations which have already been mentioned in Section 4.3.
2. Relationship between multiple *Ss* in the firm management which generally result in:



- Complacency created by sharing responsibilities and consequences of mistakes among *Ss* which hampers the smoothness of overall progress and thus innovative actions
3. Established structure of firms which hampers innovativeness in terms of:
- Strict hierarchy at the management level
  - Inconvenient task allocation at the management level
  - Long-lasting and out of date management style

Major internal problems listed by *Ps* are much less in number and in fact different, in terms of including almost no attribution to relationships with *Ss* which may arise from their overall satisfaction with *Ss* involvement in family business. Besides they see no problems about the established firm structure because of their operational blindness which took shape over the years.

Considering the scarce number of problems which are generally stated by the *Ps* who were once involved in partnerships with other family members or still work with them in the firm management, one can easily regard that these problems arise from the relationships between other *Ps* and shareholder family members which sometimes hamper innovative actions. Since majority of innovations were or is still requiring significant financial commitments, these are implemented by common decisions of partners. Consequently, these decisions create huge time losses and generally refused because of high riskiness, thus leaving the firm sustain conventional methods in various operations.

Key actions to be adopted by small and medium sized family firms to be innovative are developed based upon the above problems faced by two generations in the firm management. Since original problems generally have indirect impacts on negative innovation tendency, key actions listed below would indirectly contribute to innovation tendency while improving overall operations:

- Relational factors which mainly result in business-related conflicts between family members in the firm management can be resolved by use of informal methods as key to such factors. These methods may involve applying to intervention of a senior family member or other acquaintances who are trusted

and respected by all family members in the firm management. Family members can also appeal to third-party mediation from who the ones are active in similar business and experienced in large scale investment decisions.

- Attempts to improve factors related to established structure of the family firms would be possible by adoption of more formal and professional solutions, which better be leaded by *Ss*. Even though the ideal solution to commit structural changes at the management level is the placement of an external professional manager, we cannot suggest that for these firms which would fail to afford it. However, they can appeal to the help of professional consultants for such specific improvements which would facilitate overall innovation performance.

#### *How Succession Event can contribute to Family Firms' Innovation Capacity?*

Both *Ss* and *Ps* signalled what small family firms should need to take account for the succession event to contribute innovativeness, based upon either their own positive experiences in this regard but rather ideal processes that they did not followed.

The *Ss* mostly favour that the succession process should be a well planned process by *Ps* and shared with *Ss*, which make possible;

- Systematic orientation of *Ss* in overall firm operations, supported by relevant trainings
- Healthy knowledge transfer by *Ps* to *Ss*
- *Ss* to gain firm culture
- *Ss* to get used to idea of succession event at the earliest times and plan their career according to it
- *Ss* to gain work experience outside of family firm
- *Ss* to take over the responsibilities according to their present competences

Overall by sequence and as have already been supported by Proposition 4, these would help *Ss* to become aware of latent operations in the family firm and accordingly take necessary innovative actions to improve them by relying on the vision gained through well planned education process and career development.

*Ps* also favour the same path to be followed ideally. They seem to be aware of that they are the ones who create obstacles when it comes to implement *Ss*' innovative ideas in various fields. So, as key to complete this ideal process by realising necessary changes, *Ps* need to be more open to *Ss*' new ideas, to discuss these without direct refusal and adopt necessary improvements when agreed.

In fact these individual solutions can be brought together in a succession planning package which comprise of identification of basic leadership positions and also specific descriptions of tasks before involvement of *Ss* in firm management. This would prevent the managerial conflicts between two generations and thus provide a smooth development. Considering that *Ps* like the ones in our sample would fail to formally plan the succession because of general attitude towards saving the day, relevant government policies can take a major role to change their vision. The specific business transfer tools that have been developed in other countries would serve as basis for necessary actions at government level. As presented in recent EC Report (2009) on family business relevant issues, these tools have been developed specifically to make owners aware of the importance of planning inter-generational transfers early and some include external advice or allow the owner to make a self-assessment of the firm. As a good practice example the transfer package, named 'Overdrachtspakket', developed by Ministry of Economic Affairs of the Netherlands is a unique measure. This package works as; when a business owner reaches the age of 55, he/she receives a letter reminding him/her of the importance of planning the transfer and on the availability of relevant tools to identify key actions needed for successful transfer which would eventually contribute innovativeness of the firm.

### *5.2.2 External Problems and Key Implications*

External problems faced by the firms can be categorized in macro and micro level problems as some arise from the general government policies and some from sector and market structure which mainly hamper technological innovation performance of small machinery manufacturer firms.

At the macro level, majority of *Ss* and *Ps* complain about some current government policies as they directly but rather indirectly affect innovation tendency of firms in a negative way. These are listed as:

- Too much fluctuations in foreign currency that hampers investments in imported modern manufacturing technologies because of high riskiness
- High interest rates for bank credits which also hampers large scale investments in technologies
- Inadequate financial support provided by government organisations, but only for adoption of modern manufacturing technologies; lack of enough notifications about the support programmes that the firms can make use of and too much bureaucracy; and procedures for applying available support programmes and managing them when funds are acquired

At the micro level, problems generally arise from operating in machinery manufacturing sector and structure of the market. The problems which are all in direct relation to negative innovation tendency of firms are listed as:

- In the case of firms which mainly manufacture spare parts, the products are not much appropriate for radical product innovations since these are generally produced to be replaced with disturbed ones. So that the current product innovations are limited to improvements in quality and performance not reach to overall new design and functioning.
- In the case of firms which mainly manufacture complete machinery products, intensity of imported machinery products in the market which hampers motivation towards new product development and decreases demand for Turkish products because of the sceptical approach to quality of them.
- In the general of machinery sector, perception regarding the less bounding function of patenting new products for imitation hampers the firms to engage in systematic R&D processes for development of radically new products and get them patented. On the other hand, this situation facilitates firm level product innovations by reverse engineering of existing products.

Key solutions for transcending obstacles attributed to government policies regarding foreign currency and interest rate regulations are too complicated to suggest in this study as these should be subjected in rather macro level research. However we can provide solutions to support issues and sector specific problems given above, as:

- The firms obviously regard the scarcity of regional support mechanisms, such as the ones provided by Ankara Development Agency and KOSGEB, to be applied for investments in manufacturing processes. Even if the firms conform to all requirements for applying such support mechanisms, they have minimal chance to obtain these funds because of high demand in the region. So there is a need for more allocation of resources to these major support organisations so that they can allocate adequate funds to firms who conform to the requirements. The availability of funds should be effectively notified, by organisation of relevant number of awareness raising meetings close to industrial zones. Lastly, paper work in the application process should be decreased to minimum to encourage firms to apply.
- Without suggesting major interventions to import regulations, it is impossible to completely transcend the obstacles faced by national machinery manufacturers. However, the severity of the situation can be minimized, if the national small manufacturing firms supported in their promotion and awareness rising activities on the quality and importance of the use of domestic products which should reach to a larger consumer group.
- Suggesting an intervention to present patent regulations to contribute to innovativeness of such small machinery manufacturers is much more complicated compared to the above ones. Since these firms achieve to survive by mainly imitating existing products, an attempt to increase penal sanction of patent infringement would threaten their reason for existence. On the other side, attempts to increase the incentives brought by patents which encourage firms to engage in more systematic R&D and NPD activities would only work if the firms establish lasting collaborations with complete machinery manufacturers which continuously develop new machinery products. This could well be organised under a part supplier-machinery producer. So, there is a need for more soft industrial policies, which aim to encourage long-term collaborations between machinery key and sub-industry through establishing clusters which includes members from both industries.

### **5.3 Concluding Remarks**

This study makes several contributions to family business literature by its unique aspects.

First of all, to our knowledge, this is the first research which uses an integrative approach to succession and innovation issues with different possible dimensions. By relying on this novelty, both succession and innovation are strategically important for survival and sustainability of family businesses, this study mainly investigates the relationship between these two issues. Contributing to the scarce number of studies that focus on this relationship, this study not only investigates how succession affects the innovativeness of family firms, but also how individual succession, successor and predecessor related factors affect the innovation tendency in terms of adoption of which specific types of innovation. Besides, since SMEs considered as being more fragile in the succession event and more prone to develop with the help of innovative activities, this study uses data gathered from a sample comprised of small and medium sized family firms unlike the major studies in the family business literature which mainly investigate innovation issue on large family firms.

Secondly, the data used in the research not bounded by only one generation's perspective over the issues in question, but contains perspectives of both generations in firm management as they are the major actors of succession event. This has provided a comparative analysis and validation of main findings.

Lastly, to the best of our knowledge, this is the first study that explores the innovation issue in family businesses in Turkey. For an unexplored research field, this study serves as a comprehensive introductory to future research on family firm innovation. However, being the first in the Turkish family business literature has resulted in a major limitation of that the development of theoretical foundations, in which main innovation indicators used are bounded by international sources.

Other limitations are associated with the sample size, geographical and sector restrictions which reveal the problem of generalisation over other family SMEs. Concentration on limited number of participating firms located in Ankara as an industrialised region, inevitably brings the concern of whether these results would be

different in other less industrialised regions of Turkey. Similarly, sampling of firms from other higher or lower technology sectors would yield different innovation tendencies associated with succession.

By relying on these limitations, some recommendations have been developed for future research on family business innovation in Turkey.

First of all this study needs to be complemented by other studies which use quantitative approach over a larger sample that include both family and nonfamily SMEs and focus on rather basics of family business innovation in terms of the influence of family ownership and involvement on innovativeness of firm.

The scholars who intend to follow an approach similar to this study are recommended to perform it in other less industrialised regions of Turkey and also by sampling of family firms from other sectors. Sampling of cases from different regions or sectors would also make possible comparative analysis of innovation tendencies of family firms.

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## **APPENDICES**

### **APPENDIX A**

#### **SUCCESSOR QUESTIONNAIRE**

##### **INTRODUCTION**

Despite the Turkish family business literature is increasingly developing today, no research has been encountered on innovativeness of family firms. As is known, today's business enterprise sector has to be more innovative in order to compete in global market. Considering that about 95% of all enterprises are family firms in Turkey, innovativeness is equally important for them too and their innovation tendency is more prone to be affected by intergenerational business succession.

The main objective of this master thesis study is to; investigate the role of intergenerational succession on family firms' innovativeness and innovation tendency through the analysis of interview results in cross-case comparative models and reveal the problems that could be subjected in policy implications. For such comprehensive approach, case study method has been chosen and in-depth interviews with successors and predecessors from at least 10 family firms have been foreseen.

Participants will be selected from machinery manufacturing sector which is one of the most lasting and family business intensive sectors in Ankara. Other criteria for the sampling are as follows:

- Firms are small and medium in size (SMEs)
- Firms in which succession has already been realised and succession process is still continues
- Firms where only one family members are in control
- Firms exporting (as an asset)

The following questions will be addressed to participants and the information made available by this interview will be kept confidential.

### **Questions about the Firm and Participant**

1. What is your name and how old are you?
2. Can you mention about your educational background and prior work experience, if any?
3. Can you fill out the Firm Information Questionnaire<sup>15</sup>?
4. Can you shortly describe the story of firm establishment?

### **Questions on Succession**

5. Has the firm succeeded to second generation?
6. If yes, can you mention about the year and mode of succession (natural-unnatural, planned-unplanned)?
  - 6.1. In the case of natural succession, what are the factors that facilitated the succession process? What are the difficulties you experienced during succession process?
  - 6.2. What are reasons for unnatural succession? Unless these reasons obligated the succession, what would successor's and predecessor's plans suggest?
  - 6.3. How social capital (network relations, internal rules and regulations, etc.) has been transferred to you?
7. If succession has been realised, is the predecessor still involved in firm management
8. What are the defined roles of successor and predecessor in the firm management?  
Does educational background have an impact on undertaking these roles?

### **Questions on Recent Innovation Activities**

9. Do you invest in R&D?
  - 9.1. If yes;
    - 9.1.1. Can you describe these activities?
    - 9.1.2. What is the approximate proportion of R&D investments in total budget of recent years (2011, 2012, 2013)?

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<sup>15</sup> The Questionnaire contains closed ended questions on; foundation year, legal form, number of employees, annual and export revenues.



- 9.1.3. Do you have a separate R&D department?
- 9.1.4. What is the proportion of R&D personnel within all employees?
- 9.1.5. What are the sources of information used in R&D activities? (In-house, market, universities, etc.)?
- 9.2. If no, what factors are hampering your R&D activities?
- 10. Can you describe the products and processes that have been developed by R&D activities in the recent years?
  - 10.1. At which level the products and processes are new; firm, sector, region or country?
  - 10.2. If the innovations are realised incrementally, approximately when these phases have been passed?
- 11. Do you receive any regional, national or international supports to finance your R&D activities? If yes, when did you first receive support and what factors are facilitating this trend in the firm?
- 12. Have there been any attempts to implement organisational and marketing innovations in the firm? If these have been implemented continuously or from time to time, when did the first attempts started and what factors are facilitating this trend in the firm?

### **Questions on the Interplay between Succession and Innovation**

- 13. Do you think that there have been any changes in the innovativeness of firm as of the involvement of the second generation in the firm management?
  - 13.1. If no, please answer to the following questions by taking into consideration of the current innovation performance of the firm:
    - 13.1.1. Do you think that there is a need for change? If yes, in which sense in terms of; product, process, organisational and/or marketing?
  - 13.2. If yes, please evaluate the changes in terms of financial resources allocated to R&D and innovation activities, qualitative values and diversity of outputs?
    - 13.2.1. Have the innovation activities differentiated by the involvement of second generation?

14. Do you think that the educational background and/or prior work experience of successor have an impact on the changes in innovation activities? Can you give an example about this impact?
15. Do you think that the mode of transfer has an impact on the changes in innovation activities? Can you give an example about this impact?
16. Do you think that the roles undertaken by predecessor and successor in the firm management have an impact on the changes in innovation activities? Can you give an example about this impact?

#### **Questions on Problems and Recommendations**

17. What are the internal problems (related to being a family firm) that negatively influence innovativeness of your firm?
18. What are the external problems (related to being a machinery manufacturing firm in Turkey) that negatively influence innovativeness of your firm?
19. What specific issues should be taken into consideration for the intergenerational succession to contribute to the innovativeness of family firms?

## APPENDIX B

### QUESTIONNAIRE ON GENERAL INFORMATION ABOUT THE FIRM

1. Name of the firm :
2. Year of establishment :
3. Main field of activity :

Engines and Turbines	<input type="checkbox"/>
Pumps and Compressors	<input type="checkbox"/>
Taps and Valves	<input type="checkbox"/>
Industrial Furnaces and Burners	<input type="checkbox"/>
Loading, Lifting and Transportation	<input type="checkbox"/>
Cooling, Ventilating and Air Conditioning	<input type="checkbox"/>
Other general purpose parts	<input type="checkbox"/>
Agricultural and Forestry Machinery	<input type="checkbox"/>
Construction and Mining Machinery	<input type="checkbox"/>
Machine tools	<input type="checkbox"/>
Food and Beverages Processing Machinery	<input type="checkbox"/>
Textile, ready-wear and leather processing machinery	<input type="checkbox"/>
Rubber and Plastics Processing Machinery	<input type="checkbox"/>
Paper and Cardboard Machinery	<input type="checkbox"/>
Industrial Washing and Drying Machinery	<input type="checkbox"/>
Rolling and Casting Machinery	<input type="checkbox"/>

*Other (Please specify):* .....

4. Legal status:

Proprietorship	<input type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>
General Partnership	<input type="checkbox"/>	Joint Stock Company	<input type="checkbox"/>

5. Number of employees:

1 – 9	<input type="text"/>	25 – 49	<input type="text"/>	100 – 249	<input type="text"/>
10 – 24	<input type="text"/>	50 – 99	<input type="text"/>	250+	<input type="text"/>

6. Turnover in 2013 (TL):

Less than 1.000.000	<input type="text"/>	8.000.000 – 40.000.000	<input type="text"/>
1.000.000 – 8.000.000	<input type="text"/>	More than 40.000.000	<input type="text"/>

7. Export share in total sales revenue (%):

2011:	<input type="text"/>	2012:	<input type="text"/>	2013	<input type="text"/>
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## APPENDIX C

### UEAM APPROVAL

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ORTA DOĞU TEKNİK ÜNİVERSİTESİ  
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Gönderen : Prof. Dr. Canan Özgen  
IAK Başkanı

İlgi : Etik Onayı

Danışmanlığını yapmış olduğunuz Bilim ve Teknoloji Politikaları Çalışmaları Bölümü öğrencisi Merve Gül Hacıbayramoğlu'nun "Aile İşletmelerinde Kuşaklararası Devrin Yenilikçiliğe Etkisi" isimli araştırması "İnsan Araştırmaları Komitesi" tarafından uygun görülerek gerekli onay verilmiştir.

Bilgilerinize saygılarımla sunarım.

Etik Komite Onayı

Uygundur

31/03/2014

Prof.Dr. Canan Özgen  
Uygulamalı Etik Araştırma Merkezi  
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## APPENDIX D

### TURKISH SUMMARY

Aile işletmeleri, tüm dünyada en eski ve en yaygın görülen kuruluşlar olarak bilinmektedir ve ölçekleri, yasal statüleri ve endüstriyel faaliyetleri gözetilmeksizin sosyoekonomik gelişmenin temel taşı olarak kabul görmüşlerdir (Poutziouris vd., 2006). Avrupa Komisyonu'nun son istatistiklerine göre aile işletmeleri tüm dünyadaki işletmelerin üçte ikisini oluşturmakta, %50 ila %80 oranında özel sektör istihdamını yaratmakta ve gayrisafi milli hâsılanın %70 ila %90'lık kısmını üretmektedir. Türkiye'de aile işletmelerinin tüm işletmelere oranının yaklaşık %95 olduğunu düşündüğümüzde istihdam ve ekonomik büyümede etkilerinin dünya geneline oranla daha fazla olduğu açıktır. Tüm bu nedenlerle, yönetim ve işletme literatüründe aile işletmeleri teması son yıllarda önem kazanmıştır. Bugüne kadar araştırılmış olan temel başlıklar tüm dünya literatüründe benzer olup, genel olarak; kuşaklararası devir, strateji, yönetim ve performans, girişimcilik, cinsiyet, sürdürülebilirlik, kurumsallaşma vb. konuları içermektedir.

Aile işletmeleri, bir kuşaktan diğerine devredilen işletmeler olarak tanımlandığında (Ward, 1987), devir konusu bu işletmelerin sürdürülebilirliği açısından büyük önem arz etmektedir. Yaptıkları işe ilişkin genel olarak uzun vadeli yaklaşım sergilediklerine inanılır. Ancak genel olarak ikinci kuşağa devredilebilen işletmelerin oranı üçte iki iken, bunların yalnızca %15'i üçüncü kuşağa devredilip varlıklarını sürdürmeyi başarabilirler. Diğer yandan, küçük ve orta ölçekli işletmelerde (KOBİ) işletme mülkiyeti ve yönetim genelde tek elde toplandığından kuşaklararası devir konusunda büyük işletmelere oranla daha kırılgandırlar. Türkiye'de ve Avrupa'daki KOBİ'lerin tüm işletmelerin yaklaşık %99'unu oluşturduğunu düşündüğümüzde, devir konusu yalnızca bu işletmelerin sürdürülebilirliği açısından değil, ekonomik büyüme ve istihdamı tehdit edici nitelikte önemli bir süreçtir. Tüm bu nedenlerle işletme devri, aile işletmeleri literatüründe en çok araştırılan konu haline gelmiştir.

Devir konusunda yapılan araştırmalar genel olarak devir modelini oluşturan ve sürecin başarısını etkileyen temel faktörler üzerinde yoğunlaşmıştır. Bu konuda

yapılmış olan arařtırmalar, devir sürecinin ayrı ayrı ařamalarında yer alan faktörleri derinlemesine incelediğinden, bazı arařtırmacılar devir üzerine literatürün parçalı bir yapıya sahip olduğunu ileri sürmüşlerdir (örn. Le-Breton Miller vd., 2004; Brockhaus, 2004). Le-Breton Miller vd. (2004), devir sürecinin farklı yönlerini ele alan bu arařtırmaları detaylı inceleyerek başarılı devir üzerine bir model geliřtirmiřtir. Bu model, devir sürecinin oldukça karmařık bir yapısı olduğunu, ve aile, aile dıřı, iřletme, sosyal bağlamlarda birçok faktörden etkilendiğini göstermektedir. Devrin ařamaları ise modelin tam ortasında yer almaktadır ve bunlar; haleflerin yetiřtirilmesi, seçimi ve iki kuřak arasındaki rol paylařımı ařamalarından oluřmaktadır. Bu ařamaların hemen her birinde yer alan bileřenler, devri kolaylařtırıcı ve başarılı hale getiren faktörlere örnektir. Haleflerin yetiřtirilmesi ařamasındaki temel bileřenler; eğitim, mesleki eğitim, çıraklık, iře erken yařta alıřma ve iki kuřak arasındaki saėlıklı iliřki, bilgi ve deneyim aktarımı olarak incelenmiřtir. Haleflerin seçimi ařamasında, selege iřletmeyi sürdürme ve büyütme konusunda aile üyeleri tarafından duyulan güven önem arz etmektedir. Rol paylařımı ařamasında ise, seleflerin kontrolü elden bırakma konusundaki yaklařımları devir sürecinin başarısını belirleyen faktörlerdendir.

Devir literatürüne geniř bir çerçeveden bakıldığında, başarıyı etkileyen tüm bu halef ve selef ile ilgili faktörler halen ayrı ayrı ele alınmış olup ve bunlara bütünleřik bir yaklařım sunan arařtırmalar ihmal edilmiřtir. Diğeryandan, bu tür faktörler devir sürecinin başarısını etkilediğı kadar devirden sonra iřletme yeniliğine de (inovasyon) etki edebilir. Ayrıca, bu faktörler iřletmelerin yenilik eğilimini, uygulamaya koyulan yenilik çeřitleri bakımından da etkileyebilir. Bu tür bir iliřkilendirme için öncelikle ‘yenilik’ konusuna değinmek gerekmektedir.

Bilindiğı üzere iřletme süreçlerinde yeni uygulamaların oluřturulması ve paylařımı anlamına gelen yenilik, günümüz bilgi ekonomisinde büyüme ve sürdürülebilirlik açısından önem arz etmektedir. Tüm dünya ekonomisinde en yaygın bulunan ve çoėu aile iřletmelerinden oluřan KOBİ’ler ise yeniliğin üretimi ve paylařımı için en önemli kaynaklardır. Bu nedenlerle, yenilik, aile iřletmeleri literatüründe son yıllarda yoğun çalıřılan konulardan biri haline gelmiřtir. Bu alanda yapılmış olan çalıřmalar, genel olarak iřletme yenilik süreçlerine ailenin dahil olmasının etkilerini

araştırmıştır. Bu alandaki literatür, genellikle aile işletmeleri ve aile işletmesi olmayan işletmelerin yenilik göstergelerini karşılaştıran çalışmaları içermektedir. Ayrıca, yenilik geleneksel olarak araştırma ve geliştirme (Ar-Ge) bilgileri üzerinden ölçüldüğünden, bu araştırmalar çoğunlukla Ar-Ge harcamaları ve yeni ürün geliştirme göstergelerini inceleyen yapıdadır. Genel anlamda, aile işletmelerinin kendilerine özgü; uzun vadeli bakış açıları, sosyoduygusal varlıklarını koruma eğilimleri, riske konusunda fazla duyarlı olmaları, paylaşılan değerler vb. birtakım özelliklerinin, Ar-Ge yatırımları ve yeni ürün geliştirme süreçleri konusundaki stratejik davranışlarında farklılık yarattığı ortaya konulmuştur. Ancak, bu çalışmalar sadece teknolojik yeniliğe odaklanmış, teknolojik olmayan pazarlama ve organizasyonel yenilikler oldukça az oranda araştırılmıştır. Ayrıca, genellikle büyük işletmelerin yenilik eğilimini nicel veriler kullanarak araştıran bu çalışmalar, aile işletmeleri literatüründe KOBİ'leri kapsayan ve/veya nitel veriler kullanan araştırmalara ihtiyaç duyulduğunu göstermektedir. Diğer yandan, aile işletmelerinin kuşaklararası devredilebilir olma özelliğine baktığımızda, yenilik süreçlerini etkileyen yukarıdaki genel faktörler devir durumunda farklılaşabilir. Yönetime dahil olan yeni kuşak, bu faktörlerin değişmesine ve dolaylı olarak işletme yenilik eğiliminin değişmesine yol açabilir. Bu açıdan bakıldığında, işletme süreçlerindeki tüm yeniliklere bütüncül bir bakış açısı sunarak ve, halef ve selef ile ilgili faktörlerin bu yeniliklerin uygulanmasına nasıl etki ettiğine odaklanan çalışmalar literatüre önemli katkılar sağlayacaktır. Ancak, literatürde devir ve yenilik ilişkisini sorgulayan çalışmalar oldukça az sayıdadır.

Devir ve yenilik ilişkisi üzerine yapılan kısıtlı sayıdaki araştırmalar, genel olarak devir konusunun işletmelerin yenilik anlayışına katkısına odaklanmış ve daha önce bahsettiğimiz devir faktörlerinin işletmede uygulamaya konulan yenilik faaliyetlerinin çeşitlenmesi üzerine etkilerini araştıran bir çalışma ile karşılaşılmamıştır.

Özetle, aile işletmeleri literatüründeki önem arz eden devir ve yenilik konuları, genel olarak parçalı bir yapıya sahip olup, ikisinde de bütüncül bakış açılarıyla gerçekleştirilmiş çalışmalara ihtiyaç vardır. Diğer bir ifadeyle, devir ile ilgili tüm faktörlere ve tüm yenilik türlerine bütüncül yaklaşım sunan araştırmalar, bu



süreçlerin tüm açılarıyla ele alınması açısından önemlidir. Bunun yanında, devir ve yenilik ilişkisini sorgulayan çalışmalar, literatürü oldukça zenginleştirecektir. Böyle bir ilişkinin Türkiye şartlarında araştırılması ise üç nedenden dolayı önemlidir. Birincisi ve en önemlisi, bilgimiz dahilinde aile işletmelerinde yenilik konusu Türkiye’de daha önce hiç incelenmemiştir. İkincisi, daha önce bahsettiğimiz genel devir faktörleri, Türk aile bağlarının güçlü olması sebebiyle farklılık gösterebilir ve bu da işletme süreçlerindeki yenilik uygulamalarına daha farklı yansıyabilir. Son olarak, tüm gelişmekte olan ülkelerde olduğu gibi, Türkiye’deki KOBİ’ler yenilik faaliyetlerine kaynak ayrılması konusunda kısıtlı kapasiteye sahip olmaları ve pazarda varlıklarını sürdürebilme gibi kısa vadeli bakış açıları ile bilinirler. KOBİ’lerin çoğunluğunun aile işletmesi olduğunu düşünürsek, genel yenilik eğilimi devir ile birlikte değişiklik gösterebilir.

Literatürde yer alan boşluklar ve varsayımlar dahilinde aşağıdaki araştırma soruları oluşturulmuştur:

- *Aile işletmelerinde kuşaklararası devir yenilik eğilimine etki ediyor mu?*
- *Bu etki nasıl gerçekleşiyor; pozitif veya negatif?*
- *Kuşaklararası devir işletmede belirli yenilik faaliyetlerinin uygulanmasına nasıl etki ediyor?*
  - *Devir ile ilgili faktörlerin yenilik eğilimine etkisi nasıldır?*
  - *Halef ile ilgili faktörlerin yenilik eğilimine etkisi nasıldır?*
  - *Selef ile ilgili faktörlerin yenilik eğilimine etkisi nasıldır?*

Bu kadar kapsamlı ve, bilgimiz dahilinde, Türkiye şartlarında daha önce çalışılmamış bir araştırma konusu için iç dinamiklerin derinlemesine analiz yöntemi ile ortaya çıkarılması önemlidir. Bu nedenle araştırma metodolojisi, birçok kaynaktan az sayıda veri edinmek yerine, az sayıda kaynaktan detaylı bilgi edinmeyi sağlayan nitel analiz üzerine kurgulanmıştır. Nitel verilerin analizi için ise birden fazla sayıda durum çalışması yöntemi benimsenmiştir. Durum çalışması katılımcılarının seçimi için karma bir yaklaşım izlenmiş; ilk grup katılımcılar belirli bir popülasyondan çeşitli kriterler belirlenerek seçilmiş ve ikinci grup teorik örnekleme yöntemi ile belirlenmiştir. Öncelikle belirli bir sektör üzerine yoğunlaşmış, katılımcı firmaların Ankara’da ikamet etmeleri ve aile işletmeleri olmaları, yönetimin tek bir aile

bireyleri elinde olması, en başta belirlenen kriterler olmuştur. Diğer önemli kriterler, kısaca; ikinci kuşağın firma yönetimine dahil olmuş olması, KOBİ niteliğinde olması ve makina imalat sanayi sektöründe faaliyet gösteriyor olması olarak belirlenmiştir. Sektörün makina imalat sanayi olarak belirlenmesindeki en büyük etken, Ankara’da bu sektörde faaliyet gösteren firmaların genellikle aile işletmesi olup ve bunlar arasında da ikinci kuşak aile bireylerine devredilmeyi başarmış köklü firmaların yoğun olmasıdır.

Belirlenen kriterler dahilinde, OSTİM Organize Sanayi Bölgesinde faaliyet gösteren İş ve İnşaat Kümesi’ne (İŞİM) üye olan bir kaç firma ile ilk görüşmeler gerçekleştirilmiş ve görüşülen firmaların cevapları doğrultusunda belirginleşmeye başlayan örnek olay kategorileri, ikinci grup görüşmelerin bir çeşit kar topu tekniği ile yapılmasını sağlamıştır. Diğer bir deyişle, ilk grup katılımcılar, araştırmacıyı ikinci grup katılımcılara yönlendirmiştir.

Yukarıda anlatılan yöntem ile katılımı sağlanan toplan 11 firmada, 11 halef ve 8 selef ile birbirine oldukça benzer kapsamda ayrı ayrı görüşmeler gerçekleştirilmiştir. Bu yöntem, araştırma sonucunda elde edilen bulguların çapraz geçerliliğini sağlamıştır. Halefler ile yapılan görüşmelerde, tamamı açık uçlu sorulardan oluşan ve genel olarak; firma ve katılımcı, devir süreci, Ar-Ge ve yenilik türlerinin uygulanması, devir ve yenilik eğilimi ilişkisi, ve son olarak yenilik süreçlerinde karşılaşılan problemler ve kuşaklararası devrin bu sürece katkıları hakkında bilgiler içeren anket uygulanmıştır. Selefler ile yapılan görüşmelerde ise bu anketin Ar-Ge ve yenilik türlerinin uygulanması ile ilgili bölüm dışında diğer soruların aynen yer aldığı anket kullanılmıştır.

Katılımcıların genel özelliklerine kısaca değinecek olursak;

- Seleflerin tamamı erkeklerden oluşurken, haleflerin önemli bir kısmı kadınlardan oluşmaktadır ve bu da sektörün erkek egemen bir sektör olmaktan kurtulduğunu göstermektedir.
- Seleflerin büyük çoğunluğu ilkokuldan mezunu iken, haleflerin hemen hepsi üniversite ve üzeri düzeyde eğitim almışlardır.

- Seleflerin tamamı aile işletmelerini kurmadan önce ya çalışan ya da ortak olarak başka girişimlerde rol almış, ancak haleflerin büyük çoğunluğu kariyerlerine direk olarak aile işletmesinde başlamışlardır.
- Selefler sektörde çıraklıktan ustalığa kadar üretim süreçlerinde ‘alaylı’ olarak yetişmiş olmalarından dolayı, çoğunluğu firmada üretim faaliyetlerinin yönetimini tek başlarına sürdürmekte; halefler ise eğitim alanlarından bağımsız bir şekilde, daha çok idari yönetimde ve dış ticaret, satış ve pazarlama faaliyetlerinde aktif rol almaktadırlar.

Ana araştırma sorusu olan “*Aile işletmelerinde kuşaklararası devir yenilik eğilimine etki ediyor mu?*” sorusuna ve diğer sorulara, katılımcı cevaplarının çeşitli örnek olay kategorilerinin oluşturulması şeklinde analizi ile bulgular bölümünde cevaplar aranmıştır. Ana bulgular; devir, yenilik ve, devir ve yenilik ilişkisi şeklinde üç bölümde incelenmiştir. Devir ile ilgili bulgular, aile işletmelerindeki devir literatürüne benzer şekilde kurgulanmış ve seleflerin çıraklık, eğitim ve kariyer, seçim süreçleri; devir şekli (olağan/olağan dışı, planlı/plansız), devir sürecini kolaylaştıran ve zorlaştıran faktörler ve iki kuşak arasındaki rol paylaşımı süreçleri devir bölümünde detaylandırılmıştır. Firmaların son dönemdeki yenilik eğilimleri, teknolojik (ürün ve süreç) ve teknolojik olmayan (organizasyonel ve pazarlama) yenilikleri göstergelerinin detaylı incelenmesi ve bunların devirden önceki durum ile karşılaştırılması şeklinde analiz edilmiştir. Devir ve yenilik ilişkisi ise, devir ve yenilik bölümlerinde ayrı ayrı incelenmiş olan göstergelerin harmanlanması şeklinde detaylandırılmış ve bu ilişkiyi özetleyen öneriler ile sonuçlandırılmıştır. Son bölüm, araştırma sorularının birebir cevaplarını içerdiğinden, sadece bu bölümdeki bulgular özetlenecektir. Bulguları takiben, KOBİ niteliğindeki aile işletmelerinin yenilik faaliyetlerinde karşılaştıkları sorunlara ve firmanın kuşaklararası devrinin yenilik faaliyetlerine nasıl katkı sağlayabileceği konusuna değinilerek, çeşitli politika önerilerinde bulunulacak ve son olarak araştırmanın sınırlılıklarından bahsedilerek gelecek araştırmacılara öneriler sunulacaktır.

Firmalarda, haleflerin yönetime dahil olmalarından sonraki süreci yenilik eğilimindeki değişiklikler açısından incelediğimizde; firmaların hemen hiçbirinde radikal veya sektör düzeyinde yapılmış yenilikler ile karşılaşmamış, ancak hemen

hepsinde özellikle pazarlama alanında ve üst düzey yönetimde önemli organizasyonel gelişmeler kaydedilmiştir. Teknolojik alanda, teknolojik olmayan pazarlama ve organizasyonel gelişmelere oranla daha az ilerleme görülmüştür. Diğer yandan, her iki kuşağın da devirden sonraki firma gelişimi konusunda olumlu yaklaşımları, potansiyel gelişim alanları hakkında farkındalıkları, yenilik faaliyetlerinin çeşitlenmesi, sürdürülmesi ve en azından girişim halinde olunması, firmaların devirden sonra daha yenilikçi olduğuna işaret etmektedir.

Devirden önce daha çok ürünler üzerine yenilik faaliyetleri gerçekleştirilirken, bunlar devirden sonra firmada diğer eksik ya da gelişmesi gereken alanlara dağılmıştır. Halefler bu süreci, “firmada olmayanı tamamlamak” şeklinde tanımlamaktadır. Bu nedenle, pozitif anlamda yenilik eğiliminden bahsetmek için firmadaki kurulu altyapının elverişli olması gerektiği görülmüştür.

Firmaların çoğunluğunda yenilik faaliyetlerinin sadece pazarlama alanında yoğunlaşmasının arkasındaki nedenlere baktığımız zaman; seleflerin teknolojik yeniliklere finansal kaynak ayırma konusunda isteksiz davranmaları ve kendilerinin firma kuruluşundan beri aktif olarak sürdürdükleri üretim ve işgücü yönetimi alanlarında organizasyonel yeniliklerin firmada süregelen yapının değişmesine neden olacağı korkusunu taşımaları, en önemli nedenler arasında yer almaktadır. Diğer yandan, selefler pazarlama yenilikleri konusunda oldukça olumlu yaklaşım sergilemektedir ve bu yaklaşımın en önemli sebepleri ise pazarlama yeniliklerinin ciddi finansal yatırımlar ve firma organizasyonunda çok büyük değişiklikler gerektirmemesidir. Bu bulgular, selef ile ilgili faktörlerin yenilik eğilimine etkisine örnektir.

Halef ile ilgili faktörlerin yenilik eğilimine etkisine baktığımız zaman, haleflerin eğitimleri en belirgin faktör olarak kendini göstermiştir. Haleflerin çoğunluğunun mühendislik ve teknik eğitim geçmişine sahip olup genelde idari ve pazarlamaya ilişkin roller üstlendiklerini göz önünde bulundurursak, bu rollerin genel olarak eğitim alanları ile ilişkili olmadığı ortadadır. Aynı şekilde, firmalarda devirden sonra pazarlama alanında yapılan yeniliklerin seleflerin eğitim alanları ile doğrudan ilişkisi olduğu gözlenmemiştir. Öte yandan, halefler ve selefler bu durumu; üniversite düzeyinde eğitimin yabancı dil öğrenimine, iletişim ve teknolojik araçların kullanımı gibi güncel yeteneklere kazanılmasına katkısı ile açıklamaktadır. Kazanılan bu

yeteneklerin pozitif yenilik eğilimine doğrudan; pazarlama ağırlıklı yeniliğe is dolaylı katkısının olduğu öne sürülmüştür.

Devir ile ilgili faktörlerin yenilik eğilimine katkısı açısından ise devir şekli öne çıkmaktadır. Haleflerin büyük çoğunluğu, uzun çıraklık dönemleri ve yönetsel rollerin aşamalı olarak üstlenilmesi açısından olağan; çocukluktan beri firmayı devralacakları düşüncesi ile yetişmeleri açısından ise planlı bir devir süreci yaşamışlardır. Haleflerin onayı dahilinde, olağan ve planlı gerçekleşen devir sürecinin firma yeniliğine olumlu katkı sağladığı bulunmuştur.

Son olarak, firma yenilik eğiliminde devir ve kuşaklardan kaynaklanan faktörler dışında bazı dış faktörlerin de önemli derecede rol oynadığı gözlemlenmiştir. Makina imalat sanayi sektörünün genelinde hakim olan müşteri odaklı ve siparişe dayalı imalat yönteminden kaynaklanan sektördeki gelişmeleri yakından takip ve rekabet ortamında ayakta kalma çabası, firmaların yenilik eğilimine önemli derecede katkı sağlamaktadır. Diğer bir deyişle, değişmekte ve gelişmekte olan pazar şartlarına uyum sağlama çabasının, firmaların pazarlama ağırlıklı ve pozitif yenilik eğilimine daha önce bahsettiğimiz devir ile ilgili faktörler ile benzer seviyede etki ettiği görülmüştür.

Çalışmamız, yukarıda verilen bulgular dışında, KOBİ niteliğindeki aile işletmelerinin yenilik faaliyetlerini engelleyen faktörleri de ortaya çıkarmıştır. Bu faktörler; aile olmanın getirdikleri, iç problemler; geniş anlamda sektörden veya devlet politikalarından kaynaklananlar ise dış problemler olmak üzere iki ana grupta sınıflandırılmıştır. Bu problemler, KOBİ niteliğindeki aile işletmelerinin daha yenilikçi olmaları için çeşitli politika önerilerine işaret etmiştir.

Firma yönetiminde aile bireylerinin baskın olmasından kaynaklanan problemler çoğunlukla halefler tarafından beyan edilmiş ve bunlar genel olarak yönetimde bulunan halef ve selef veya birden fazla selef arasındaki ilişkilerden ile ilgilidir. Halef ve selef arasındaki teknolojik süreç yatırımları konusunda çatışmalar ve selefler arasındaki sorumlulukları paylaşabilmenin verdiği rahavet, firmaların yenilikçi gelişimine dolaylı yollardan olumsuz etki etmektedir. Bunların yanında, halefler çoğunlukla eskiden beri süregelen yönetim hiyerarşisi, görev dağılımındaki

düzensizlik ve demode yönetim tarzından şikâyet etmektedirler. Yönetimdeki aile bireyleri arasındaki ilişkilerden kaynaklanan problemler gayri resmi bir yöntem olan, bir aile büyüğünün veya saygı duyulan ve görüşleri önem arz eden meslektaşlar veya aile dostlarının aracılığı ile çözülebileceği önerilmiştir. Ancak yönetsel problemler, profesyonel yöntemler ile çözülebileceğinden, bu gibi küçük firmaların dışarıdan danışmanlık alarak desteklenmesi firma yeniliğine de katkıda bulunacaktır.

Kuşaklararası devrin firma yenilikçiliğine katkı sağlaması için nelere dikkat edilmesi gerektiğini katılımcılara sorduğumuzda, halefler ve selefler ayrı ayrı iki önemli konudan bahsetmişlerdir. Halefler devir sürecinin planlı olması gerektiğini savunmaktadırlar. Planlı devrin içermesi gereken unsurlar ise; haleflerin firma süreçlerinin her birinde eğitimleri ile desteklenen oryantasyonu, selef ve halef arasındaki sağlıklı bilgi ve deneyim aktarımı, haleflerin farklı kuruluşlarda edindiği iş deneyimi ve firmada yeteneklerine uygun sorumlulukları üstelenebilmeleri olarak özetlenebilir. Selefler ise, haleflerin firma yeniliğine katkıda bulunacak görüşlerine açık olmaları gerektiğini savunmaktadırlar.

Bu çözümler ve daha fazlası için firmaların devir planlamasına devrin gerçekleşmesinden çok önce başlamaları gerektiği ortadadır. Ancak bizim örneklemimizde yer alan firmalara benzer yapıdakiler, genelde hakim olan günü kurtarma eğiliminden kaynaklı olarak devir planlaması yapmakta başarısız olacaktır. Bu durumda, firmaların devir planlaması yapmasını teşvik eden devlet politikalarının geliştirilebileceği önerilmiştir. Böyle bir politika için, Hollanda Ekonomi Bakanlığı'nın uygulamakta olduğu devir paketi 'Overdarchtspakket' örnek olarak verilebilir. Bu paket, firma sahibine 55 yaşına geldiğinde devir planlamasının önemini hatırlatan bir mektup ulaştırılması ve başarılı bir devir gerçekleştirilebilmesi için gerekli olan tüm faaliyetleri içeren bir araç paketi hakkında bilgilendirilmesi şeklinde işlemektedir.

Firmaların karşılaştıkları dış kaynaklı problemler, makro ve mikro olarak iki grupta sınıflandırılmıştır. Makro problemler teknolojik yatırımlara engel teşkil eden devlet politikalarından kaynaklanmakta ve genel olarak finansal boyuta işaret etmektedir. Bunlar, döviz kurlarındaki dalgalanmalar, yüksek kredi faiz oranları ve yetersiz finansal destekler olarak özetlenebilir. İlk iki problem için bu çalışmanın dışında,

daha kapsamlı arařtırmalarda çözümler geliştirilebileceęi ortadadır. Ancak teknoloji alımları için saęlanan devlet destek mekanizmalarının, örneklemede yer alan firmalar gibi rekabetçi bölgelerde daha yoğun hale getirilebileceęine ve bu konudaki farkındalık yaratma çalışmalarının da önemine dikkat çekilmiştir.

Mikro problemler, genel olarak makina imalat sektörü ve pazar yapısından kaynaklanmaktadır. Birincisi, katılımcı firmaların çoęunluęunun iş ve inřaat makinelerine yedek parça ürettikleri düşünöldüğünde, bu firmaların radikal düzeyde ürün yenilik kapasiteleri oldukça sınırlı olup, bu anlamda yapılabilecekler ürünlerin kalite ve performans düzeylerindeki geliştirme çalışmaları şeklinde gerçekteşmektedir. İkincisi, komple makine imalatı yapan firmalar ise ithal ürünlerin müşteriler üzerindeki Türk mallarının kalitesine şüpheci yaklaşımlara ve haliyle talep düşüklüğüne neden olması ve bunun da ürün yenilik faaliyetlerine olumsuz etkisini ortaya koymuşlardır. Son olarak, radikal ürün yenilikleri üzerine çalışmak isteyen firmaların, sektörde yaygın olarak bilinen patentlerin bağlayıcı olmaması durumu ile karşı karşıya olmaları, onların bu faaliyetlerini engelleyici faktörler arasındadır.

İthal ürünlerin yaygınlaşması sorunu ancak ithalat düzenlemeleri ile aşılabileceğinden, bu sorunun çözümü de yine daha kapsamlı çalışmaların konusudur. Ancak yedek parça üretimi ve patent sorunu bir arada incelendiğinde, ortak ancak daha karmaşık bir çözüm kendini göstermektedir. Bu firmaların çoęunluęu, deforme olan patentli ürünlerin yerine yenilerini ürettiklerinden, patent ihlalinin cezai yaptırımını artırma çalışmaları bu firmaların var oluş sebebini tehdit edecektir. Diğer yandan, patentin özendirilmesine yönelik çalışmalar ise, bu firmalar ancak iş makineleri üreten firmalar ile sürekli işbirliği halinde olup, devamlı yeni parçalar üretmek için sistematik Ar-Ge ve ürün geliştirme faaliyetlerinde bulunmaları halinde işlerlik kazanacaktır. Bu nedenle, devletin yedek parça ve makine üreticilerinin bir arada bulunduęu kümelerin kurulmasına yönelik politikalar uygulaması, bu firmalar arasındaki uzun dönemli işbirliklerini teşvik edici ve yenilik faaliyetlerini teşvik edici nitelikte önemlidir.

Bu çalışmanın aile işletmeleri literatürüne katkılarından kısaca bahsedecek olursak, ilk olarak çalışma devir ve yenilik konularına bütöncöl bir yaklaşım sunan ilk çalışma özelliğini taşımaktadır. İkincisi, arařtırmada kullanılan veriler, firma

yönetimindeki tek kuşağın görüşleri ile sınırlı kalmamış, iki kuşağın da görüşleri alınmıştır ve bu, karşılaştırmalı bir analiz ve ana bulguların doğrulamasını sağlamıştır.

Çalışmamızın aile işletmeleri literatürüne en büyük katkılarından biri olan, bilgimiz dahilinde, Türkiye’de aile işletmeleri ve yenilik konusuna değinen ilk çalışma olması önemli bir sınırlılığa yol açmıştır. Araştırmanın teorik temellerini oluşturan aile işletmelerinin yenilik göstergeleri tamamen uluslararası kaynaklarla sınırlı kalmıştır. Bunu yanında, örneklemin sınırlı sayıdaki firmaları içermesi, coğrafi ve sektör sınırlamalarının getirilmesi, sonuçların diğer KOBİ niteliğindeki aile işletmeleri için genellenmesini engellemiştir. Firmaların yüksek oranda endüstrileşmiş bir yapıya sahip olan Ankara bölgesinden seçilmesi, haliyle araştırma sonuçlarının daha az endüstrileşmiş bölgelerde farklı olabileceği endişesine yol açmaktadır. Aynı şekilde, daha yüksek veya daha düşük teknoloji kullanan sektörlerden seçilen örneklerde yenilik eğilimleri farklı olabilecektir.

Bu sınırlılıklara dayanarak, Türkiye’de aile işletmelerinde yenilik üzerine yapılacak çalışmalar için aşağıdaki öneriler geliştirilmiştir.

Öncelikle, bu çalışma, aile işletmeleri ve diğer işletmeleri içeren daha büyük örneklem ve nitel veri analizi yöntemi kullanarak yapılan araştırmalar ile tamamlanabilir. Bu çalışmalar, uluslararası literatürde olduğu gibi, aile işletmelerinde yenilik konusunun temelleri olan aile bireylerinin yönetime dahil olmasının firma yeniliğine etkilerini araştıran çalışmalar olabilir. İkinci olarak, benzer kapsamda bir çalışma yapmak isteyen araştırmacılara, bu çalışmaları Türkiye’nin daha az endüstrileşmiş bölgelerinde ve farklı sektörlerden örneklem seçerek yapmaları önerilmiştir. Aynı örnekleme farklı sektörlerden ve farklı bölgelerden firmaların yer alması ise karşılaştırmalı bir analizi mümkün kılacaktır.



## APPENDIX E

### TEZ FOTOKOPİSİ İZİN FORMU

#### ENSTİTÜ

Fen Bilimleri Enstitüsü

☐

Sosyal Bilimler Enstitüsü

☒

Uygulamalı Matematik Enstitüsü

☐

Enformatik Enstitüsü

☐

Deniz Bilimleri Enstitüsü

☐

#### YAZARIN

Soyadı : Hacıbayramoğlu

Adı : Merve Gül

Bölümü : Bilim ve Teknoloji Politikaları Çalışmaları

**TEZİN ADI** (İngilizce) : The Impact of Succession on Family Business Innovation:  
A Case Study on Machinery Manufacturing Sector in Ankara

**TEZİN TÜRÜ** : Yüksek Lisans

☒

Doktora

☐

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir.
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir.
3. Tezimden bir bir (1) yıl süreyle fotokopi alınamaz.

☒☐☐

**TEZİN KÜTÜPHANEYE TESLİM TARİHİ:**