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# SUCCESSOR SCHOOL FOR HIGHER EDUCATION STUDENTS WITH FAMILY BUSINESS BACKGROUND – A PEDAGOGICAL CASE STUDY

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## ABSTRACT

*Higher education institutions are increasingly recognizing the importance and relevance of teaching entrepreneurship and entrepreneurial teaching. The unspoken assumption in most of our lessons about entrepreneurship is that to become an entrepreneur, you must start your own business. The alternative, taking over an existing business, is rarely recognized. Taking over a family business is also an entry mode into entrepreneurship. The objective of the paper is to describe through a case study, how a higher education institute can support with a successor school concept students' continuation processes in their own family firms and decision-making processes when considering their future careers.*

**Keywords:** family business, succession, higher education student, entrepreneurship education, small and medium sized enterprises.

## INTRODUCTION

Higher education institutions (HEIs) are increasingly recognizing the importance and relevance of teaching entrepreneurship and entrepreneurial teaching. However, the unspoken assumption in most of our lessons about entrepreneurship is that to become an entrepreneur, you must start your own business. Entrepreneurship is thus strongly associated with starting up. The alternative, taking over an existing business, is rarely recognized, although business takeovers outperform starters in terms of survival (Xi et al., 2020; Van Teeffelen, 2012; Meijaard, 2007). Another point of view not often considered it that the students in higher education with a family business background have, from childhood on, been immersed in an entrepreneurship learning environment. Research on entrepreneurial intentions has long recognized the influence of role models (Chlosta et al., 2012; Laspita et al., 2012; Joensuu-Salo et al., 2015), and recently Joensuu-Salo (2022) demonstrated that role models are also linked to entrepreneurial competences. Furthermore, students with family business backgrounds are more likely to have business takeover intentions (Joensuu-Salo et al., 2021). Taking over a family business is also an entry mode into entrepreneurship, but qualitatively very different from starting a new business or buying an existing business with no connection to one's family. Taking over through family succession entails a level of commitment to maintaining the socio-economic wealth internalized in the business (Berrone et al., 2012; DeTienne & Chirico, 2013; Makó et al., 2018), and calls for dealing with family dynamics.

The fact that family businesses, too, would need successors from within the family is often overlooked. Traditionally, about a quarter or third of family businesses have a successor in sight within the family (e.g. Varamäki et al. 2021). However, this cannot be taken for granted, and more systematic work is required to get more successors inside the family. Family businesses, too, require awareness raising activities aimed at making them aware of the issue. In most cases, whether the successor is found within the family or not has depended on family-internal discussions and upbringing. Finnish family businesses are plagued by a culture of silence, in which the children's and parents' wishes are not discussed but problems are expected to be solved spontaneously. In the worst case, this leads to decades of bitterness.

Universities are a natural place to implement awareness raising activities for students, as many of them come from a family business background. Previous studies strongly indicate that students with a family business background

generally have higher entrepreneurial intentions (e.g., Carr & Sequeira, 2007; Zellweger et al., 2011; Hahn et al., 2021). The objective of the paper is to describe through a case study (see Eisenhardt 1989), how a higher education institute can support with a successor school concept students' continuation processes in their own family firms and decision-making processes when considering their future careers.

The Successor School has, at the time of writing this, been running for one and a half year in the authors' HEI. Seinäjoki University of Applied Sciences has a more than 20-year experience in the research, development and training in business transfers, and the University of Applied Sciences boasts exceptionally many experts in business transfers. Consequently, it was most natural to start building an operations model for the Successor School at Seinäjoki University of Applied Sciences. Moreover, entrepreneurship in general is both as a part of Seinäjoki University of Applied Sciences strategy and vision and entrepreneurial spirit is also one of the key values in the university, and thus it is natural to also have the Successor School at the university.

## **THE AIMS OF THE SUCCESSOR SCHOOL**

The Successor School is meant for family entrepreneurs' children studying in higher education, and it is equally open to students from all fields of study. This has proven to be a good solution, because the challenges and strengths of family businesses are the same regardless of the field, and students usually do not have enough natural opportunities for multidisciplinary work with each other.

The societal goals of the Successor School are to promote the continuity of family businesses by (a) providing family entrepreneurs' children with opportunities to consider the succession of the family business as a viable career option, (b) providing them with competences and tools for a possible future transfer of knowledge, management, and ownership, and (c) preparing them for the processing and management of the dynamism between family, work and ownership, and providing them with tools for the creation of an open conversational culture at family businesses.

From the perspective of the successor candidate of the family business and of the student, the aim of the Successor School is to provide:

- Encouragement and a growth process for the student's own career thinking.
- A basis for the management of a thriving family business.
- Competences for the planning and implementation of a succession.
- Tools for open discussion within the family about the future of the business and of the family members.
- Peer support, congenial company, and new perspectives to the operations of the student's own family business.
- Visiting experts and successor stories.
- An opportunity to engage in confidential conversations with experts.

An essential element in the marketing of the Successor School is to recognize the students with a family business background. In Seinäjoki University of Applied Sciences we have used in this process *Entre Intentio* tool. This measurement tool of entrepreneurial intentions among students has been in constant development since 2008 (e.g. Varamäki et al. 2013; Varamäki et al. 2015; Joensuu-Salo 2022) and been complemented with specific family business-related questions (e.g. Joensuu-Salo et al. 2022). The same tool allows finding out about students' other entrepreneurial intentions, and the tool can be used to recognise the students with a high level of entrepreneurial intentions, to provide them with different support measures. Naturally, students with a family business background and their preliminary interest in the succession of family businesses can be identified using other surveys, too.

It is advisable to conduct a survey to identify students with a family business background as early as the beginning of their studies. After the survey, it is advisable to invite the students with preliminary interest in successions to a face-to-face meeting for the presentation and marketing of the Successor School. As other marketing actions, the Successor School could be mentioned to students on courses in entrepreneurship, or on other business courses. It is important that marketing for the Successor School will be done among the students of all years because a student can join the Successor School at any stage of their studies and attend as long as they wish.

# THE CONTENT OF THE SUCCESSOR SCHOOL

The Successor School consists of the following elements: monthly appointments, writing a learning diary, preparation of a preliminary succession plan, and discussions with experts.

Each of the monthly appointments has a certain theme, and the duration of each appointment is 2 to 2.5 hours. The appointments work best as face-to-face appointments, but during the Covid pandemic they were also arranged over Teams or as hybrid implementations. Naturally, hybrid implementations facilitate the participation of those living further away.

The appointments may have, e.g., the following structure:

- (1) a fact section, which may comprise, e.g., previous research knowledge and literature, or an expert's personal experience,
- (2) a practical case story, which could primarily be presented by the Institution's own alumnus with a family business background,
- (3) a joint conversation about the theme,
- (4) an independent learning assignment

The Institution's own alumni are excellent examples when telling the story of their family business and about the process and path they went through before ending up at the family business, how they implemented the succession, and, above all, what lessons they can share from their story to the students.

Themes for appointments organised during one semester:

- 1) Would I become an entrepreneur and the successor of a family business?
- 2) What are the special characteristics of a family business and what impacts do they have?
- 3) What is ownership? What is a good owner like?
- 4) How to create an open conversational culture at a family business?
- 5) What is a successful succession like?
- 6) How to take a transfer of knowledge and management at a family business?
- 7) How to transfer ownership also taking different tax reliefs into account?
- 8) What documents and agreements are needed for a succession?
- 9) What are the special characteristics of the successions of agricultural and forestry holdings?
- 10) How to cope with your siblings?
- 11) How can a succession be financed?
- 12) How to create successful Board of Directors?
- 13) What different meaningful roles can be offered to the withdrawing entrepreneur parents?
- 14) What kind of network of experts can be utilised in the planning and implementation of a succession?

Next, a few examples of learning assignments are presented:

*Learning assignment 1. The entrepreneur unexpectedly falls ill or passes away.*

- Think of three things that would be first assigned to you at your family business if your entrepreneur parents unexpectedly fell seriously ill, or even passed away?
- What competences would you currently have to take care of these things?
- How can you improve your own abilities / competence in relation to these things?

*Learning assignment 2. The culture of talking at family businesses*

- What kind of interactional culture does your family have?
  - How do you discuss, how do you bring up matters, and what do you talk about, in the first place?
  - How do you act in difficult, emotional situations? How do you argue and resolve your differences?
  - How does the above-described approach show in the operations of the family business: what pros and cons does it have?
- How are you in person as an interactor, co-operator, and communicator?

- What is of particular importance for you about the interaction between the family and the family business?
- In relation to that, what are your own strengths, and in what do you want to develop?
- What mutual mode of action (interactive culture) do you want to maintain and strengthen? What do you want to develop or to improve?

### *Learning assignment 3. Ownership*

- Do you think management also requires the ownership of your family business: does the owner also have to be CEO, or can the CEO also be someone from outside of the family?
- Should the successors or all the family members working for the business own the business with equal shares?
- Can some of the family members be owners of the business even if they do not work for the business?
- What liabilities and rights does the ownership of the family business give you?

It is important that the students also can propose themes by themselves. The students' entrepreneur parents can also be invited to attend some of the theme appointments.

The Successor School may produce 3–5 credits, depending on the output required of the student, but students can take part in the Successor School also without completing credits.

At Seinäjoki University of Applied Sciences, the concept of the Successor School was built and piloted by a team of four experts. A good team allowed the brainstorming ideas and the mutual division of tasks. As a permanent operations model, a Successor School like the one described requires annual total resource of some 150–200 hours. This may be shared, e.g., between to experts. Time is needed for the search of potential students and marketing, the planning of appointments, the mapping of experts and entrepreneur alumni and agreeing on their visits, the appointments themselves, the processing of the learning assignments, and discussions with the students.

## **CONCLUSIONS**

Focus on starting a business in HEI entrepreneurship teaching is understandable and perhaps unavoidable: starting a business resonates more strongly with the idea of entrepreneurship than does taking over an existing business, and is easier to see as part of becoming more entrepreneurial in all working life roles. To develop an entrepreneurial mindset, one needs to work on new ideas and value creation. Yet, as European entrepreneurs age, successor from within and without the family are increasingly needed if viable businesses are not to be closed for the lack of a successor. For higher education students to at least be aware of the possibility is important.

For students with family business background, the case is somewhat different: they are probably aware of the possibility of continuing the family business. For them the HEI can provide a growth process, conceptual tools, practical information, and the opportunity to reflect among their peers on issues relating to family business. Having a business in the family is an opportunity that only a few have – helping students to realize this, whether or not they eventually choose to take advantage of that opportunity, is a worthwhile goal in itself. A successor school shows promise in bridging the gap between family business offspring lived experience and HEI entrepreneurship teaching. On societal level, one small successor school is not likely to make much difference, but if the practice spreads, it will help ensure qualitatively better family communication and successions and thus contribute to economic growth and resilience.

## **Societal and Managerial Recommendations**

When planning the awareness raising activities for business transfers, more attention should be paid to small and medium-sized companies that consider themselves as family businesses. Family businesses should be woken up early enough to plan for a succession in order to ensure the continuity of the company either with an internal or external successor.

It would be desirable for universities to identify potential successors of family businesses among students and enable them to complete their studies taking into account the needs of family businesses and students as potential

successors. It would also be great if universities could offer separate Successor Schools that support the growth of continuing family businesses and offer peer support from students in a similar situation. Entrepreneurship education usually focuses on starting a company, and it would be absolutely important to consider buying companies and continuing family businesses as an alternative.

Together with the Successor School, Seinäjoki University of Applied Sciences has also established the Buyer School, aimed at people interested in buying a company or its business operations, i.e., at students interested in the option of embarking on entrepreneurship by buying an already established business or by growing their current business by buying more.

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