

Motoc, Adrian

Article

Knowledge dynamics in family businesses

Management dynamics in the knowledge economy

Provided in Cooperation with:

National University of Political Studies and Public Administration, Bucharest

Reference: Motoc, Adrian (2020). Knowledge dynamics in family businesses. In: Management dynamics in the knowledge economy 8 (2/28), S. 145 - 157.

<http://www.managementdynamics.ro/index.php/journal/article/download/358/303>.

doi:10.2478/mdke-2020-0010.

This Version is available at:

<http://hdl.handle.net/11159/4653>

Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics

Düsternbrooker Weg 120

24105 Kiel (Germany)

E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)

<https://www.zbw.eu/>

Standard-Nutzungsbedingungen:

Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte. Alle auf diesem Vorblatt angegebenen Informationen einschließlich der Rechteinformationen (z.B. Nennung einer Creative Commons Lizenz) wurden automatisch generiert und müssen durch Nutzer:innen vor einer Nachnutzung sorgfältig überprüft werden. Die Lizenzangaben stammen aus Publikationsmetadaten und können Fehler oder Ungenauigkeiten enthalten.

Terms of use:

This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence. All information provided on this publication cover sheet, including copyright details (e.g. indication of a Creative Commons license), was automatically generated and must be carefully reviewed by users prior to reuse. The license information is derived from publication metadata and may contain errors or inaccuracies.



<https://savearchive.zbw.eu/terms-of-use>

Knowledge Dynamics in Family Business

Adrian MOTOC

National University of Political Studies and Public Administration, 30A Expozitiei Blvd., Bucharest, 012104, RO; adrian.motoc@facultateademangement.ro

Abstract: Knowledge is one of the most important and fundamental resources of a company, providing it with the means to develop a competitive advantage and be innovative in the dynamic market, through creating, sharing, and transferring it within the firm. Family business distinguishes itself from others through the family connection that sets its mark on how the company is run and its highly contextual culture. Therefore, the purpose of this paper is to gain a deeper understanding of how knowledge transfer occurs in family businesses. This qualitative study aims to gather empirical data using the case study methodology by applying semi-structured interviews. The cases comprise family businesses from Romania acting in different industries. The analyzed family businesses, when it comes to knowledge transfer, rely on their social interaction and are reluctant towards processes that imply externalization of their knowledge mainly out of convenience and the fact that this process did not prove its need. This leads to both positive and negative effects on the growth of the company and its longevity.

Keywords: family business; knowledge transfer; knowledge management; knowledge dynamics.

Introduction

The ability of a company to adapt and overcome changes and challenges presented by the outside world has been extensively researched during the past two decades, based on different theoretical perspectives and diverse problem formulations. However, the purpose that nevertheless seems to permeate the research is how organizations should succeed in developing and compete in changing and globalized markets (Chirico & Salvato, 2008; Collins & O'regan, 2011). The current conditions have led to an incremental change in the business logic of most companies, as today's market focus is no longer only about price competition and large-scale manufacturing, but about being able to offer quality services with a high degree of customization (Levenburg, 2006). The interest in skills and competence development has become a current and central theme in many companies' growth endeavors (Le Breton-Miller & Miller, 2006). The organization's workforce, with its intrinsic knowledge and skills, is described as a factor that can bring significant results on the long-term developments of a company and generate a competitive advantage, which is difficult to imitate (Dessi, Ng, Floris, & Cabras, 2014).

Family business today is considered a field of research under development since the main differentiating factor, namely the family aspect, proved to be highly influential, having implications through the whole business processes (Collins & O'regan, 2011). Trevinyo-Rodríguez and Bontis (2010) explain that the knowledge transfer process occurs in contexts that are independent of norms and values, giving rise to individuals developing mutual ties. When these groups are family-related, this dimension is stated to have a great impact on individuals by influencing how they act and behave, which includes, among other things, the ability and susceptibility to process knowledge. The familial connections thus set their mark on both the company's operation and its culture, depicted from the family business identity (Dyer, 1994), which also makes this kind of business unique from a growth perspective (Harris, Martinez, & Ward, 1994; Schoenenberger, 1997). When it comes to knowledge and its development, the conceptual explanations are filled with a variety of content, which has made this specific research area many times to be felt

How to cite

Motoc, A. (2020). Knowledge Dynamics in Family Businesses. *Management Dynamics in the Knowledge Economy*. 8(2), pp. 145-157, DOI 10.2478/mdke-2020-0010

ISSN: 2392-8042 (online)

www.managementdynamics.ro

<https://content.sciendo.com/view/journals/mdke/mdke-overview.xml>

diffused and poorly understood (Alavi & Leidner, 2001). Therefore, it is usually neglected by practitioners, they paying less importance to the knowledge management and knowledge dynamics area and missing on the fact that it can be crucial for both the company's daily operations and its long-term growth (Argote & Ingram, 2000).

Utilizing and transferring key knowledge is highlighted as possibly the most important factor in endorsing the company's development. However, there seems to be a problem, and difficulties occur when it comes to the family business. Liebowitz (2011) mentions that only a quarter of the family companies survive through three generations and point that the causal factors are related to inefficiency and inability to secure important skills. The characterizing aspects of a smaller family business that determine their restrictive condition are partway based on their size on the one hand and the involvement of the family on the other (Cunningham, Seaman, & McGuire, 2016). Since their inability to secure more personnel, the tasks are usually spread out between the employees who are given tasks beyond their actual expertise, leading to stress and a decrease in productivity, drastically aggravating their development opportunities (Barnett, Eddleston, & Kellermanns, 2009). The communication and dynamics of family business are usually peculiar, being able to interfere with rational actions and decision making. A family business manager is thus responsible for handling these family dynamics as well the overall management of the business, both of which are emphasized as central to the development of the company (Barnett et al., 2009).

Regarding the distinctive attributes smaller family businesses possess, their survival problems, and the lack of satisfactory research in the field, the purpose of this paper has been formulated, aiming to gain a more profound understanding of how knowledge transfer occurs in family businesses from Romania.

Literature review

Knowledge transfer and knowledge sharing

Knowledge broadens the potential of a company, giving it new strategic options to pursue and gain more operational flexibility than its competitors. This is the basis for the dynamic capabilities of an organization, where it builds new competencies in an evolutionary circle to maintain an advantage in a developing industry environment. A company is a distributed system of knowledge and can exploit the individual knowledge only when it is transferred and transformed into organizational knowledge (Sanchez & Sanchez, 2003). This means that knowledge has to be accessible to any employee who is needing it and no longer bound to one individual. To make it a true source of competitive advantage, knowledge has to be embedded in the organization. Highly valuable knowledge must not be locked away in the minds of a few individuals, since they may leave the company, thus losing it (Bratianu, 2013; Snyder & Lee-Partridge, 2013).

Knowledge is a social and complex concept, and its most notable characteristic is its dynamism. This emphasizes the importance of transferring and sharing knowledge. The organization's efforts to access and utilize efficiently individual knowledge is defined as knowledge management (Argote & Ingram, 2000; Sanchez & Sanchez, 2003). This implies aspects such as knowledge creation, acquisition, transfer, and sharing. The transfer of knowledge involves both the transfer of knowledge from a sender towards a recipient and its absorption by the recipient. While knowledge sharing happens only as a willingness of a person to share his experience with his colleagues, knowledge transfer is a generic process of communication.

The ability to maintain and transfer knowledge within a company in the most optimal way is of great importance for the success of the organization and its competitiveness (Sanchez & Sanchez, 2003). Knowledge transfer is defined as the process by which one unit, this

being either an individual or a group of individuals is affected by another unit's experience (Argote & Ingram, 2000). Many researchers claim that the organizational performance and the competitive advantage a company possesses are enhanced through knowledge transfer (Musial, Budka, & Blysz, 2013). The knowledge transfer is highly sensitive, and the cognitive factors tied to the individuals, these being linked to explicit and tacit knowledge as well as the ability to transmit it, are influencing the process (Snyder & Lee-Partridge, 2013). Furthermore, organizational factors like the tools and methods used are facilitating knowledge transfer (Levitt & March, 1988). The motivation for knowledge transfer must be generated through a culture that promotes it, and which creates a sense of security for the employees in such a way that they trust the process of sharing their knowledge without someone else taking advantage of it and deprive them (Ipe, 2003).

Polanyi (1983) considers knowledge in two dimensions, namely tacit and explicit. The writer describes the tacit knowledge as the one about "we can know more than we can tell" (Polanyi, 1983, p.4). Davenport and Prusak (2000) explain that tacit knowledge is difficult to convey to others, being linked to an individual's skills, feelings, and experience, acquired through one's sensory system. The tacit knowledge is also difficult to convey to others as there is often no awareness of it in the process of conducting a task. It is common for an individual in a certain situation, not to reflect on how or why he solves a problem or acts in a certain way. Nonaka and Takeuchi (1995) describe that tacit knowledge can be further divided into technical and cognitive dimensions. The technical dimension is comprised out of the knowledge that can be practiced, involving hands-on approaches captured in the exemplified knowhow. This means that the individual accumulates experiences that cause him to perform tasks automatically. The cognitive dimension of tacit knowledge refers to paradigms, principles, perspectives, visions, and images of reality that define the view about the world an individual possesses (Nonaka & Takeuchi, 1995). The explicit knowledge can be expressed in a formal language, which makes it more manageable and concrete, leading to the fact that it can be stored in some form of systematic language and thus is easier to convey between people. The different levels of education, multiple sources of reading materials, and work context assist in transferring explicit knowledge to individuals. Conversely, tacit knowledge is deeply rooted in one's embraced ideals, values, emotions, experiences, and actions.

Knowledge dynamics: The SECI model

Nonaka and Takeuchi's (1995) SECI model, which stands for socialization, externalization, combination, and internalization, advocates that knowledge is created as a result of interaction between tacit and explicit knowledge. Furthermore, each form of knowledge can be converted into the other one. This process is better illustrated by the knowledge as an energy metaphor, which addresses the limitations of tangibility and linearity, better anchoring the model into reality (Bratianu & Bejinaru, 2019, 2020). These two types of knowledge have to be present in the organization since their interaction plays a fundamental role in the creation of new knowledge, this resulting from the conversion process and the development of an innovative environment. The SECI model has been used and proved to be useful in many disciplines and organizations, enabling the development of arguments where the concept of knowledge has played a central part, being able to justify how knowledge is generated and transferred within organizations (Nonaka & Takeuchi, 1995; Woodfield & Husted, 2017).

Socialization is characterized by the exchange and distribution of tacit knowledge between individuals, mainly through joint activities, where individuals spend time together in the same environment, rather than a learning process where written and oral instructions exist (Nonaka & Konno, 1998). For socialization, the culture and knowledge view of the organization is considered to be essential. Socialization can also occur in informal contexts outside the workplace where tacit knowledge may arise in the form of individuals' world views and mentalities, place where trust is generated and shared. Organizations need to be aware of these since the acquisition of any tacit knowledge from

customers and suppliers can create opportunities for interaction, which in turn can provide unique benefits for the organization. In the *externalization* part, the tacit knowledge is transformed into a more understandable form, towards a more visible and expressive formalized language. When the tacit knowledge transforms towards explicit, the learning is concretized and is made possible to be shared with others, thus forming the basis for new knowledge (Nonaka, Toyama, & Konno, 2000). *The combination* is the process where explicit knowledge is reworded and developed into a more complex and systematic one. The knowledge can be collected from both within and outside the organization, undergoing editing and compilation to be transformed into a new form of knowledge (Nonaka & Konno, 1998). Within *internalization*, explicit knowledge is transformed and developed into tacit knowledge. Skills development, exercises, and learning-by-doing approaches are procedures that can enable the individual to access these knowledge areas.

An important characteristic of the SECI model is the fact that it is context-dependent, knowledge creation dynamics taking place in a social context, knowledge being created through social interaction and learning processes. This cultural embeddedness has also been considered the main limitation of the model since this is developed based on Japanese companies and their culture, which is significantly different from the Western culture (Bratianu, 2010). This may not be the case when applying this model to family businesses, where socialization and knowledge sharing are key aspects of knowledge dynamics and business growth. Nevertheless, this limitation and the one that the SECI model cannot create any knowledge spiral are overcome by using the thermodynamics approach (Bratianu & Bejinaru, 2019, 2020). This approach considers three fundamental forms of knowledge, namely rational knowledge, emotional knowledge, and spiritual knowledge.

Rational knowledge is based on rational thinking and is indistinguishable from explicit knowledge. *Emotional knowledge* is the result of the unconscious cognitive body's reaction to all external factors, is based on the sensory system and perception, making it highly subjective. *Spiritual knowledge* is an integration of the culture and spirituality, containing values and beliefs and spiritual knowledge, that are essential in developing the reference system for the problem-solving and organizational behaviors. The first principle when interpreting knowledge fields through thermodynamics lenses is that knowledge flows from a higher level towards a lower level of intensity, this determining the necessity for knowledge transfer. The second principle addresses the order existing in each field of knowledge. The third one is related to the second law of thermodynamics, indicating a change in the entropy of the system when transformations occur between knowledge fields (Bratianu & Bejinaru, 2020).

Knowledge dynamics in family businesses

Only in family companies, family members are active simultaneously in the firm and the family, therefore significantly influencing knowledge transfer and integration processes in both positive and negative ways. The culture of a family business is one of the most prominent characterizing factors, being the result of trust, values, and goals that are deeply rooted in the family, in its history, and their present relationships (Ipe, 2003). The transfer and sharing of these values and goals can result in the creation of a fairly lasting cultural tradition within the family as well as in the family business (Gupta & Levenburg, 2012). It is thus essential and crucial to gain an understanding of these patterns to be able to understand the existing business processes in a family business. What constitutes one of the main differences between a family company and a non-family one is that it exists a distinction in how the professional and private roles interact. It is not uncommon that occasionally in a family business, a certain problem arises outside of the working hours when a person acts only as a family member. The professional and private roles interact to a greater degree, and thus it is considered that there is a closer connection between the business and the family in a family organization (Hall, Melin, & Nordqvist, 2001).

Undergoing radical changes for a company is a difficult process. Moreover, family business encounters a stronger resilience to changes than other organizations. Since the familial part is inherent to the family business identity, individuals in organizations are tending to focus on mutual decision-making processes, that are inclusive of various opinions, points of view and interests of family representatives that converge toward the preservation of family name, image, and ownership (Babin et al., 2017). Familial identification of company actors generates socio-emotional wealth that is crucial for following non-monetary benefits related to the perpetuation of the business within the hands of the founding family (Gupta & Levenburg, 2012). Berrone, Cruz, and Gomez-Mejia (2012) believe that this is caused by the emotional side a change process is impacting, family businesses having deeper feelings which are strongly related to their company compared to the non-family ones. In family businesses, for example, the emotional bonds between individuals can influence the way the company will behave and act. These can influence and be the reason why family businesses choose to maintain their business in some markets or retain some products only because they are linked to previous generations (Hall et al., 2001). This may cause some problems for the company since Bratianu (2013) describes that the essential elements of learning are created through lasting changes that are formed by the company being open to interaction with its surroundings. Learning is fundamental to all knowledge development, and this aspect is described to be crucial for the business to be able to meet future challenges (Lefter, Bratianu, Agapie, Agoston, & Orzea, 2011).

To undergo a radical change, it is essential that family members challenge their past strategy patterns and conveys the choices to the future the family vision and the availability of resources (Nag, Corley, & Gioia, 2007). However, there is a strategic path that is commonly found in family businesses containing the founders' business ideas and visions, which may not always meet the requirements that exist in the ever-changing market. These can result in inertia as well as resistance to change unless measures are taken to prevent this. Therefore, family businesses need to support cultures that promote innovation and entrepreneurial spirit, increasing the likelihood of implementing radical changes without encountering a high degree of resistance (Hall et al., 2001).

In organizations, individuals can learn one from another and gain benefits from new information created by others. Transferring knowledge is an opportunity for shared learning and collaboration, which encourages the discovery of new knowledge (Bratianu, 2011). Essentially, in family firms, information travels from one generation onto the following one, while being imperative to manage the business productively. Thus, the upcoming generations have to include new knowledge and offer new points of view to the privately-run company. Similarly, as it is important to share information among various generations, it is additionally important to share it among individuals from a similar generation (Chirico & Salvato, 2008). Knowledge transfer ought to be simpler than in different organizations. These organizations have a common family language that permits them to communicate more effectively and efficiently and trade more knowledge with a greater sense of security (Hoffman, Hoelscher, & Sorenson, 2006). Furthermore, knowledge transfer frequently starts at the dining table, develops during summer jobs at the organization, and proceeds with a career within the family firm (Le Breton-Miller, Miller, & Steier, 2004). This transfer of knowledge is facilitated by a close relationship between family members, but this is not always the case, occurring conflicts, and rivalries hindering the process.

Transferring knowledge within family businesses is of particular relevance since many family companies are striving to achieve and maintain long-term knowledge within the family. The norms and values of the family are determining the process of knowledge transfer. The interaction that leads to their creation has a strong influence and effect on individuals in the form of emotions (Le Breton-Miller et al., 2004). It can, in turn, have a positive as well as a negative impact on the knowledge transfer process. This because negative feelings can lead to possible rivalry within the family and reduce the will to transfer and share experience-based knowledge (Woodfield & Husted, 2017). However, family identity can sometimes be helpful when rivalry and conflicts arise and instead

contribute to the creation of specific informal interactions, which enables the transfer of experience-based knowledge. Treviño-Rodríguez and Bontis (2010) explain that this happens because knowledge transfer that takes place in a social and dynamic context is inseparable from norms and values. These give rise to the connection between individuals and that they experience group affiliation. Though, when these bands are family ties, a stronger influence exists among individuals that can have a significant effect on their actions, behavior, and learning process.

Family ties are different from others being more personal, involving family experiences and a sense of self-identity. In family businesses whose business operations are focused on traditional industries such as primary industry and manufacturing, it is not uncommon for knowledge to be deeply rooted in well-established methods and that the knowledge is developed through "trial and error processes" which advocates learning through experience (Woodfield & Husted, 2017). It is especially in the older generation that careers within family businesses had their start through workplace training, where they began their careers as apprentices without any substantial formal education. The knowledge base in family businesses is thus characterized as accumulated internal knowledge, where the core knowledge of the company is also intertwined with family traditions. This knowledge emerges and is stored mostly in the organization in the form of tacit knowledge, and for the sharing of knowledge to be possible, the individual holding the knowledge must show an active commitment and a desire to transmit the knowledge.

Plain knowledge transmission does not entail knowledge transfer unless benefits are received in terms of improvements. Transmission and reception of knowledge together have not enough value if the new knowledge does not lead to a change in behavior or to new ideas being developed of that allowing to trigger a new behavior (Druker & Nakauchi, 1998). Several specific factors for family companies are hindering the knowledge transfer process such as feelings of pride, lack of opportunities, stubbornness, attached coercive implications anticipated by the organization, and their reluctance to assume responsibilities and take risks.

Methodology

The starting point in gaining a better understanding of knowledge management and family businesses has been the process of conducting a literature review. Both systematic and snowball methods have been applied to further explore the current gap in academic research (Easterby-Smith, Thorpe, & Jackson, 2015). The purpose of this study is to gain a better understanding of how knowledge transfer occurs in family firms, a case-study on Romanian companies. When analyzing smaller organizations, the pool of adequate persons suitable for research is scarce, partially for the reason that there are few employees and because the interest lays in getting a deeper understanding of the socially constructed reality individuals within the organizations to develop. In this study, an abductive approach has been utilized through an interaction between the empirical data and the theoretical one. This procedure is expected to generate additional and relevant empirical data, providing space for interpretation and reflection, making the empirical and theoretical materials well anchored and decreasing the interconnection problems that otherwise exist (Easterby-Smith et al., 2015).

To obtain a comprehensive understanding and a foundation for more extensive future research, considering the gap in the literature regarding the subject, the choice of conducting exploratory qualitative research, seeking to uncover correlations between the relationship that are unknown before this research being conducted is a motivated decision. The research strategy that has been selected and permeates this study is the case study, being a widely appreciated and frequently used research strategy within business economics research. To collect data a semi-structured interview has been developed allowing to retain partial control over the analyzed topics and to circumvent losing the

interviewees' focus, also encouraging respondents' answers through follow up questions and probing (Easterby-Smith et al., 2015; Malhotra & Wills, 2012). Regarding the time horizon, cross-sectional research has been conducted due to certain limitations. This allowed the measurement of multiple factors simultaneous at the time being, assessing the prevailing characteristics of the population, which are in focus on the purpose of the study. The timespan of the interviews has been between forty to sixty minutes long. In the beginning, privacy-related and ethical considerations have been discussed, further explaining the purpose of the study and the usage of the collected data and obtaining their consent.

The sampling method adopted in this study is a non-probabilistic one in the sense of purposive sampling, data is collected through interviews with family businesses from Romania who act in different industries, as the emphasis has been on their knowledge transfer processes. The sample used in this research consists of six companies that have fulfilled the selection criteria and responded to the call, with nine interviewees who were family or non-family members, as presented in Table 1. The companies are active on the Romanian market in the HoReCa, manufacturing, and tourism industry.

Table 1. Interviewed companies' details

Business	No. of employees	Industry	Interviewees	Position
Company A	9	HoReCa	Family member A1	CEO/Chef
			Family member A2	Accountant/Cook
			Non-Family member A3	PR & Marketing
Company B	11	Furniture Manufacturing	Family member B1	Marketing Specialist
Company C	4	Tourism	Family member C1	CEO
Company D	7	HoReCa	Family member D1	CEO
Company E	6	HoReCa	Family member E1	CEO
Company F	8	HoReCa	Family member F1	CEO
			Non-Family member F1	Chef

Results and discussion

The willingness to work hard and devote entirely towards an activity proves the presence of motivation which leads to commitment within an individual (Chirico & Salvato, 2008). Not every family member can have the same degree of commitment and interest in the family business, which may lead to problems in the process of knowledge transfer. Within the interviewed companies, an average of 65% of the employees is family members, thus leaving a mark on the culture that flourishes at the workplace. The family connections are being described as fairly strong, emphasizing on the easy and relaxed atmosphere that sets it touches on the jargon used. This lets them freely express thoughts and feelings, having positive effects on their knowledge sharing process, this being done mainly through verbal communication and physical demonstration. The cultural aspect and openness surrounding family companies and facilitating knowledge transfer has been greatest illustrated by the following terms and shared among other interviewees:

"Everyone should be able to say exactly what they think and think, regardless of whether they are part of the family or not. Here, all employees are equally worthless, regardless of their last name and everyone's opinions are equally important." – Family member A1

Although the knowledge level in all companies is described as satisfactory, it turned out that a large part of the existing knowledge is tied to individuals. This is a risk which all companies are facing since this kind of individual-based knowledge disappears on the day

the knowledge carrier is no longer part of the company. It is therefore clear that this risk exists in all companies, since the roles are largely specialized, and general knowledge of the company is concentrated on family members. Knowledge distributions in uneven and highly individual dependent as claimed by one administrator and confirmed by the non-family member interviewed.

"Of course, the company is heavily dependent on him (non-family member F1) [...] If he is to disappear or go away, we won't be able to do business and will be forced to change many aspects as to overcome it." – Family member F1

Companies are aware of this situation, where a large proportion of knowledge is tied to different individuals, which entails a certain vulnerability for the company. Nevertheless, they emphasize that it would be too resource-intensive to transfer knowledge to a greater extent, their focus being on conducting business and overcoming challenges as they arise. Similarly, the resource-related issue that is common across the analyzed cases claimed to be generated mainly by their size, thus to grow, they should focus on developing the already existing knowledge.

Exchanges and distribution of tacit knowledge between individuals, referred to as socialization, are generated mainly through joint activities and working closely in a common environment (Nonaka & Konno, 1998). The knowledge transfer within the analyzed companies is largely done through socialization, knowledge being transmitted through social interaction which includes talks and demonstrations. An important source of this transfer is specified to be the morning coffee meetings where employees exchange experiences, asserted to be a significant aspect of the socialization process which helps them in their daily tasks and sets the business trajectory.

When tacit knowledge is formulated into a more concrete and understandable form, it is referred to as externalization (Nonaka & Konno, 1998), pointing to the importance of the presence of tools and effective procedures for enabling this transfer. These are completely missing within the interviewed companies, with no documented instructions or information regarding various work-related situations being present or utilized. Despite the possibility to develop them and the awareness of the involved risk in the event of an absence that could have been handled by the other employees if the knowledge would have been concretized, no steps towards this direction are being made or envisioned. The general reason argued to be the lack of motivation for codifying their knowledge since the size and their close relation allows the knowledge to transfer faster through socialization. Since they have not encountered any situation where written documentation to be necessary this process has not been taken into consideration.

During the combination process, knowledge is collected from both inside and outside the company, further being compiled into a new type of knowledge (Nonaka et al., 2000). The morning coffee meetings are again playing an important role as employees are given the opportunity to process the obtained knowledge and ideas. One example is the acquiring of knowledge about customer needs, which may affect the company's development regarding its products to meet specific needs. Nonaka and Konno (1998) explain how sharing, processing, and editing this knowledge makes it more useful, as in this case when the knowledge about customer needs to be acquired by the marketing specialist can only be utilized when discussed with, for example, the manufacturing team. To facilitate the sharing of these knowledge Nonaka et al. (2000) mention databases and communication networks as aiding means, but no company is using them, inhibiting the optimal development of the company. The analysis revealed that the temporal distance, which was often between the opportunity of collecting new information and the use of such knowledge being further apart led to it becoming obsolete or forgotten. Thus, the usage of verbal sharing that occurs throughout the entire pool of analyzed companies is considered to be insufficient, advocating for the implementation of concretization and documentation

of the knowledge to be able to store it and at the same time provide employees constant access.

A common approach of integrating the new intelligence into an individual's knowledge base between the analyzed companies is the learning-by-doing. This process is being referred to as internalization in the literature (Nonaka & Konno, 1998). It is common and provides an advantage for employees the presence of manuals or other types of codified knowledge, but the gathered empirical data substantiate the absence of it, instead employees are encouraged to follow the more practical approach. Employees are encouraged to follow the more practical approach, the daily tasks being constant opportunities for exercising, and constantly acquire new knowledge. Interviewed companies do not possess any well-documented information that is available and easily accessible for all employees since they are always there and provide any information. This is also industry-dependent, since some may require well-documented information.

"We do not store data and when we want to apply something new, we share and discuss it with the ones in question and implement it. When questions and problems arise, we are here to answer and solve them." – Family member D1

"Templates and other technical documentation exist on paper format, but we rely on the expertise of our employees since they are with us from the beginning." - Family member B1

Since Romanian family firms are characterized as being young, due to several economic and political factors which impacted the development of this sector (Pistrui, Welsch, & Roberts, 1997), companies have recently undergone or are currently in the succession process, fact that determined several differences related to the existent knowledge and the transition processes. The owners lacked prior knowledge, this instead has been obtained through supervision and demonstrations in the workplace, knowledge in family business usually being developed through internal training. Since the market is changing very quickly, outside training has become essential. The successors are encouraged to follow academic courses and practical training courses outside the family firm to acquire pure and up to date knowledge, also develop new skills, which are further brought into the family, shared, and transferred to the other members.

In one case, the incumbent pushed the future two successors to experience working outside of the company for at least a year. This is supposed to help them develop a knowledge-base and a sense of identity, being more prepared on how a business is run and how to further introduce innovations and changes within the family company. Working outside of the family business prepares the successor for a wide variety of problems the family company may face in the future, providing a sense of formal management systems that are currently not present within the family businesses. The idea that knowledge flows from units with a higher level of knowledge intensity towards those with lower one is emphasized through the inconsistencies in the knowledge field from family companies. Contrary to the common belief that knowledge transfer occurs from the incumbent towards the successor, the empirical data shows that the vice-versa is common and has a high impact on how business is conducted. This is claimed to be mainly due to the new technological advancement and the digitalization that are far more accessible and understood by the successors.

Conclusions

To fulfill the purpose of this study, namely to gain an understanding of how knowledge transfer takes place in family companies from Romania, a qualitative case study has been conducted. This made possible the identification of several governing factors that influence the transfer of knowledge between the investigated companies and

to provide several key characteristics of Romanian family firms when it comes to this process.

It has emerged that there is a large amount of tacit knowledge, while the explicit one is less important across family businesses. The most prominent procedure for the transfer of knowledge is social interaction. This is linked to the culture family companies have, is clearly expressed that the working atmosphere allows ideas and knowledge interaction to occur unconstitutionally. However, this kind of familial feeling invoked may also be present in non-familial companies of the same size. The difference comes from the family members who are unable to separate themselves from the professional role, impacting the knowledge transfer and the places and time this takes form.

Furthermore, by correlating the empirical data with the theoretical aspects and metaphors proposed by Bratianu and Bejinaru (2020), to overcome the limitations presented by the SECI model (Nonaka & Takeuchi, 1995), it emerged that the emotional and spiritual knowledge transformations occur more frequently. The values and ethical principles governing a family company, together with the common living aspirations and motivation between family members and further transferred to non-family members have the power to stimulate thinking beyond individual interests and achievements. The interviewed family businesses are not making profit maximization their primary objective, family members valuing their common well-being and the condition of their employees. These are greatly attached to the family company, becoming an extension of themselves, thus confirming the presence and importance spiritual knowledge has over family organization. The dynamics between emotional and spiritual knowledge are governed by the company's culture. Understanding this process is very important as it determines the family companies' decision-making processes, and the weight emotional and spiritual knowledge have compared to rational knowledge.

Furthermore, since the family members have a closer relationship at a personal level, the source's trustworthiness is not disputable and influence substantially the recipient's behavior in the knowledge transfer process. Even though some employees are not family-related receive and generate the same level of trust as the family members. Similarly, the availability and desire to transfer knowledge have to be taken into consideration. Romanian family business owners' main goal is that their children take over and grow the company, therefore they tend to push their siblings into learning faster and accumulate knowledge from within the company at a younger age, later through academic and working outside the company to improve the chances of survival on the long term on the family company. In non-family organizations, this may not happen since there are high staff turnover and agency problems. The family is acting as a reference system of well-defined values, behaviors, and norms that are unconsciously transmitted from the incumbent towards the successor from its birth. These have the role of capitalizing on the traditions, acquiring, and increasing knowledge to further integrate and apply it in the business. The level of commitment is affecting the effectiveness and quality of the knowledge transfer, accelerating, or impeding it.

Limitations and further research

As the purpose of this study is to explore how knowledge transfer occurs in family enterprises from Romania, consequently limitations arise, paving the pathway for further studies. Since the most present knowledge within family businesses is tacit and the transfer of it relies on the family company culture and is governed by experience and feelings, an analysis of the emotional knowledge and how this interacting within the company, linking the knowledge dynamic to the family business environment, may provide new insights about the particularities of this type of companies.

A further study on how the dynamics between rational, emotional, and spiritual knowledge influence the decision-making processes in family companies may provide

further insights and deeper knowledge of how business is conducted. This will address the importance family firms give to tacit knowledge and, expanding on the current paper. Furthermore, addressing the limitations of these transformations and how they can be used in successful leadership.

References

- Alavi, M., & Leidner, D-E. (2001). Knowledge management and knowledge management systems: conceptual foundations and research issues. *MIS Quarterly*, 25(1), 107-136. DOI: 10.2307/3250961.
- Argote, L., & Ingram, P. (2000). Knowledge transfer: a basis for competitive advantage in firms. *Organizational Behavior and Human Decision Processes*, 82(1), 150-169. DOI: 10.1006/obhd.2000.2893.
- Babin, B.J., Astrachan, C.B., Botero, I.C., Hair, J.F., Prugl, R., Herrmann, J.L., & Sarstedt, M. (2017). From family identity to family firm image and reputation: exploring facets of the perception of family influence in branding, marketing, and other messaging. *Journal of Family Business Strategy*, 2(8), I-III. DOI: 10.1016/S1877-8585(17)30125-0.
- Barnett, T., Eddleston, K., & Kellermanns, F.W. (2009). Business owners' role salience, career satisfiers, and performance-related outcomes in family versus non-family firms. *Family Business Review*, 22(1), 39-52. DOI: 10.1177/0894486508328814.
- Berrone, P., Cruz, C., & Gomez-Mejia, L. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review*, 25(3), 258-279. DOI: 10.1177/0894486511435355.
- Bratianu, C. (2010). A critical analysis of Nonaka's model of knowledge dynamics. *Electronic Journal of Knowledge Management*, 8(2), 193-200.
- Bratianu, C. (2011). A new perspective of the intellectual capital dynamics in organizations. In Vallejo-Alonso, B., Rodriguez-Castellanos, A., & Arregui-Ayastuy, G. (Eds.), *Identifying, measuring, and valuing knowledge-based intangible assets: new perspectives* (pp.1-21). Hershey, NY: IGI Global.
- Bratianu, C. (2013). Nonlinear integrators of the organizational intellectual capital. In Fathi, M. (Ed.), *Integration of practice-oriented knowledge technology: trends and perspectives* (pp.3-17). Heidelberg, DE: Springer.
- Bratianu, C., & Bejinaru, R. (2019). The theory of knowledge fields: a thermodynamics approach. *Systems*, 7(2), 20. DOI: 10.3390/systems7020020.
- Bratianu, C., & Bejinaru, R. (2020). Knowledge dynamics: a thermodynamics approach. *Kybernetes*, 49(1), 6-21. DOI: 10.1108/K-02-2019-0122.
- Chirico, F., & Salvato, C. (2008). Knowledge integration and dynamic organizational adaptation in family firms. *Family Business Review*, 21(2), 169-181. DOI: 10.1111/j.1741-6248.2008.00117.x.
- Collins, L., & O'Regan, N. (2011). The evolving field of family business. *Journal of Family Business Management*, 1(1), 5-13. DOI: 10.1108/20436231111122245.
- Cunningham, J., Seaman, C., & McGuire, D. (2016). Knowledge sharing in small family firms: a leadership perspective. *Journal of Family Business Strategy*, 7(1), 34-46. DOI: 10.1016/j.jfbs.2015.10.002.
- Davenport, T.H., & Prusak, L. (1998). *Working knowledge: how organizations manage what they know*. Boston, MA: Harvard Business School.
- Dessi, C., Ng, W., Floris, M., & Cabras, S. (2014). How small family-owned businesses may compete with retail superstores: tacit knowledge and perceptive concordance among owner-managers and customers. *Journal of Small Business and Enterprise Development*, 21(4), 668-689. DOI: 10.1108/JSBED-02-2014-0025.
- Druker, P., & Nakauchi, I. (1998) *Asia, the challenge of transition*. Milano, IT: Guerini e Associati.
- Dyer, W.G. (1994). Potential contributions of organizational behavior to the study of family-owned businesses. *Family Business Review*, 7(2), 109-131. DOI: 10.1111/j.1741-6248.1994.00109.x.

- Easterby-Smith, M., Jackson, P., & Thorpe, R. (2015). *Management and business research* (1st ed.). Los Angeles, CA: Sage.
- Gupta, V., & Levenburg, N. (2012). Cultures, ideologies and family businesses. *Journal of Family Business Management*, 2(1), 57-75. DOI: 10.1108/20436231211216420.
- Hall, A., Melin, L., & Nordqvist, M. (2001) Entrepreneurship as radical change in the family business: exploring the role of cultural patterns. *Family Business Review*, 14(3), 193-208. DOI: 10.1111/j.1741-6248.2001.00193.x.
- Harris, D., Martinez, J.L., & Ward, J.L. (1994). Is strategy different for the family-owned business? *Family Business Review*, 7(2), 159-174. DOI: 10.1111/j.1741-6248.1994.00159.x.
- Hoffman, J., Hoelscher, M., & Sorenson, R. (2006). Achieving sustained competitive advantage: a family capital theory. *Family business review*, 19(2), 135-145. DOI: 10.1111/j.1741-6248.2006.00065.x.
- Ipe, M. (2003). Knowledge sharing in organizations: a conceptual framework. *Human Resource Development Review*, 2(4), 337-359. DOI: 10.1177/1534484303257985.
- Le Breton-Miller, I., & Miller, D. (2006). Why do some family businesses out-compete? Governance, long-term orientations, and sustainable capability. *Entrepreneurship Theory and Practice*, 30, 731-746. DOI: 10.1111/j.1540-6520.2006.00147.x.
- Le Breton-Miller, I.L., Miller, D., & Steier, L.P. (2004). Toward an integrative model of effective FOB succession. *Entrepreneurship Theory and Practice*, 28(4), 305-328. DOI: 10.1111/j.1540-6520.2004.00047.x.
- Lefter, V., Bratianu, C., Agapie, A., Agoston, S., & Orzea, I. (2011). Intergenerational knowledge transfer in the academic environment of the knowledge-based economy. *Amfiteatrul Economic Journal*, 13(30), 392-403.
- Levenburg, N.M. (2006). Benchmarking customer service on the internet: best practices from family businesses. *Benchmarking: An International Journal*, 13(3), 355-373. DOI: 10.1108/14635770610668839.
- Levitt, B., & March, G.J. (1988). Organizational learning. *March Annual Review of Sociology*, 14, 319-340.
- Liebowitz, B. (2011). *The family in business: the dynamics of the family-owned firm*. New York, NY: Business Expert Press.
- Malhotra, N.B., & Wills, D.P. (2012). *Marketing research book* (4th ed.). Edinburgh, UK: Pearson.
- Musial, K., Budka, M., & Blysz, W. (2013). Understanding the other side—the inside story of the INFER Project. In Howlett, R.J., Gabryś, B., Musial-Gabrys, K., & Roach, J. (Eds.), *Innovation through Knowledge Transfer 2012* (pp.1-9). Berlin, DE: Springer.
- Nag, R., Corley, K.G., & Gioia, D.A. (2007). The intersection of organisational identity, knowledge, and practice: attempting strategic change via knowledge grafting. *Academy of Management Journal*, 50(4), 821-847. DOI: 10.2307/20159892.
- Nonaka, I., & Konno, N. (1998). The Concept of “Ba”: Building a foundation for knowledge creation. *California Management Review*, 40(3), 40-54. DOI: 10.2307/41165942.
- Nonaka, I., & Takeuchi, H. (1995). *The knowledge-creating company: how Japanese companies create the dynamics of innovation*. New York, NY: Oxford University Press.
- Nonaka, I., Toyama, R., & Konno, N. (2000). SECI, Ba and leadership: a unified model of dynamic knowledge creation. *Long Range Planning*, 33(1), 5-34. DOI: 10.1016/S0024-6301(99)00115-6.
- Pistrui, D., Welsch, H.P., & Roberts, J.S. (1997). The [re]-emergence of family businesses in the transforming Soviet Bloc: family contributions to entrepreneurship development in Romania. *Family Business Review*, 10(3), 221-238. DOI: 10.1111/j.1741-6248.1997.00221.x.
- Polanyi, M. (1983). *The tacit dimension*. Gloucester, MA: Peter Smith.
- Sanchez, R., & Sanchez, R. (2003). *Knowledge management and organizational competence*. Oxford, UK: Oxford University Press.
- Schoenenberger, E. (1997). *The cultural crisis of the firm*. Oxford, UK: Blackwell.
- Snyder, J., & Lee-Partridge, J.E. (2013). Understanding communication channel choices in team knowledge sharing. *Corporate Communications: An International Journal*, 18(4), 417-431. DOI: 10.1108/CCIJ-03-2012-0026.

- Trevinyo-Rodríguez, R.N., & Bontis, N. (2010). Family ties and emotions: a missing piece in the knowledge transfer puzzle. *Journal of Small Business and Enterprise Development*, 17(3), 418-436. DOI: 10.1108/14626001011068716.
- Woodfield, P., & Husted, K. (2017). Intergenerational knowledge sharing in family firms: case-based evidence from the New Zealand wine industry. *Journal of Family Business Strategy*, 8(1), 57-69. DOI: 10.1016/j.jfbs.2017.01.001

Received: February 04, 2020

Accepted: May 17, 2020

© 2020 Faculty of Management (SNSPA), Author(s). This is an open-access article licensed under the Creative Commons Attribution-NonCommercial-NoDerivs License (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).