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# OWNERS' PERSPECTIVES ON KEY INTERNAL FACTORS FOR A FAMILY BUSINESS GENERATIONAL TRANSITION: THE CROATIAN CONTEXT

## ABSTRACT

**Purpose:** Generational transition presents a significant challenge for family businesses in Croatia, where most entrepreneurs are encountering succession for the first time. This study explores internal factors that influence the transition process from the perspective of family business owners.

**Methodology:** This research uses a mixed-methods approach, combining a questionnaire completed by 35 family business entrepreneurs with a focus group involving 6 entrepreneurs at various stages of generational transition.

**Results:** Most entrepreneurs recognize the importance of succession but tend to treat it as a one-time event rather than as a structured, long-term process. A significant number of them lack formal succession plans and rely on informal decision-making, shaped more by family dynamics than by strategic considerations. Furthermore, generational transition is often postponed until a "right moment", reflecting a reactive rather than proactive approach driven by emotional ambivalence, fear of identity loss, and uncertainty about successors' motivation and readiness.

**Conclusion:** Successful succession requires more than structural planning; it demands recognition of the deeply personal, emotional and cultural dimensions of a family business environment, along with more responsive and human-centered support systems. The findings show that the older generation's delay in initiating succession is not primarily due to a lack of knowledge, but instead arises from emotional ambivalence, fear of identity loss, and uncertainty about the younger generation's motivation. This emotional reluctance highlights a significant gap in existing support structures, which often focus on legal, financial, or educational aspects, while neglecting the psychological and relational support essential for a successful transition.

**Keywords:** Generational transition, family businesses, internal factors, owners' perspective, Croatian context

## 1. Introduction

Among older generations of entrepreneurs, there are psychological barriers that hinder timely planning of generational transitions. Although entrepreneurs are aware of the benefits of timely planning, psychological barriers, most often associated with fear of their own mortality, frequently deter them from taking action and jeopardize the continuity of the family business they have built themselves (Lansberg, 1988; Duh et al., 2006). By accepting the need to plan a generational transition, one accepts one's own mortality. This is extremely difficult for individuals who have spent much of their lives as family entrepreneurs, living with the belief that they control their own destiny. By managing the business, they manage their own fate, as they see the company as an integral part of their identity. Additionally, they believe they control the fate of their family, their employees, and their employees' families. Entrepreneurs perceive the loss of such power, or at least the perception of such power in the business, as a threat to their position within the family as well (Handler, 1994).

The loss of power poses a significant problem for the entrepreneur and discourages them from planning a generational transition. At the same time, the entrepreneur's children, traditionally regarded as the natural successors of the family business, are entering adulthood. The challenges of growing up, which include starting their own young families, developing their careers, and the need for financial independence and autonomy, often conflict with the interests and goals of other stakeholders connected to the business, especially the older generation of entrepreneurs. If the conflicting interests and goals of the main stakeholders in the generational transition are not acknowledged and properly managed, the sustainability of the family business across generations becomes questionable. Generational transition is not feasible without a family successor who is ready to take over ownership and management of the family business from the older generation, and a business owner who is willing to hand over the company to the younger generation.

Since the owner's willingness to hand over the company to the next generation of successors is the first and most essential prerequisite for implementing a generational transition, this research will be dedicated specifically to the issue of generational transition from the perspective of the family business

owner who must make the decision to withdraw from the company, and to the preparation of the younger generation to assume a leadership position in the family business. The aim of this study is to deepen the understanding of the generational transition process as well as the accompanying dilemmas and uncertainties by identifying the factors that influence or may influence the generational transition process in the future, from the perspective of family business owners.

## 2. Literature review

This section of the paper provides a literature review on generational transition in family businesses. The following subsections provide a theoretical and contextual analysis of generational transition in family businesses and identify the factors affecting this process. The section begins with basic information about business transfers to establish a foundation for understanding a specific form of leadership and ownership change - generational transition. Although succession within family businesses is the primary focus, the literature review adopts a broader scope to capture the wider context, challenges, and frameworks relevant to business transfers in general.

### 2.1 Business transfers

According to the European Union, a business transfer refers to the transfer of ownership of a company to another person or legal entity, thereby ensuring the continuity of the company's existence and business operations (Mezulić Jurić & Alpeza, 2017). This process constitutes a fundamental phase in the life cycle of a company. Nevertheless, various legal, financial, tax-related, organizational, and emotional factors can pose significant obstacles, making the transfer of ownership challenging for many businesses. Business transfers are increasingly recognized as vital for ensuring economic continuity, particularly within the small and medium-sized enterprise (SME) sector. As a growing number of business owners approach retirement age, the implementation of effective transfer mechanisms becomes essential for preserving employment, maintaining supply chains and supporting local economies (European Commission, 2013).

Unlike start-ups, business transfers involve pre-existing operational structures, assets and customer bases. However, they tend to be more complex than

start-ups due to challenges such as emotional attachments, succession planning and legal or fiscal complications (Ip & Jacobs, 2006). These complexities are especially pronounced in family-owned businesses, which represent a substantial portion of SMEs across Europe. Approximately 450,000 companies, employing around 2 million people in the European Union, undergo ownership transfers each year. Alarming, around 150,000 of these businesses fail to adequately address the challenges inherent in the transfer process, thereby placing roughly 600,000 jobs at risk (Mezulić Jurić & Alpeza, 2017).

Although a business transfer represents a critical and complex phase in the life cycle of any enterprise, it is mostly associated with family businesses, which are particularly vulnerable during this process due to the overlap between ownership, business and family relationships (Tagiuri & Davis, 1982). Sharma et al. (2003) emphasized that family businesses often lack formal succession plans, instead relying on informal mechanisms that jeopardize continuity. Other scholars have identified psychological and interpersonal barriers, such as founders' reluctance to relinquish control or intergenerational conflict, as key components to successful transitions (De Massis et al., 2008). No matter what factors appear as barriers to successful business transfers, considering the importance of this process—especially in SME economies—overcoming these barriers seems essential for preserving economic value and employment.

## 2.2 *Generational transition in family businesses: A theoretical and contextual analysis*

Family businesses constitute a dominant economic force in both developed and transitional economies. In the European Union alone, nearly 23 million SMEs generated €3.9 trillion in added value and employed approximately 90 million people in 2015 (Mezulić Jurić & Alpeza, 2017). Given their economic significance, particularly in countries such as Croatia where family businesses account for over 50% of SMEs, the sustainability of these enterprises is of critical importance (Alpeza & Peura, 2012). Despite their contribution, intergenerational succession remains one of the most precarious phases in the life cycle of family businesses. Globally, research indicates that only 30% of family businesses successfully transition to the second generation, and fewer than 15% reach the third (Morris et al., 1996). This pattern of decline is common across

different cultures, reflected in proverbs that say that “wealth does not survive three generations”.

Donnelly (1964) was among the first to highlight the need for a distinct research focus on family businesses, recognizing their unique structures, objectives, and challenges. His foundational definition of businesses involving at least two generations of a family with direct influence over operations remains relevant. However, contemporary scholarship has expanded this view, framing family businesses as complex systems shaped by identity, emotion, and social dynamics (Tagiuri & Davis, 1982; Sharma, 2003). Scholars have increasingly turned attention toward understanding why many first-generation businesses fail to outlive their founders (e.g., Lansberg, 1988). During the 1990's, researchers like Morris et al. (1997) developed models to examine the determinants of successful succession, emphasizing the importance of structured planning.

The transition process has been conceptualized as a phased sequence comprising vision development, successor training, candidate selection, and leadership handover, as articulated by Le Breton-Miller et al. (2004). Historically, scholarly focus tended to concentrate on tangible aspects of the transfer process, such as legal, financial, and operational factors. More recently, however, there has been a growing recognition of the importance of psychological and emotional dimensions. Early contributions by Lansberg (1988) highlighted the psychological barriers that impede succession, using case studies of prominent family businesses to examine leadership transitions.

Weesie (2017, p. 58) identified several psychological barriers that inhibit succession planning, including: “(1) fear of mortality; (2) anxiety related to retirement and existential void; (3) difficulty in selecting among children as heirs; (4) jealousy and rivalry among potential successors; (5) role changes and perceived loss of authority; (6) resistance to formal succession planning; and (7) mistrust toward potential successors”. These psychological obstacles, though intangible, play a decisive role in the outcome of business transfers. For example, fear of identity loss or diminished purpose after retirement can hinder founders from initiating or completing the transition process (Weesie, 2017; DeTienne, 2010; Kets de Vries, 2003).

Such psychological states cannot be adequately addressed through conventional organizational

planning alone. Although these factors are often invisible, they are integral to the success or failure of intergenerational succession. Therefore, effective planning must incorporate emotional and symbolic elements that influence decision-making and continuity.

### 2.3 Factors affecting generational transition in family businesses

Scholars studying family entrepreneurship have employed various theoretical frameworks to explain the forces that shape competitive advantage and influence the success of generational transitions. Several key theories illuminate these dynamics.

Agency Theory addresses potential conflicts of interest within family businesses, particularly the founder's reluctance to transfer control (Jensen & Meckling, 1976; Schulze et al., 2001). The Behavioral Agency Model expands on this framework by considering non-financial goals, such as emotional attachments and identity concerns, that may compromise rational decision-making in succession planning (Wiseman & Gomez-Mejia, 1998; Gomez-Mejia et al., 2007). In contrast, Stewardship Theory posits that family members often act as intrinsically motivated stewards who prioritize long-term organizational interests over personal gain (Davis et al., 1997).

Recent literature emphasizes the importance of involving stakeholders early to anticipate their needs and develop timely policies, especially in family business succession. Building on Freeman's stakeholder theory (1984), Sharma (2003) criticizes the view of family businesses as homogenous and advocates for individualized stakeholder maps to identify roles and expectations of family members, employees, and owners. This approach is grounded in Systems Theory, particularly Tagiuri and Davis's (1982) three-circle model, which highlights the dynamic interaction of family, business, and ownership subsystems in shaping succession outcomes.

Building on the systemic and stakeholder perspectives, the Resource-Based View (RBV) further enriches the understanding of generational transition by emphasizing the transfer of unique, company-specific assets that underpin competitive advantage. While Systems Theory and stakeholder frameworks focus on the relational and structural dynamics within family businesses, RBV directs attention to the critical role of intangible resources, such as tacit

knowledge, social capital, and reputational goodwill in ensuring continuity and long-term success during succession (Barney et al., 2001). These assets, typically rooted in the owner's personal experience and social networks, necessitate careful and intentional transfer to the next generation. Thus, RBV complements the broader theoretical discourse by highlighting that management of both relational and resource-based factors is essential for a successful generational transition in family firms.

Based on these conceptual models, De Massis et al. (2008) identify five categories of factors influencing generational transitions, i.e. individual, relational, financial, environmental, and process-related:

- Individual factors concern the personal characteristics, motivations, and preparedness of stakeholders directly involved in succession.
- Relational factors pertain to the quality of interactions and levels of trust between stakeholders.
- Financial factors involve the availability and allocation of internal resources.
- Environmental factors refer to changes in the external business context, including market and regulatory conditions.
- Process factors relate to the presence of formalized procedures, routines, or practices that support succession planning.

These factors do not operate in isolation; rather, they interact in complex ways. For example, weak relational dynamics may amplify financial stress, while a volatile external environment may expose deficiencies in internal processes. Therefore, successful transitions require a systems-oriented approach that acknowledges the interplay between internal and external forces. A lack of strategic awareness regarding environmental conditions can significantly undermine transition efforts. Without a proactive approach to managing external relationships, businesses risk adopting reactive strategies that compromise long-term sustainability.

Unlike earlier research that predominantly emphasized structural or technical aspects of transition, this study focuses on internal dimensions of generational transition, particularly from the perspective of internal stakeholders, those most directly involved in and influential over the process—older generation of family business owners.

### 3. Methodology

Internal factors influencing generational transition in family businesses were identified through a multi-phase research process, combining secondary data analysis with primary research methods. The primary data were collected using a structured questionnaire and a focus group, targeting the senior generation of family business owners, who are most directly involved in making decisions about succession.

#### 3.1 Research sample and sampling criteria

The research focused on the older generation of family business entrepreneurs, defined as current family business owners aged 35 and above, since this is typically the stage when generational transition becomes a relevant consideration and continues through their gradual withdrawal from active leadership. This group was selected as a key stakeholder in the succession process. Accordingly, only family business entrepreneurs who expressed a clear interest in generational transition and were either in the phase of considering potential successors or already engaged in a later stage of the transition process were included in the study.

#### 3.2 Data collection process

The data collection process was carried out in two distinct phases. The first phase involved structured data collection through a survey designed to identify the key problems and needs perceived by the older generation of family business owners in relation to generational transition. The second phase consisted of a focus group discussion, which enabled an in-depth exploration of the causes of these issues, as well as possible approaches and roles of various stakeholders in addressing them.

##### *Phase 1: Survey method*

The first phase of the research was conducted in November 2019, in conjunction with the Family Business and Business Transfer Week (4 - 8 November 2019), organized by CEPOR - SMEs and Entrepreneurship Policy Center. The goal of this event was to raise awareness among Croatian SME owners of the importance of timely succession planning.

The survey was conducted both in person at this event and online via a link distributed through email to family entrepreneurs from the researcher's private database. The final sample consisted of 35

respondents from the older generation of family business entrepreneurs.

The questionnaire was specially designed for the purposes of this study and underwent pre-testing with 30 respondents. The pre-test included open-ended questions, lasting approximately 20 minutes per respondent, and aimed to explore key problems and needs related to generational transition. Based on these responses, as well as insights from relevant academic literature, the main thematic categories were defined and incorporated into the final instrument:

1. Individual characteristics of the older and younger generations
2. Opportunities for career development and ambition fulfillment
3. Relationships and communication with internal business stakeholders
4. Transition planning
5. Financial security
6. Stability of the business environment.

The final questionnaire was structured in three parts:

- Part 1: Demographic data, basic business information and interest in succession
- Part 2: A series of closed-ended statements on problems and needs, rated on a 5-point Likert scale (from 1 = strongly disagree to 5 = strongly agree), with an option to select "X" if uncertain
- Part 3: Two open-ended questions for further elaboration on perceived problems and needs

##### *Phase 2: Focus group method*

To gain deeper insight into the internal dynamics and contextual nuances behind the survey findings, a focus group was conducted with members of the senior generation actively considering or undergoing generational transition.

The session took place during the same Family Business Week in November 2019, lasted 60 minutes, and included six family business owners at various stages of succession. All participants were over 35 years of age and expressed a strong interest

in generational transition, making them well-suited for in-depth qualitative research.

The focus group was facilitated by one of the co-authors, who has undergone extensive training and has experience in group work, with the support of a professional moderator skilled in qualitative methods. The discussion was initiated by presenting the main survey results, followed by guided dialogue based on open-ended questions.

A detailed qualitative report was produced based on the discussion which, together with the survey results and secondary data, formed the basis for a comprehensive analysis of the internal factors affecting generational transition in family businesses.

#### 4. Results

The results of the conducted research will be presented in the following sections. The presentation begins with a general overview of respondents' attitudes toward generational transition, followed by a detailed analysis of key internal factors influencing this process from the perspective of the older generation of family entrepreneurs. The analysis brings together data from both research phases (the survey and the focus group) to present a comprehensive understanding of the internal dynamics that influence the generational transition process in family businesses. Selected quotations from participants are included to illustrate specific findings and enrich the interpretation of the data.

##### 4.1 Findings from the survey

This section presents the results of the survey aimed at identifying internal factors that influence generational transition in family businesses, based on responses from the older generation of entrepreneurs, highlighting key insights into their perceptions, challenges, and readiness for generational transition.

The survey received fewer responses than expected, despite targeting entrepreneurs with a demonstrated interest in the subject matter. Out of 110 questionnaires distributed, 41 were returned; however, 6 were excluded from statistical analysis due to incomplete or incorrect responses. Consequently, the final sample comprised 35 respondents, predominantly representing the older generation of family business entrepreneurs, with 71% identified as founders. The remaining 29% were members of the

second generation who had experienced the first generational transition.

The demographic composition included 57% males and 43% females, with an average age of 49 years (ranging from 35 to 69). The age distribution was relatively balanced: 29% of respondents were under 45 years old, 40% in their fifties, and 31% over 60. The majority of the respondents' companies were established in the 1990s (60%), with limited liability companies constituting the most common legal form (77%). Key sectors of activity included tourism and hospitality, trade, and other services (collectively 54%), followed by manufacturing (20%). Most businesses were founded based on recognized market opportunities (63%), whereas only a minority (6%) cited necessity as the primary motivation.

Regarding generational transition intentions, 57% of respondents expressed a desire to proceed with the transfer, 14% opposed it and 29% remained undecided. Those favoring succession often cited business-related reasons, such as ensuring stability and maintaining operational continuity. Conversely, respondents who were undecided or resistant frequently referenced the preferences and interests of their children as influential factors. Indecision was further associated with uncertainties about successors' capabilities and the inherent stresses of entrepreneurial life.

Despite 74% of respondents reporting multiple potential successors, generational transition is commonly deferred until a "right moment" is perceived, typically contingent upon the readiness of both generations. While 57% of respondents rated the entrepreneurial qualities of their successors positively, assessments of their knowledge and experience were comparatively lower. Nevertheless, 71% showed interest in their successors' professional ambitions and 60% valued their opinions concerning business management.

Notably, 29% of respondents admitted to postponing the decision regarding succession and only 37% had developed and openly communicated a formal succession plan. Furthermore, over 17% were uncertain about the existence of such a plan, indicating a generally low awareness of the critical importance of proactive and timely succession planning.

The final two questions of the questionnaire were open-ended, inviting entrepreneurs to share their perspectives on the challenges and needs related to generational transition within their family busi-

nesses. While some respondents noted external factors such as “economic development”, “new trends” and “procedural legal and economic issues of generational transition”, the majority emphasized internal challenges, which can be categorized as follows:

**Table 1 Challenges related to generational transition**

Challenges:	
<b>Interest and motivation of the younger generation</b>	Concerns regarding the younger generation's engagement, describing it as a lack of motivation to “actively enter the job market in general, and the family business in particular”.
<b>Emigration of potential successors</b>	Migration of successors to larger cities or abroad. As one respondent stated: “the biggest problem for me is that there is a possibility that they will move from their hometown and then they would not be able to continue doing this job”.
<b>Multiple potential successors</b>	Managing expectations and roles among several successors.
<b>Intergenerational gap and competition</b>	Differences in “professional conduct, priorities, values” and “work habits” of the younger generation. One participant expressed frustration with intra-family rivalry: “I really can't understand or follow all that male out-smarting and competition about who will win instead of cooperating so that everyone is satisfied and the whole family can move forward together”.
<b>Unique business characteristics</b>	The younger generation's “lack of knowledge of all aspects of the company and its core values”.
<b>Separation of ownership/management from operations</b>	“Exhaustion experienced by the older generation” due to excessive operational involvement, accompanied by a desire to dedicate more time to the preparation and mentoring of potential successors.

Source: Primary data collected by the authors

In addition to these challenges, entrepreneurs articulated several key needs they hope to address through successful generational transition:

**Table 2 Needs related to generational transition**

Needs:	
<b>Family harmony</b>	The importance of maintaining “the best possible result with the least possible stress”, promoting “happiness of children”, ensuring “making all successors equal in the management system” and fostering “personal development of husband and sons for more humility and service instead of arrogance and competition”.
<b>Family security</b>	Need for “a more secure financial situation for future successors” along with “safety and stability for all”. One entrepreneur noted: “if the family business became a safe place for the successor where he could realize his ideas, make mistakes, learn and develop, then there would be no worries about what would happen to the company after my retirement”.
<b>Job security and professional development</b>	Maintaining “a positive working atmosphere and profitable business” was critical, alongside ensuring “business training and education of successors”, “quality education and experience of the younger generation” and the need for “young forces in the business, someone who will bring new ideas and try to implement them”. One respondent highlighted the operational challenge, stating: “organize production better with less direct personal involvement to facilitate an easier transition to the younger generation”.
<b>Preservation of family business tradition</b>	Desire “to make potential successors interested” and “to make someone interested in entrepreneurship”.

Source: Primary data collected by the authors

A pervasive concern among respondents was the uncertainty surrounding the successors' ability to take over the business, succinctly captured by one participant's comment: "How can we be sure that they will be able to do it?" This fear touches on deeper worries about preserving family harmony, ensuring business stability, and maintaining the continuity of a family legacy.

Many of the undecided entrepreneurs placed family interests above business priorities, with their decisions regarding generational transition often shaped by the successors' motivation and their own challenging experiences in entrepreneurship. The absence of a defined timeline for transition was widespread, with most respondents waiting for the "right moment", typically influenced by the readiness of the next generation, the owner's retirement plans, and personal circumstances.

In some cases, ownership and management transitions were planned to occur simultaneously, without sufficient preparation, which can intensify existing difficulties. Furthermore, a significant number of respondents reported not having a formal or shared transition plan. Decisions were frequently delayed due to the younger generation's perceived lack of interest, motivation or competence, as well as pronounced intergenerational differences in values and work styles.

These insights highlight the pressing need for structured support mechanisms and practical tools that can help family businesses navigate the complexities of generational transition in a more timely, confident and sustainable manner.

#### 4.2 Focus group findings

In the second phase of the research, a 60-minute focus group was conducted with six (6) entrepreneurs who were at various stages of the generational transition process. The objective was to deepen the understanding of internal challenges identified in the survey and to explore the potential roles of key stakeholders in addressing them. The discussion began with a presentation of the survey findings and was structured around two central insights: (1) a considerable number of respondents expressed indecision regarding the generational transition and had yet to define a clear timeline for its implementation, and (2) generational transition is predominantly perceived as an event rather than

a process, reflecting a general lack of awareness about the importance of systematic planning.

The following section presents the results of the focus group discussion, structured around two central themes:

##### 1. Many respondents are undecided about the generational transition and the timing of its implementation—causes and consequences.

Participants identified that the uncertainty and indecision surrounding generational transition stem from factors involving three main groups:

- Older generation of owners: They remain highly engaged in daily operations and often see no reason to pass the leading role in business. Succession is perceived as a voluntary choice rather than an obligation. Additionally, they report limited time available to focus on transition planning and express a desire for their children to experience a less stressful professional life.
- Potential successors: Many show a lack of interest and insufficient passion for the family business. They also lack adequate knowledge of the business and industry, which impedes their readiness to assume leadership roles.
- Family business: The businesses face operational uncertainties during the transition period and are generally unprepared for succession. They rely heavily on informal organizational structures that heavily depend on the active involvement of the owners, making the transition more complex.

These interconnected challenges collectively contribute to persistent indecision and hinder the timely development of a clear and structured generational transition plan.

The older generation of respondents acknowledges resistance to external pressures encouraging their retirement, expressing that they do not feel ready to step down despite such expectations. As one owner stated: "even though I belong to the well-known group aged over 60, I absolutely do not feel that it is time for me to retire". The older generation highlights that they are currently experiencing peak productivity in the business, as their children have become more independent, allowing them to devote greater attention to work. However, they observe a noticeable lack of passion in the younger generation and

express reservations about their readiness, which they attribute to differing values and personalities. While recognizing that their deep involvement in daily operations hinders the effective preparation of successors, they find it challenging to change long-established work habits. They prefer to leave the decision about the generational transition to their children, understanding that their motivations differ from those of the founders. Despite these concerns, they maintain a positive view of their children's entrepreneurial spirit and remain supportive of their initiatives, especially given the uncertain future of the family business during the transition period.

2. *Understanding generational transition as an event, not a process, and a lack of awareness of the need to plan generational transition—identifying ways to solve these problems and those responsible for solving them.*

Participants commonly see generational transition as a single event, when ownership and management are officially handed over. However, they recognize that the preparation of successors is a gradual, informal process starting from birth, encompassing early involvement in the family business and informal learning through participation. Despite this understanding, they admit to insufficient systematic efforts in preparing successors, primarily due to time constraints imposed by business demands:

- Successful and growing businesses require full entrepreneurial engagement, limiting time available for succession preparation.
- Businesses facing income uncertainty demand even greater operational involvement by owners, further impeding knowledge transfer.

Entrepreneurs believe that addressing successor preparation is an internal matter, primarily the responsibility of the family and trusted employees, with minimal reliance on external institutional intervention. Respondents expressed skepticism towards state initiatives and institutions, calling for simpler, more transparent frameworks developed collaboratively with entrepreneurs.

Initiatives such as CEPOR's are positively viewed for fostering experience sharing among entrepreneurs and exposing younger generations to real-life challenges in family business succession, thus normalizing typical transition issues.

Concerns were raised about legal uncertainties, lack of transparency and corruption, which undermine core entrepreneurial values like dedication, innovation, and perseverance. These systemic issues contribute to discouragement among both current owners and their children, influencing decisions about whether to pursue entrepreneurial careers. As they emphasize, *"as long as the government and institutional structures nonchalantly cover political mistakes by imposing burdens and shifting costs onto entrepreneurs, the issue of generational transition remains a pressing concern"*, with a significant risk of further encouraging youth migration— not driven by economic necessity, but by the pursuit of dignity and opportunity.

## 5. Discussion

This research builds upon and contributes to the growing body of research on business transfer in Croatian family-owned SMEs. Two recent and relevant studies provide an important reference point. The first study is Business Transfer Barometer Croatia (Mezulić Jurić & Alpeza, 2017), which offers an overview of the state of business transfers in Croatia. The second study is the comparative research by Alpeza et al. (2018) titled "The Challenges of SME Business Transfers: The Evidence from Croatia and Finland." This study aimed to explore and compare the attitudes of entrepreneurs aged 55 and older in Croatia and Finland toward business transfer, with the goal of offering policy recommendations to enhance the effectiveness of national business transfer ecosystems. Both studies highlighted lack of timely planning for generational succession, the postponement of decision making, and the central role of family members in the continuation of business operations.

The results of this research confirm many of the earlier findings. As in the Business Transfer Barometer Croatia report, a significant portion of business owners do not have a clearly defined or openly communicated transition plan. Only 37% of respondents in this research reported having such a plan and more than 17% are unaware of whether such a plan even exists, reflecting a low level of awareness and preparedness, which is in line with earlier insights. Furthermore, this research reaffirms the perception of generational transition as an event rather than a process and confirms that planning is often delayed until the "right moment" in which entrepreneurs,

to a large extent, do not fully withdraw from their leadership role but continue to be actively involved in the business operations, a pattern also observed by Mezulić Jurić & Alpeza (2017).

However, this research also introduces some important new elements. Notably, it offers a more nuanced, qualitative perspective into the internal emotional and interpersonal dynamics that shape succession decisions, which is an area underexplored in prior research. While Alpeza et al. (2018) found that 61% of business owners aged 55+ expect to be succeeded by a family member, this research reveals a greater degree of uncertainty: although 57% express a desire for generational transition, 29% remain undecided and 14% are opposed to this idea. This discrepancy suggests a gap between expectations and actual succession readiness, possibly influenced by rising concerns about successor motivation, emigration, and generational value misalignment.

In addition, this research draws attention to broader socio-cultural and systemic issues that indirectly affect succession, such as distrust in institutions, legal uncertainty, and perceived devaluation of entrepreneurial effort. These were not as prominently addressed in earlier studies yet appear to significantly influence both the older generation's willingness to initiate succession and the younger generation's desire to engage in family business. The findings also emphasize that although technical and legal aspects of succession are important, emotional security, family cohesion, and successor interest are equally, if not more, influential in determining outcomes.

As emphasized in the study by Alpeza et al. (2018), a significant number of entrepreneurs (65%) expect support in the business transfer process; however, they tend to underutilize available expert support and often seek professional guidance too late in the business transfer process. This delayed engagement can hinder the development of a structured and timely succession plan, potentially increasing the risks associated with the transition. This research points to the importance of peer learning and entrepreneurial community support, with research participants valuing initiatives like the Family Business Week and CEPOR's programs more than institutional interventions. This reinforces the call for bottom-up, experience-based learning models as complementary tools to policy frameworks. While confirming many earlier findings about business transfer in Croatia, this research adds valuable

depth by focusing on the emotional, relationship-based, and value-driven aspects of generational transition. It offers a more complete picture of the challenges family businesses face and the types of support they may need.

## 6. Conclusion

This research offers several original contributions that go beyond reaffirming previously recognized challenges in generational transition. By combining survey research with focus group discussions, this research provides a more comprehensive understanding of how family business owners in Croatia perceive and manage the process of generational transition. Unlike earlier research that predominantly emphasized structural or technical aspects, this study reveals the critical impact of emotional readiness, value alignment, and interpersonal dynamics on succession outcomes.

Importantly, the research emphasizes a key insight that the older generation's delayed decision making often stems not from a lack of knowledge, but from emotional ambivalence, fear of identity loss, and uncertainty about successors' motivation. This emotional hesitation highlights a significant gap in existing support systems, which tend to focus on legal, financial or educational tools, while neglecting psychological and relational support necessary for successful transitions.

Moreover, this study draws attention to a disconnect between entrepreneurs' needs and the existing support ecosystem, particularly in terms of awareness, accessibility and the relevance of available institutional measures. The findings suggest that entrepreneurs favor informal, peer-based learning environments and trust-building platforms that are mostly absent from the current policies and institutional programs.

Ultimately, this research highlights that successful generational transition is not merely a matter of planning and policy but a deeply personal, value-driven process that highlights the need for support systems that take into account emotional, cultural, and relationship-based aspects of family businesses. For future initiatives, this calls for the development of more empathetic, trust-based approaches and the creation of such support ecosystems that bridge formal institutional efforts with informal, experience-sharing platforms among entrepreneurs.

One of the key limitations of this research was the difficulty in identifying and recruiting motivated respondents across different stages of the research. A considerable amount of time and effort was required to locate and motivate participants to engage in the research process. Additionally, individual experiences of the respondents may have influenced the findings. Specifically, participants tended to prioritize and assign greater importance to factors that had direct and significant consequences for their own experiences and family businesses, while potentially overlooking other factors of equal relevance that did not resonate as strongly with their personal or business contexts. This subjectivity may have affected the comprehensiveness and generalizability of the results. Although the empirical research was conducted in late 2019, its conclusions remain highly relevant. The main challenges of generational transition in family businesses identified by this research are deeply rooted and persist over time. Recent developments, including economic

uncertainty and shifts in the business environment, have only reinforced the need for more nuanced, emotionally aware support systems. Furthermore, recent studies in the Croatian context confirm that many of the identified barriers and gaps in institutional support still exist and the effects and consequences of youth migration and its impact on the generational transition process are yet to fully unfold. Together, these developments highlight the ongoing relevance and practical significance of this research.

Future research should focus on identifying the challenges of cross-sectoral cooperation and analyzing good practices from other countries to provide comprehensive support for family businesses in the process of generational transition.

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