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FAMILY BUSINESS SUCCESSION: EVOLUTIONARY ECONOMICS APPROACH

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This study analyses family business continuity from founder generation to the 2nd generation in terms of succession in the context of evolutionary economics. Two literature bases; family business succession and evolutionary thinking in organisational and economic change, are reviewed and combined to provide insights to understand the nature of family business succession. Operation of the key evolutionary forces — variation, selection, retention and struggle — in family business succession are illustrated. Regarding variation, there is a concern for understanding the importance of having enough diversity within the family firm, since this diversity of routines and competences comprises the pool of variation from which to select when the environment changes. With regards to selection, there is a concern for understanding the risk of selection bias easily rooted in the family firm culture: are some variations favoured in the selection of operating, investment and search routines because of family relations, emotions and values, including decisions on who will succeed and who will own the firm in the future. Elaboration and investigation of these concepts may help to identify special characteristics of the "family firm species" that are either beneficial or risky for the survival in the evolutionary struggle.

Keywords: Family business; succession; evolutionary economics; routines.

INTRODUCTION

The aim of this theoretical study is to understand succession adopting an evolutionary economics approach. Family business succession has previously been analysed in the context of choosing the successor or training the successor (e.g. Brockhaus, 2004, 166–167). The authors attempt to formulate a theoretical framework for assessing succession issues by combining evolutionary thinking about organisations, and succession literature in family firms. In this study we try to understand succession in the framework of evolution. At the same time, new knowledge regarding the role of family dynamics may be acquired. This is needed, since, as Dyer (2003, 402) states, the family has been “a neglected factor” in business research. More information on how succession affects and changes the family as a social unit within a business context could be achieved in future research with the help of this kind of a framework.

Kellermanns and Eddleston (2006, 822) suggest that family business change, success, failure and survival in diverse succession environments must be analysed more carefully in future studies. As Zahra, Hayton and Salvato (2004, 375) mention, family business culture as intergenerational cycles must be studied more in family business research. More knowledge on the development of family enterprises in the context of the life-cycle approach is needed. Evolutionary economics can be an appropriate approach to enhance knowledge on succession cultures in the context of life-cycles, changes and patterns of evolution, since it is focused on change. Some attempts to analyse succession models and patterns have been conducted (see for example Murray, 2003, 27), but an evolutionary economics approach has not been used in family business research. Change and evolution are prerequisites for entrepreneurial behaviour and entrepreneurship (see for example Hoy, 2006, 831). Succession is one important stage in the life cycle of a family firm.

Evolutionary economics is a school of economics, which investigates changes of the socio-economic system by utilising the concepts of sociobiology in explaining the changes in structures and conduct of the organisations and economies. Evolutionary economics analyses drivers of changes, which are not considered to be deterministic in nature, but open-ended and complex processes characterised by heterogeneous agents and bounded rationality. As such, the focus is on the change of socio-economic systems and the actors within these systems (Nelson and Winter, 1982).

Family business succession characteristics which will be debated in this study are presented in Table 1. Their qualities and possible implications are illustrated in the framework of the evolutionary processes. Individual firms have different sensitivities towards external selection pressures like competition and administrative-legal obligations. In general, firms that have improved their fit with the environment are rewarded by profitability and additional resources from that environment and, consequently, they will grow more than unprofitable firms. When competition is the key driver in the struggle for these resources to grow and to survive, the ability to grow may be sometimes one of the challenges of small family firms. If the family firm

Table 1. Introduction to Variation, Selection and Retention in Family Business Succession.

Family Business Succession Characteristics	Possible Implications on Family Business Succession in the Evolutionary Thinking		
	VARIATION	SELECTION	RETENTION
Successors need to build expertise and career outside of the family business before entering it (Garcia-Alvarez *et al*., 2002)	Successors become more capable for a turnaround strategy and can bring in new routines	Successors become more capable for evaluating the usefulness of various features of the firm's operations	Beneficial routines and practises can be successfully maintained as a part of the corporate culture and management
Founder centrality can cause risks such as the threat of losing social capital and resources (Bamford *et al*. 2006)	Changes are threats for founders who are not willing to plan succession	Selection becomes biased when part of the alternatives becomes neglected	Harmful practises may be retained; succession may be delayed; problems in transfer of knowledge to the next generation
Generational shadow can prevent succession (Davis and Harveston, 1999)	Changes are resisted and founder controls ownership and management of the family business; "everything will remain the same"	Successor is selected among "insiders" — founder still holds the power in family business	Ownership, management and decision-making power is not transferred to the next generation genuinely in due time
"Familiness" as a family business social culture (Ensley and Pearson, 2005)	Variation is enriched because shared knowledge can enhance innovations	Family business can handle the possible succession conflicts more smoothly	Open-minded family business values are successfully transferred to the next generation
Strategic planning (Mazzola *et al*., 2006) and next generation training takes decades in family business	Building a career as a next generation member outside and inside the family business creates new resources	Succession as a portfolio solution, observing environmental fit: capable persons and appropriate competences	Succession planning can transfer unique knowledge and customer relationships from one generation to another
Succession conflicts can prevent family business continuity (Kellermanns and Eddleston, 2004)	Open discussions are avoided, all changes are threats for the family business	Succession conflicts can prevent rational decision-making in important choices	Delayed or unrealised succession may lock-in an un-optimal status quo within the firm

Table 1. (*Continued*)

Family Business Succession Characteristics	Possible Implications on Family Business Succession in the Evolutionary Thinking		
	VARIATION	SELECTION	RETENTION
Founder's and successor's will and motivation maintain succession (Pyromalis *et al.*, 2006)	Beneficial variation is possible due to active relationship management	Things to be changed or maintained may become evaluated by both generations together	A thorough double-evaluation of the succession will leave the successor(s) with optimal routines and practices
Succession should be based on commitment (Sharma and Irving, 2005)	Commitment should allow critical evaluation of the current routines and practices and give room for changing them	Neglecting committed and capable employees and family members in selecting successors can cause survival risks in the long run	Commitment to allowing review of routines and practices to be maintained indicates good business understanding
Succession is based on transferring expertise and ownership from one generation to another (Chrisman *et al.*, 2005)	An appropriate degree of ownership and feasible domain of expertise remain inside the family	Ownership and expertise are maintained in a way that observes future needs (resource pool, competences)	Ownership and expertise is appropriately transferred — financially, professionally and managerially
Knowledge is transferred in succession (Cabrera-Suarez *et al.*, 2001; Perricone *et al.*, 2001)	Also the important tacit knowledge should be transferred, adding to the pool of knowledge of the successor(s)	Successor(s) will have the knowledge of the founder(s) in the pool of options to choose from	Not just codified but also appropriate tacit knowledge becomes transferred through training, decision-making and behavioural assimilation
Succession influences factors such as family harmony, trust, personal needs alignment, willingness to take over, preparation level of the successor and relations between generations (Venter *et al.*, 2005)	Possible variation may remain low and become managed by emotions than business needs	Selection may be conducted within the interaction between generations rather than in a market test	Misinterpreted family business values and business practices may become transferred in the succession interaction process

is part of an industry entering the stage of growth or shakeout, the inability to react appropriately to this stage can make it vulnerable to environmental selection. Opting for preservative routines or unwillingness to give shares to non-family members could be reasons for this inability and vulnerability. Again, succession may provide an opportunity to evaluate these kinds of vulnerability factors and, if necessary, adapt and make changes.

To understand the theoretical initiatives above, the research question of this study is: *What kinds of evolutionary economic processes reflect family business succession from founder generation to the 2nd generation?* On a practical level, this study gives initiatives for consulting family businesses on the basis of evolutionary economics thinking. Succession can be analysed as patterns of evolutionary changes. Family firms are an appropriate object of evolutionary economics studies because of the longevity and long-term focus they typically exhibit. Family firms transfer values and ownership over time.

FOUNDER CONTROLLED AND MANAGED FAMILY FIRMS

Founder controlled family enterprises are based on ownership, management and authority of the founder of the firm. Often family members work in the firm who affect decision-making and business solutions. Family dynamics plays an important role in founder-driven family firms. Successful founders are often labelled as persons who are entrepreneurial particularly in the start-up phase. Some of these persons may start businesses several times as habitual entrepreneurs. However, founders may face considerable challenges and difficulties when the firm achieves a high growth stage. A lack of growth management skills becomes an obstacle to founders who possess only start-up skills (Fischer and Reuber, 2003, 348–349). This kind of founder can even be a burden for a growing family firm, when other types of skills are needed in the growth process: skills to delegate and to gather resources and to manage risks and costs of a growth firm.

Founders possessing start-up skills are often serial entrepreneurs, but like Westhead, Ucbasaran and Wright (2005, 394) described, success does not only require start-up skills but also unique experience and tacit knowledge to manage the family business in the long run. Founders who manage to run a business for years can possess skills that promote stability but they do not necessarily have the skills to manage a fast-growth business. Founders can be characterised as entrepreneurs who focus on strategy, achievements, inventions and family traditions (Garcia-Alvarez and Lopez-Sintas, 2001, 224). A founder's leadership style and personal characteristics affect succession planning and management. Successors need to build their own career in and outside the family business to be prepared for future challenges in managing and leading the family enterprise (Garcia-Alvarez, Lopez-Sintas and Gonzalvo, 2002, 202).

Motivation to start one's own business can be multidimensional. Often motives such as being self-employed and a desire for independent decision-making and work can attract one to start a business (Pinfold, 2001, 283). Among Pinfold's motivational factors, the family welfare can be regarded as one of the motives explaining also the family business growth process. Successor's intention to continue the family business can be also influenced by the presence of a role model within the family. Often, like Garcia-Alvarez, Lopez-Sintas and Gonzalvo mention (2002, 200), siblings share ownership and management as successors. Family socialisation creates commitment to family business and an intention to continue the business together. At the same time, competition between siblings can split a family business into new start-ups. As such, this socialisation-based and emotion-based commitment is a crucial factor for the continuity of the family business.

Founder-driven family firms may become exposed to risks if the firm is too dependent on the founder's ownership, management and leadership. Loss of the founder for some reason, temporarily or permanently, can result in a reduction of social capital and resources — and consequently, a lower performance level — in a founder-dependent family business (Bamford, Bruton and Hinson, 2006, 213). The same challenges are faced in the case of succession, if there is a lack of preparation for facing the transfer of business ownership and management.

According to McConaughy and Phillips (1999, 130) founder-driven family firms are different from 2nd or 3rd generation family firms. They posit that descendant-managed and — controlled firms are more profitable than founder-driven firms. The descendant's firms create more profit for the owners of the firm, whereas founder-driven firms are seeking new market areas and expanding business operations. Like Sonfield and Lussier (2004, 191) mention, challenges faced by founders are different from those faced by successors. Along the business life-cycle over decades, the focus will change from new business creation to managing and maintaining a profitable business. Planning succession and giving up control, management and sometimes ownership may be difficult for the founders, who have built up the family business.

Family members and other stakeholders can face disagreement in family business succession. This may result in disagreement regarding appropriate management styles, leadership, strategy and personal characteristics. The “generational shadow” is a threat for the business, if the founder somehow still controls the family business after succession. The controlling position can be based on working, ownership or leadership by making or influencing one of the most important decisions in a family business (Davis and Harveston, 1999, 314). “Familiness” can exist in founder-driven family enterprises. According to Ensley and Pearson (2005, 279–280), “familiness” is something that is based on the social culture of the family business. It is a set of skills to handle the conflicts and to achieve a consensus in strategic decision-making. “Familiness” implies cohesive behaviour and shared knowledge of a family business. As such, the family dimension can be viewed both as a strength and as a weakness for a family firm.

To conclude, founder-driven firms are facing several types of challenges in planning and managing succession. Financial planning for succession and the controlling position of the founder in ownership, authority and management can result in huge challenges for successful succession of the family business. The majority of successions occur between the founder generation and members of the 2nd generation. Founder-driven family firms are entrepreneurial small- or medium-sized enterprises which can transfer generational value over time.

THE SUCCESSION CHARACTERISTICS OF FAMILY ENTERPRISES

Succession (and business transfer) generates economic impacts through taxation and employment. Survival of family firms is one of the major social and economic challenges facing the European Union (see for example Bjuggren and Sund, 2001). As Le Breton-Miller, Miller and Steier (2004, 305) state, “the succession process is often construed to encompass the actions, events, and organizational mechanisms by which leadership at the top of the firm, and often ownership, are transferred.” In the case of family business, succession is a transfer of tangible and non-tangible ownership and entrepreneurship from one generation to another. The majority of family business successions occur between the founder generation and the second generation: the more generations will pass, the more there are situations to break or reduce the family ownership. For this reason, the first succession process of a family business seems to be the most crucial and interesting one to study.

Succession is a transfer process of emotions, values and behaviour, but it also includes legal-financial transfers of financial property and ownership.

Taxation planning is essential in managing the succession process, from a financial perspective. Succession creates changes in ownership and management: sometimes it transforms a family firm into a non-family firm or vice versa (see for example Barnett and Kellermanns, 2006, 850). As Santiago (2000, 17) states, "the criteria for selecting the successor, the successor's preparation, the timing of the successor's entry into the family business, and the timing of the succession comprise the succession process". Succession is a chain of goal setting and goal achievement based on decision-making, plans and actions.

The founder of the family firm often displays characteristics of an entrepreneurial personality which is a combination of need of achievement, internal locus of control, creativity, innovativeness and social networking skills (e.g. Korunka, Frank, Lueger and Mugler, 2003, 30). It may take decades to train the next generation to acquire these kinds of abilities and tacit knowledge. Mentoring and strategic planning can make the process quicker and more flexible (on strategy and next generation, see Mazzola, Marchisio and Astrachan, 2006).

Sometimes there may be resistance to succession in family business. For example, the founder or even the siblings together can prevent succession planning and management (Ibrahim, Soufani and Lan, 2001, 255; Cadieux, Lorrain and Hugron, 2002, 27–28). Altruistic behaviour can be a barrier to succession due to inability to choose among alternatives. These kinds of family enterprises do not face succession as often as other family firms which are not dominated by altruistic behaviour. In cases of egoistic and selfish behaviour, the agency costs in controlling and monitoring family and non-family members are higher than in family firms not sharing these features (Sirmon and Hitt, 2003, 344). Succession conflicts can be avoided by early preparations and open discussions. Lack of planning and resources are threats for the succession. Inability to manage conflicts can cause failures when a family business needs to make decisions about succession (Kellermanns and Eddleston, 2004, 222–223).

Succession should be based on responsible ownership and clear communication between the founder, successor and the other stakeholders (Lambrecht and Donckels, 2006, 399). Also, successor's and incumbent's will and motivation have a crucial influence on succession. Preparing the successor and the whole family business and relationships by active relationship management is needed in order to achieve succession (Pyromalis *et al*., 2006, 431). As Miller, Steier and Le Breton-Miller (2006, 374) mention, succession can be, as they call it, "conservative", "wavering" or "rebellious". Conservative change is based on traditions, risk-avoidance and founder-generation governance. Wavering change is done in the middle of conflicts and a culturally confused family business. Rebellious change is more dramatic. In any case, the role of the founder is crucial in defining the succession pattern in a family firm.

Succession is a result of strategy, tactics, decisions, goal setting and goal achievement within a family enterprise (Steier, Chrisman and Chua, 2004, 301). Just like the organisational structure, size of the firm and size of the family carry implications for the succession characteristics. Commitment among the family members is one of the unique cultural characteristics that a family business might have. Commitment to working for the family business increases the probability of active succession planning and management (see for example Sharma and Irving, 2005, 15).

According to Klein, Astrachan and Smyrions (2005, 325) succession reflects experience in family business. F-PEC-scale on power, experience and culture describes the characteristics of family business. Family firms which face successions*achieve experience as a family business culture*. Practically, this means that a family business is more prepared to face and endure future successions as well. Like Chrisman, Chua and Sharma (2005, 564) mention, *transferring expertise and ownership from one generation to another* is the main question in all family firms which are planning or facing succession. Resources are needed to achieve the goals of the next generation. At the same time, succession is a process of knowledge and idea transfer from one generation to another (Cabrera-Suarez, Saa-Perez and Garcia-Almeida, 2001, 37; Perricone, Earle and Taplin, 2001, 119).

Steier (2001) divides family business succession into (1) unplanned and sudden succession, (2) rushed succession, (3) natural immersion and (4) planned succession with deliberate transfer of social capital. Succession can be unprepared, sudden or rushed in some specific circumstances. Planned succession is based on long-term working for the successful succession. In some cases succession occurs as a natural process as a result of the next generation working in the firm and assimilating the role models of the company. Venter, Boshoff and Maas (2005, 285) in their classification of factors that influence succession feel that the following may have a major impact on family business succession in small and medium sized firms; family harmony, rewards, trust in the successor's abilities and intentions, personal needs alignment, willingness to take over, preparation level and relation between owner-manager and successor. Le Breton-Miller, Miller and Steier (2004, 307) have analysed the literature on family business in relation to variables associated with succession. The dynamics between the founder and the successor is often discussed on the basis of trust and shared understanding about the future of the family business. Succession can cause stress and pressure for the incumbent. Giving up control and power in management and/or ownership is a demanding process for incumbents. This can complicate or even hinder succession. An incumbent's personality traits — like innovativeness and openness to new ideas and co-operation — will affect succession. On the other hand, successor's talent, motivation, skills, abilities, education and experience have an impact on how the succession succeeds. Shared vision between incumbent and successor(s) can also enhance the succession process. Family conflicts can reduce family harmony and prevent sharing of the vision. However, sometimes a turnaround strategy — following a conflict between generations — may help a family firm in the longer run. It may guarantee family business renewal and restoration of the competitive advantage.

EVOLUTIONARY CHANGE IN FAMILY FIRMS

Evolutionary economics is about change. On the one hand, the static setting and in some respects unrealistic assumptions of the neo-classical micro theory, and on the other hand, the dynamics provided by socio-biological theory have given impetus to the emergence of evolutionary thought in economics (Hodgson, 1999). The assumptions of perfect information, maximisation behaviours and full rationality of the actors have been regarded as untrue by many scholars; negated by scholars who realise that in the "real world", uncertainty and heterogeneity of agents dominate (e.g. Nelson and Winter, 1982, 24–33).

The rise of evolutionary thinking in economics has been an attempt to capture the multitude of complex phenomena in a broader and deeper way than provided by the rather static neo-classical framework. Among others, these phenomena include change processes within and between firms: innovation, growth, learning and emergence of dominant designs. Rather than spotting the location and constituencies of a certain static optimum state or equilibrium, evolutionary thinking in economics aims at producing an understanding of how the economy really evolves, how a certain sequence of things will take place, without making unrealistic assumptions about the quality of the key drivers of the operations. Briefly, an evolutionary framework deals with change of heterogeneous agents in a competitive world that is not perfect in many respects.

Evolutionary changes can happen, when one "unit" (such as a family firm) faces some challenges within a certain "population" (such as firms in a certain region or in a certain industry). In an evolutionary change four generic processes play a role: variation, selection, retention and struggle (Nelson and Winter, 1982). There must be variation for the selection process to work and this is only possible when heterogeneity and several alternatives exist. This is one of the analogies adopted from evolutionary biology: biological and socio-economic processes may, indeed, share very similar features.

In this view, also family firms are comprised of resources and *routines* that guide their behaviours in the changing and complex environment when planning or facing succession. McKelvey (1982) calls them "competence elements" (comps). Romanelli (1991, 87), however, criticizes both concepts to be empirically elusive. Nelson and Winter (1982, 16–17) define three sets of routines in their study. While the operating routines guide carrying out of the short-term activities with the current stock of resources, another set of routines guides the management of resources and capacity in line with profitability and market prospects. Sensitivity to these prospects differs among family firms and may be "inherited", and, for example, may contribute to growth rate differences between firms. Finally, a set of search routines guides the modification of the operation routines of the firm through, for example, R&D activities or imitation. An individual hierarchy of routines exists within a firm, but occasional deliberations and random effects may play a role. The world is too complicated for exact maximisation and optimisation to guide a firm's operations; it is more an iterative routine-guided process that paves the way for the future (e.g. Hodgson and Knudsen, 2004). This guidance concerns both cognitive problem solving (what and how much to produce, what skills to add) and organisational governance (hierarchy of routines).

Variation is created by intentional search operations (R&D, experimentation), but also by mistakes and random effects (exit or entry of people). At the population level, also entry of new firms increases genuine variation. When search is analogous to mutation in evolutionary biology, routines are analogous to genes. Routines exhibit stability for the *selective* forces to operate. Often a distinction is made between Lamarcian and neo-Darwinian selection, where replicators (routines) are modified only in the Lamarcian selection due to information received from their carriers, the interactors (firms). Subsequently, this altered state is passed on to successors in socio-economic systems (Knudsen, 2002, 451).

Within family business successions, there may be selection processes that either improve or weaken adaptation to the environment (e.g. more or less up-to-date strategic management procedures), decreasing or increasing diversity within the family firm. The selective forces also determine how much each family firm can extract resources from the environment in the competitive struggle, framing their conduct and survival. At the population level, the features (routines) of the surviving and successful firms will spread just as “winner-genes” in a biological population. Organisations, family firms among others, are carriers of specific sets of routines, which are an important part of the organisational memory, providing stability and structural coherence for it.

Retention of the selected, successful variation is the key to the maintenance of a competitive position. At the population level, the retention of the selected variation (routines, innovations, technologies) is provided by organisational interaction and learning (exchange of personnel, imitation); this is not perfect, however, due to errors and hostility, giving rise to new variation in the population. Also socialisation and culture have a role, when part of the selected variation becomes institutionalised at the population level; for example, the successful transformation and expansion stories increase positive attitudes towards technology and innovation.

In this view, variation is of crucial importance for family firms “living in a changing and competitive habitat”, since it introduces the ingredients of flexibility upon major environmental changes. Family firms cope with insecure and partly unknown futures due to their unique set of features. Selection and retention are based on decisions, in which features considered important to the family firms should be emphasised and those of less importance ignored.

There are several emergent features in change processes that result from the evolutionary forces. First, since the evolutionary change in the short-run is comprised of routine-guided recurrent events, the cumulative change is based on the history of the unit under observation. The routines guiding the daily operations, search for new options and longer-term size of the firm, imply that development of the firm follows a certain path of change: evolutionary change is *path-dependent*. In the neoclassical framework, the optimal size of the firm, for example, is determined by input and output prices, and technology and should jump from one equilibrium state to another with no history-bounded logic as such.

Evolutionary change is not deterministic. The interplay of the variation-selection-retention forces in a competitive and changing environment, together with bounded rationality of agents and non-perfect world with trials and errors, is an *open-ended process* that may produce many kinds of possible outcomes, rather than a certain equilibrium or optimal state for each set of preconditions. Since firms are inter-linked with each other and have a specific relation to their environment, the dynamics of the firm population exhibits also *co-evolutionary* features. All firms may mutually benefit from or be dependent on the co-existence of each other; also the change of a firm population and the environment may be co-evolutionary in nature (e.g. regional development policy or technology policy and firms covered by this policy).

Evolutionary change, by virtue, is necessarily *neither efficient nor an improvement* in the traditional sense. Some family firms may be very sensitive to the selection pressures and go out of business despite the expansion of their business sector. Since environmental selection is blind to "improvement", part of the variation meeting environmental "fitness criteria" for selection and retention is unpredictable and not under the control of a firm: evolutionary change is not necessarily a step forward in the scales of individual or social value. This kind of path-dependency can cause a situation where a certain technological innovation lock-in in the early stage of development and a *dominant design* becomes standardised for a long period of time. This kind of result, in turn, cannot always be regarded as an efficient solution (QWERTY keyboard or Microsoft software, for example; David, 1985).

In summary, though still a rather young and developing framework, the evolutionary theory of the firm and economic change has some advantages, compared to other theories. Coriat and Weinstein (1995) argue that these include an explanation of how a firm can be defined (through the set of routines and competences that the firm encompasses), an explanation to why firms differ (because they rely on a different sets of routines, which are firm-specific and cannot be transferred at a low cost) and an explanation of the dynamics of firms (through the combined mechanisms of searching and selection and the possibility of transforming a set of secondary routines into the core activity).

CONCLUSIONS

By combining the two approaches of literature (evolutionary and family business) some qualities of the evolutionary processes can be traced. The evolutionary processes may, indeed, be used to illustrate special features in family business succession. (see Table 2).

Variation within the family firm may be manipulated in many ways. It is possible that the values, practices, routines and business models of the founder are perpetuated by the successor(s). This might be due to strong

Table 2. Proposed Empirical Research Topics on Succession and Evolutionary Processes.

Evolutionary Process	Key Concerns in Family Firm Succession Management
Variation	Understanding the diversity: the risk of dominant founder-generation favouring homogeneity, the risk of neglecting variation introduced from outside the family. Understanding the family as a pool of variation, part of which may become selected at a lower risk and lower cost than external variation. (Bamford *et al.*, 2002; Sirmon *et al.*, 2003; Steier, 2001).
Selection	Understanding the risk of selection bias rooted in the family firm culture: are some variations favoured or neglected in the selection of operating, investment and search routines because of family relations, emotions and values, including decisions on who will follow and who will own the firm. Understanding the risk of specific vulnerability of the family firm for the environmental selection regarding, for example, lacking growth-oriented routines and competences within the firm in a fast-growth industry. (Ibrahim *et al.*, 2001; Cadieux *et al.*, 2002; Kellermanns *et al.*, 2004; Miller *et al.*, 2006).
Retention	Understanding family as the strength in retention of selected variation, concerning especially the retention of tacit knowledge. (Lambrecht *et al.*, 2006; Astrachan *et al.*, 2005; Chrisman *et al.*, 2005; Cabrera-Suarez *et al.*, 2001; Perricone *et al.*, 2001).

emotions of respect or obeying behaviours, or inability of the unskilled successor(s) to monitor the business environment properly. These kinds of settings may lead to lock-in situations, where the search routines are dampened or selectively directed at certain limited aspects of business opportunities or management practises (Bamford *et al.*, 2002). This is possible especially in the cases of altruistic and egoistic family business cultures (Sirmon *et al.*, 2003). Some sort of turnaround strategy adopted by the successor may alter all the routines and guarantee family business renewal with new operating routines, the resource accumulation routines and the search routines. As long as this is an implication of observing and understanding the environmental pressures and needs, this might be positive for the firm. As these considerations indicate, succession may introduce some new variation within the family firm or decrease variation in general or selectively.

The search routines are at the core of variation. Whether family firms, in general, apply these routines differently from other firms, is still undiscovered. Succession necessarily disrupts the development of a family firm and, depending on the characteristics of the succession, may have implications for the variation (Steier, 2001). It must be observed that the pool of routines existing within the firm and within members of the family forms the primary set of alternatives for management of the family firm regarding its strategy, business operations and management. If the cohesive frame of the family becomes very strong, some variation may be dismissed and the capacity of the family firm to make flexible changes will disappear. This possibility is most obvious during the succession from founder generation to second generation, when the family pool is smallest.

The owners of family firms may reduce these kinds of risks in many ways. Modern models of human resource management (including rotation, teams and incentives for new routines or business ideas), active R&D policy and intensive scan of the competitive environment may all keep up the pool of variation. An unsuccessful succession may also introduce new variation, since entry of new firms can increase variation within a certain population of family firms. Recruiting part of the key persons from outside the family may import some new "genes" into the firm and cause some "mutations" that produce beneficial variation for the selection. These intentional engagements, including blind variation (mistakes, accidents), may bring in some new features and variations.

Also *selection* of the existing variation may exhibit specific features upon succession. Within the firm, the contradicting tendencies to increase homogeneity and to increase diversity affect the internal selection. Organisational cultures favouring homogeneity over diversity may employ strategies and management practices leading to selection of routines that, at a certain point of time or in certain environmental conditions, produce positive results. A high degree of organisational stability may exist. At the other extreme, an organisational culture favouring diversity over homogeneity may lead to unfocused strategies and chaotic administrative conduct (Ibrahim *et al.*, 2001; Cadieux *et al.*, 2002). Between these two extremes there are many more feasible options to adopt. These kinds of tensions easily become accentuated in succession situations, where some ambiguity may arise regarding the organisational selection culture. The founder-generation may be strongly in favour of homogeneity and opts for selection procedures that favour out-of-date strategies and routines. For example, old operating routines can be used for decades instead of evaluating and selecting routines like growth-orientation, opportunity recognition and activeness. As such, family firms may face internal selection bias due to their very nature as "a firm of the family", by deliberately selecting variation that provides continuity of traditions rather than a visionary step into the future (Kellermanns *et al.*, 2004). Finding the correct balance regarding homogeneity and diversity in selection of the routines is an issue of critical importance for family firms. When the balance is correct from the business point of view, the critical stage includes passing these routines, and the organisational culture carrying them, to the next generation. When the balance is not correct, the succession should include a major reform of the organisational culture in order to maintain adaptive capability for environmental changes (Miller *et al*., 2006).

In brief, the theoretical conclusions suggest that succession in a family firm provides an opportune moment to evaluate the organisational selection culture. Appropriate routines and the organisational culture should be passed to the next generation, whereas obsolete routines should be abolished. The family and its stakeholders should be seen as a pool of variation, part of which may be selected at a lower risk and lower cost than external variation. However, this possibly does not meet objective demands of the environmental selection regarding, for example, growth orientation. This procedure is close to strategic management thinking, where understanding the competitive advantage and core competences of one's own firm in relation to the environment is considered. However, in the evolutionary view, this positioning and evaluation should focus especially on the routines that guide the operation, capacity management and search for new options. Are certain types of routines (operating, capacity/investment, search) favoured over other types of routines? Is this selection process feasible in the future?

The question of retention of the selected variations should be, by definition, one of the strengths of the family firms, since values, routines and ownership are transferred over time within the family. As the organisational memory consists of physical documents and human tacit knowledge, the family firm is a platform for transferring knowledge between the family members that often share many values and spend a lot of time together in the business (Lambrecht *et al*., 2006; Astrachan *et al*., 2005; Chrisman *et al*., 2005). For this reason, retention of the selected routines should occur more naturally for family firms. Retention should be less biased and more efficient in terms of time and transaction costs. Some features of organisational culture may even become socialised, when the employees work and spend their time with members of the family firm. In this sense, training of the 2nd generation is one of the key processes in preparing family firms for successions (Cabrera-Suarez *et al*., 2001; Perricone *et al*., 2001).

Evolutionary theory provides a tool for illustrating the specific features of succession in family firms in a comprehensive framework. In this paper, we have combined these two approaches of literature and formulated some first conclusions about key concerns of family business succession in the context of evolutionary economics. These key concerns provide a framework for further research so as to confirm their existence and exact qualities. Many of these key concerns are related to the positive or negative impacts of the special features of family firms when they are evaluated in the framework of evolutionary struggle for survival. Time is a key driver of family business development and the skeleton of evolutionary framework of analysis. For this reason, its use in studying various features of family business succession may bring about important empirical observations about their impact on the success of this species of firm. In any case, planning successor selection also from this point of view may support family business continuity and survival. Studying the 1st to 2nd generation succession is an especially interesting occasion to study change of family business culture, since the impact of the founder will gradually dilute as the business evolves.

Wortman (1994) called for more historical studies on family business in order to answer questions such as *how do family businesses change over time and why.* The evolutionary approach may provide a framework for understanding family business continuity and changes that take place over decades or centuries. In an education context, evolutionary economics can be utilised in family business teaching and training. The evolutionary approach can provide new methods and ways for understanding family business continuity and factors that influence family business successions. At a political level, more attention to prevent pitfalls in family business successions should be made internationally. Inheritance tax and other costs can prevent family business succession from one generation to another. Also advisory organisations could utilise the thinking elaborated in this study.

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