Intergenerational Succession (Generational Change) = Strategic Renewal? The Emergence of Familiness in the Business Life of Dudits Hotels

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Abstract
According to Lea (1998) one definition of a family business says that the family business is a venture which is undertaken for family needs; it builds on the family's abilities; it is a family hand and mind work; it is guided by ethical and spiritual values of the family; it is characterized by a family's long-term commitment, and the succession of family business depends on the heritage of the children as the value of family name. According to these criteria and the quantifiable conditions of family businesses the authors regard the Dudits Hotels Ltd as a typical family business and the authors show this hotel's case as a case study. As a theoretical starting point they referred to the system theory and resource-based approaches of a family business, to the literature milestones of familiness and to the domestic and international empirical preceding topics of family businesses succession.

Based on this theoretical background, this study analyses the manifestations of the unique resources coming from the family involvement, so-called familiness, and the effects on management, organizational and controlling functions and the corporate strategy of the intergenerational succession (generational change) presenting it and taking it under the microscope with the help of the active West Pannonian second-generation family company. During the research the used case study method allows two approaches (both the qualitative and the quantitative point of view), and the result opens the door to make a complex, using good and bad practices, emphasizing a success and failure holistic evaluation on the family business succession. It gives a starting point of the quantitative research which will focus on the domestic medium-sized enterprises.

Keywords
Familiness, family business, intergenerational succession, family involvement, strategic renewal.

Introduction
Family businesses have a strong economic significance in terms of the contribution to GDP and the number of employments on macro level, which has been shown in several international studies (Astrachan-Shanker, 2003; Mandl, 2008; Zahra, Neubaur & Larraneta, 2007). A significant proportion of the family business within a domestic relations system is now forced to reinterpret the past, proven business model, their business strategy due to the generation change, the professionalization and internationalization dilemmas. These enterprises have started the business for the regime change or for their internal personal driving force.

In the present study a second-generation family business in western Hungary is presented to show the differences between the family and non-
family businesses features, and the resources of family business for the family present existence, the so-called. invisible, or “intangible” resources for the symbiosis of family and corporate subsystems, and finally the determinant factors of successful change of generations and generational change in approach from the perspective of a successor ways.

1. Literature review

1.1. The specific characteristics of family businesses

For our own research design development one has to understand this diversified inescapable conceptual system to review the qualitative and quantitative characteristics which are the bases to separate and define family and non-family businesses (Klein, 2000). The research studies on family businesses usually using one or more specific criteria (ownership, management, family involvement dimension, generational change – succession intentions within the family, etc.) to distinguish a family-owned and non-family businesses (Chrisman, Chua & Sharma, 2005; Shanker & Astrachan, 1996; Kowalewski, Talavera & Stetsyuk, 2010; Lee, 2006; Martinez, Stohr & Quiroga, 2007; Maury, 2006; McConaughy, Walker, Henderson & Mishra, 2001).

Among the main characteristics of family businesses, the following are mentioned most often: nepotism, paternalism, resistance to external managers, too personal investment decisions, long-term orientation, preserving the family influence through the generations, market niches mapping, rigid and closed culture of risk aversion. According to Stewart & Faith (2012) the main differences between family and non-family businesses are shown in Table 1, which uses eight viewpoints to provide an overview of the main differences between family and non-family businesses (ownership, governance, remuneration (motivation), along with the eight aspects of career, achievements, leadership, networking, and management).

<table>
<thead>
<tr>
<th>Viewpoints</th>
<th>Non family business</th>
<th>Family business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ownership</strong></td>
<td>Scattered, non-kinship based, well diversified</td>
<td>Concentrated, kinship-based, Non-diversified</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Control and ownership are separated, External influence,</td>
<td>Control and ownership are in relation,</td>
</tr>
</tbody>
</table>

Based on the systems theory approach of the family business the family business is the set of interactions of the entrepreneurship where the interaction of family subsystem and the business subsystem can be characterized by positive and negative mechanisms. The result of the interaction between the two subsystems is a family business, which is in connection with the characteristics of (somewhere competing, somewhere cooperating) quasi subsystems. The theoretical approaches to roots of family business systems date back to the 1960’s and 1970’s. The traditional system, which is now regarded as a classic model, is the so-called double-loop approach that a family business is the aggregation of two overlapping subsystems, that is, the family subsystem and the business system are in one consisting subsystems. In connection with the double-loop approach the publishing activity in 1980 was geared to how this simplistic approach converges to reality, that is,
what other circles can be expanded into a model for example, the ownership and management issues (Tagiuri & Davis, 1982). The result is a triple-loop model, which a combination of family, the business (and management), as well as of the owners subsystem. The constructive approach based on three subsystems distinguishes seven actors in the family business, as follows:

1. Family members (excluding property and corporate role)
2. Non-family shareholders
3. Non-family member employees without shares
4. Family members who have shares, but do not work in the company
5. Employees holding shares who are not family members
6. Family members without shares and they are working for the family business
7. Family members having shares and they are working for the family business.

Based on the above list we can conclude that family businesses have a quite complicated internal relations system which can become a source of conflicts of interest within the company. The most sensitive point of the operation of the family business is the relationship and the balance between the family and the business. If one enjoys an advantage over the other, it leads to lower performance. In connection with the conventional double-loop model we can say “primary family” and “prime the enterprise“ distortions, and in relation to the triple-loop model we can say “the first is the family”, “primary management” and “primary property” type of balance disturbances. Poza (2007) formulates these problems as follows:

- “Primary families“: the family business was born in quasi privilege, nepotism and that the problems arising from a sense of release.
- “Primary management“: the younger generations hesitate and that the participating in family business requires such experiences gained from other businesses.
- “Primary property“: the dominance of family business policy for short-term return on investment.

The following section describes the intangible resources which may pose a long-term competitive advantage of family businesses based on international literature.

1.2. Specific resources coming from family business’s participation

One of the strongest features of the resource-based point of view of family business was written by Habberston & Williams (1999). Their work covered the concept and critique of familiness, and the results of rethinking it. According to Habberston & Williams the “familiness“ is the unique combination of resources which come from the family, from the interaction of family and the business system, and it provides a long-term competitive advantage of family businesses. Chrisman et al. (2003) believe that the familiness is an interaction between competence and resources arising out of family ownership. Pearson, Carr and Shaw (2008) describe it as a phenomenon that generates a competitive advantage and a source of family wealth.

The research found that familiness has a positive impact on business, the business viability, the short and long term performance, but it may have negative consequences in some cases. According to Klein (2008) and Milton (2008) if the family business is based on confidence, on the direct communication line, on the selfless devotion of family members and on the long-term interests (such as improving the organization’s identity), the familiness becomes a positive characteristic. If the family business is driven by short-term personal interests the familiness has rather negative impact through apathy, inflexibility, nepotism, (Bruch & Gros Fish, 2003; Feit & Ruiz, 2010; Menéndez & Requejo, 2010) because it reduces the energy levels of the organization. Habberston and Pistrui (2002) also warn that the familiness related with the family business resources and capabilities simultaneously can help and restrict the operation of the family business. Vought, Baker and Smith (2008) also mentioned the positive and negative effects regarding the interpretation of the familiness. According to Lampe (2002) familiness has the so-called negative side, which is the cultural darkness. It means that familiness covers the moral and ethical problems.

The family business is a challenge, how to identify, how to develop their unique capabilities, how to transfer these things to the new leaders, and finally how to apply them into new structures and how they are able to renew the turbulent changing circumstances. According to the resource theory approach, a company is an aggregation of specific, complex, dynamic, elusive and unique resources. According to Filep (2012) the family business is special, since it combines the
love and solidarity-driven and profit oriented family business interests. The five unique resources of family business which are the capital of companies are:

1) the human capital of family members,
2) social capital,
3) surviving ability,
4) patience and
5) leadership structures.

Poza (2007) underlines that in case of family businesses the following specific resources include competitive advantages:

1) Overlapping responsibility of owners and managers, small firm size, which is a kind of organizational flexibility;
2) Concentrated ownership structure resulting in productivity gains and long-term orientation;
3) Customer focus and the search for market niches which increases profitability;
4) Protection of the family name and reputation which appears on commitment to quality;
5) So-called patience capital coming from the harmony of family – property – management. This capital means savings in administrative costs, and furthermore facilitates the transfer of knowledge between generations and shorter reaction time resulting in a turbulent environment variable.

Dyer (2010) work determines only three factors, so he distinguishes the following:

1) Human capital which involved the motivation, time management, and loyalty of family members;
2) Social capital, which means such connections when family members build and maintain in long-term with the employees, with the customers, with the suppliers, with the companies which may give foreign sources, and with the members of the local society;
3) Financial capital, which means available financial funds for the family members.

According to Joseph, Ming Jian and Yin-Hua Yeh (2007) family businesses as a source of competitive advantage for the enterprise mention the ideology, the family business reputation and stakeholders’ relationship.

The interpretation of the familiness as the concept of psychological capital (Seligman, 2002) developed the so-called familiness capital (Rutherford, Kuratko & Holt, 2008), which distinguishes a negative synergies familiness as a negative impact on business performance, and a positive familiness which is efficient organizational to ensure a sustainable organizational synergies.

According to Van Wyk (2012) familiness capital can be described by 11 factors as follows:

- **Legacy foundation**
  Over the long term trans-generational effects which appear in the vision of the family business, in the operational goals and strategy of the company.

- **Personalized philosophy**
  The so-called personality or soul of the business carried by family business (Hübner, 2009; Hughes, 2007), which is shared by the family’s values, morals and ethical behaviour and supporting the implementation of the vision and avoid conflicts and improve performance.

- **Culture and values**
  The energy of the specific organization of family businesses ensures that the values, principles and preferences for which are very important for the family, and they become worldwide body and the operation as metaphorical basis of the operation (Jones, 2006).

- **Long-term orientation**
  The operation of family business over generations that is a kind of long-term orientation is present in target system of family business. To do so, the leader of the family business makes often his or her necessary personal sacrifices, such as a lower financial compensation comparing the external one or the time commitment which is not effective collaboration (Levie & Lerner, 2009).

- **Entrepreneurship**
  The main factor of family firm's viability, competitiveness and prosperity, which is the ability of family business owners to maintain new and successful businesses (Aronoff & Baskin, 2005).

- **Reputation**
  The reputation of family business means a great value for family members, which is maintaining a firm identified family members to be able to do anything (Block, 2010).
● **Agency Costs**

In the family businesses the ownership and management are typically combined, so in many family businesses based on the principal-agent theory, the costs are lower than non-family companies.

● **“Quasi kinship”**

Caring, paternalistic family business employees often see themselves as quasi-members of the family, and these fictional family relationships contribute to the company achieving more success (Jones, 2006).

● **Loyalty to employees**

Family businesses insist on employees, enabling business difficulties during the recession do not give up occupational ethical conduct related to the ideals of long-term employment and employees; they reduce other costs (Cater & Schwab, 2008; Lee, 2006). In good economic conditions the priority among family businesses is to increase the number of employees (Kellermanns, Edleston, Barnett & Pearson, 2008).

● **Flexibility**

The family business has specific capabilities, which substantially helps to handle the difficulties using strategic decisions, constant monitoring external factors threatening their competitiveness, using long-term social relationships maintain stable operation both in favourable and unfavourable conditions (Cater & Schwab, 2008; Kellermanns & Barnett, 2008).

● **Corporate Social Responsibility**

One feature of the operation of the family business is a strong social consciousness, which is embodied in the form of sincere participation in the life of the community they serve (Ward, 2004).

2. Description of the research methodology – interviews

The research conducted in developing the case study aims to present a family home generational change. The single case study is a research method in which a particular group (company) or event is observed at a particular time. (Pervez & Kjell, 2011, p. 79) As Mitev (2015a, p. 129) defines "[...] the case study method is an art for efficient information retrieval and compression, which allows a higher level of understanding of the phenomena. So the researchers therefore should work like a good detective, who was able to collect creatively and generate diffuse information." The use of this case study methodology is suitable for a limited number of events analysing where its circumstances and the relationships systems between them are also presented. According to Yin (1994) however, the case studies can be used in both theory building, as well as the theory test. Of course, during the analysis the researchers can’t just rely on a single case study, it may be necessary to present several case studies to interpret the phenomena (Mitev, 2015a). In this case, of course, the “case” is only observation rather than analytical unit (Pervez & Kjell, 2011, p. 79).

The data collection methods used in the research was in-depth interview, which represents a qualitative methodology is inherently small sample study with open questions (Sántha, 2013, p. 123). With regard to the qualitative research the following general findings have to be highlighted: starting points; general research questions; the direction of conclusions is inductive or adductive; the role of measurement is not important; sampling is not random; the goal of sampling and research is in-depth knowledge and understanding; the sample size is small; the research is value-driven, biased; the research process is flexible; the standardization of research is low; the essence of the analysis is to describe and to understand the phenomena; presentation takes place stories with quotes; the quality is based on perception of credibility. (Mitev, 2015b, p. 35)

3. The familiness enforcement is in domestic operation of a family business - case study of family business of Dudits Ltd and Dudits H & R Ltd

In the present study, a second-generation family target group is focused on in our overview for the presence of the Family Capital factors in the interaction of family-business dimensions as in living organisation. We highlight the role in the long-term conscious succession planning in business expectations intergenerational successful operation, and four years after a generation, the succession performance, and the impact on the strategic orientations. This further goal of the case study is also to highlight such paradoxes and dilemmas that are identified in the family business as presented in triple-loop model. The main characteristics of family group are summarized in the following table:
Table 2  The main features of case study

<table>
<thead>
<tr>
<th>Feature</th>
<th>Dudits H&amp;R Ltd.</th>
<th>Dudits Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational form</td>
<td>Brothers alliance</td>
<td>Gergely Leó Dudits (Manager, Owner)</td>
</tr>
<tr>
<td>Interviewee</td>
<td>Gábor Dudits Dr (Managing Director, Owner)</td>
<td>Gergely Leó Dudits (Manager, Owner)</td>
</tr>
<tr>
<td>Main activity</td>
<td>Hospitality services</td>
<td></td>
</tr>
<tr>
<td>Foundation</td>
<td>2009</td>
<td>1991</td>
</tr>
<tr>
<td>Location</td>
<td>Győr</td>
<td>Sobor</td>
</tr>
<tr>
<td>Family ownership</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Type of family business</td>
<td>Clan type</td>
<td></td>
</tr>
<tr>
<td>Owners</td>
<td>2 brothers and 1 sister with equal ownership</td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>2 brothers</td>
<td>2 brothers</td>
</tr>
<tr>
<td>Number of employees (2015)</td>
<td>28 employees</td>
<td>1 employee</td>
</tr>
<tr>
<td>Supporting family members</td>
<td>Among the founding members of generations; mother (consultant)</td>
<td>The two brothers’ wives (accounting, finance, marketing tasks)</td>
</tr>
<tr>
<td>Does the interviewee have any work experience outside the company?</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Generational change (Leadership and ownership transfer)</td>
<td>2012</td>
<td></td>
</tr>
</tbody>
</table>

Source: the authors

The Dudits Hotels’ founder is Gábor Dudits – whose original education is gardener technician with academic relatives – who opened a wine bar in his own house in 1987, which over the past 29 years became the largest family hotel in Győr (Revesz Hotel and Rosa Spa). Based on his attitude the founder, the owner is continuously searching for new possibilities (Révfűlőp - Martha Villa, Rajka – Rajka Hotel, Szanyi – La Mamma Pizzeria, Sobor – Szent Hubertus Castle Hotel, which currently is Dudits Castle) and he has expanded the family firm. The family of Dudits currently has three western Hungarian hotels, main characteristics of which are reviewed in the following table:

Table 3  Dudits Hotels

<table>
<thead>
<tr>
<th>Feature</th>
<th>Révéz Hotel és Rosa Spa ***</th>
<th>Dudits Castle Hotel ****</th>
<th>Rajka Hotel **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Győr</td>
<td>Sobor</td>
<td>Rajka</td>
</tr>
<tr>
<td>Starting date</td>
<td>1987</td>
<td>1994</td>
<td>2004</td>
</tr>
<tr>
<td>Service</td>
<td>À la carte and menu</td>
<td>3 conference</td>
<td>24 rooms</td>
</tr>
<tr>
<td></td>
<td>restaurant</td>
<td>rooms</td>
<td>and menu</td>
</tr>
<tr>
<td></td>
<td>54 rooms</td>
<td>25 rooms</td>
<td>restaurant</td>
</tr>
<tr>
<td></td>
<td>5 conference</td>
<td>Spa</td>
<td>for 80</td>
</tr>
<tr>
<td></td>
<td>rooms</td>
<td></td>
<td>persons</td>
</tr>
<tr>
<td>Operation</td>
<td>own operation</td>
<td>own operation</td>
<td>non own</td>
</tr>
</tbody>
</table>

Source: the authors

For the analysis of the Dudits family business the analytic tools were chosen from the analytical framework system by the Sharma, Blunden, Labaki, Michael-Tsabari and Algarin (2013). The overall analytical framework system that enables the use of a holistic approach to develop case studies for family businesses is shown in Figure 1, which highlighted the tools that we use.

![Figure 1](image-url)

Source: Sharma et al., 2013, p. 3
3.1. Davis's 3-circle model and the 3-axis model

In 1982 Davis published the basic model with a simple, elegant and versatile model that is extremely valuable to understand the current situation of the family business, the role of the internal stakeholders / key actors in roles clairvoyance. Davis (1999) emphasized that the first step in the analysis of a family business is to set up the location of the business in the model. Among the actors the model distinguishes family members, owners and staff, but it may be worth further consideration as to take into account that between family members' relatives or spouses or it should be better to deal separately with the senior and junior generations of members (Santiago in 2011). The model also separates within the owner's family members with shares and non-family members with shares, owner-managers, but it is advisable to distinguish between the majority and minority owners, since their influences on the decisions and strategic management are different. In connection with the employees it may be useful to define junior, middle and senior management categories separately. Thus, the following steps should be followed within the framework of analysis based on the triple-loop model:

1. The current placement of actors in the seven categories of model
2. Show this quasi map relevant to the desired status in relation to five or ten years (Hoy & Sharma, 2010).

However, family businesses are in constant motion, and the moments of their development can be recorded only with special dimensions. Among the family business life cycle models the most frequently cited and therefore the most popular model is the model developed by Gersick, Davis, Hampton and Lansberg (1997) which uses three dimensions (entrepreneurship, ownership and changes in the family) to determine the overall life cycle of family firms. Separation of the various categories of family business of the subsystems determined in the Gersick’s three-dimensional model of family businesses (the ownership structure, the family subsystem, and the business / management subsystem) can be defined by the different sections of life cycle of family businesses. In case of the family businesses the life-cycle model distinguishes three types:

- A fast-growing, family businesses owned by brothers and
- Characteristics of complex and mature family businesses operating as a consortium of cousins.

In line of family-specific life cycle models it can be highlighted on the Dodero (2010) model, which identifies four development stages of a family business (foundation, founder growth due to owner, recovery related to the second generation entering, professional business management). This model highlights on the challenges and the crises factors between the typical transition stages. So using this theory we would like to describe the development of Dudits family’s history. The first phase of the model is a foundation phase. In the given company’s life it occurred in the transition period of Hungary. The founder sensed his confident and heavy duty skill, he recognized the business opportunity and he was willing to invest all the effort to implement his business ideas. His children remember the following: "Dad got up early, worked hard, loved people, as a person; his life was an example for us and his work is an example for us."

According to the model the first crisis situation occurs when the company has reached the level of growth by the help of the founder, when it has been necessary to transfer some of the tasks, so that the need for delegation appears in order to increase sales and productivity. However, Gabor Dudits, the founder of company, became a good leader. He was able to mobilize the workers for the company’s vision of a family using his effective communication, and in the early 2000s he was able to set up his business onto a new growth path with further acquisition.

According to the Dodero-model the founder aged 50 years has to face the next crisis when his children enter the family business, who are either not prepared enough or they are ambitious young entrepreneurs with diplomas and they criticize the parent’s managerial style and entrepreneurial activities.

In the case of Dudits family the Christian roots, the strong family relationship and the strict moral values helped to solve the generational differences dissolution, the effective communication between children and parents, and to clarify the roles helped to evaluate the successfully the next life cycle, where the increase of was ensured by the feeling of the children’s entrepreneur skills.
Following the tragic death of the founder there was no variances between the brothers, the founders of the company informally recorded the way of leadership transfer. Sons remember as follows: “The generational change and our education were absolutely conscious. Our parents continuously told us that we have to follow their business. We have been working for the business at very beginning. Until youthful life we were working for this enterprise in several now-existing jobs. We helped as waiters, with housekeeping, with front desk tasks, we were working for marketing, then, for getting acquaintance in management of what was especially appropriate for treatment for people, and we have learned, two languages, which were very important [...] They were taught by good example, with which they went to the front, not the way to do this so you will need to do so, but they did so, and we have seen the consequences.”

In connection with the transfer the executive manager said the following as the eldest son: “The primogeniture prevailed here, that is the birthright things played a main role. It has stood the test in our history, we must prevent this from becoming nepotism. A family death warrant is signed by the employee who fails to make the best possible people to work in the enterprise. We are three brothers in the company, and everyone has a given role in the business. Our activities and the business are in quite wide range, so everyone can find what he or she does the best. The most important thing is the harmony of the business and the family.”

The second generation manage the family business which is currently running on the fourth stage of the model’s life cycle. One of challenges is to move the firm to the professional corporate governance direction, even to employ a professional hotel manager. According to the model at the last crisis stage there is a conflict between the family members and the management, so a conflict arises (principal-agent problem) in case of inadequate communication and control practices. The solution of it is a challenge for the affected people.

In 1987 the Dudits family business began operations, in 2002 children joined the company. Since 2012 when the founder tragically died, it has been running as a so-called fraternal alliance-type. In respect of both in sales and property gain the family the firm operates as a family business in which the three brothers have the same ownership. The founding generation, their mother, is participating in the business as a consultant in the daily operation and the eldest son is responsible for the company’s management.

The succession process is disrupted, and according to the financial information in Figure 2 the success of the business is coming from the parents’ awareness and targeted business training, the children’s early involvement in the catering activities, the parents’ declared family succession intention, and the children’s full acceptance of parental intention. Although a formal succession plan was not made, the role of business was clear for everyone. The legal career of the eldest son, the catering and business education of the two other sons reflect a conscious founders / transmitters of behaviour and to avoid future conflicts among brothers.

In 2001 the founder said the following: “I want my children to continue this work. I want to be less here and I want to deal less with the daily things.”

![Changes in net sales revenue and profit after tax of Dudits H & R Ltd. (thHUF)](image)

![The wealth of Dudits Ltd. (thHUF)](image)

Figure 2 The group’s growth of Dudits Ltd. Source: the authors
3.2. Governance options for a family business

“The management of the family business is much more complex issue than non-family businesses. In the case of family businesses the “governance” plays a kind of steward role in the multi-generation family organization's life (...) and it creates boundary conditions to define processes to determine strategic goals, to reserve the decisive relations which serve, to protect the family well-being, and also accountability as well as the results and performance to ensure a realistic assessment.” (Goldbart & DiFuria, 2009, p. 7). The progressive family business applies a combination of governance structures, for instance, beside the periodic meetings of the family council there are legal or social agreements (e.g. Family constitution). Hoy and Sharma (2010) have linked the currently used governance tools and institutions with triple-loop, and determine governance tools of family business as follows.

The second generation – the three brothers – despite not using conscious and special corporate governance techniques, beside the “Sunday lunch” they are able to make business decisions, however, for the firm’s long-term viability and the next generation change after a few decades there is requirement to create family Constitution to help the succession of family business without conflicts. In this case the possible manager could be among at least eight family members, since the unexplained common dilemma of entries and exits the uncertainties could arise in the case of family businesses and it impacts on all subsystems of the family business. It is relevant to emotional and economic terms, too. Hoy and Sharma (2010) formulate some critics question for the clear entry and exit rules focused on the owners and employees on the following:

- In case of owners it has to clarify:
  (1) What size of ownership could be transferred for descendants, spouses and in case of divorces? (2) What are the regulatory elements of ownership transfer: time plan, necessary investments? (3) How is dividend payment regulated? (4) What are the policies relating to the ownership stake (shares) purchase and sale?

- Criteria applying to family members:
  (1) Who can participate in the business operation and management? (Only blood relatives, spouses, adopted persons, etc.). (2) What are the general expectations regarding qualifications for family members? (3) What are the age requirements in case of entries and exits? (4) Which and what type of outside enterprise experiences have to be in case of family members? (5) What is the role of business experience within the family in the timing of entry? (6) What are the conditions for the employment of family members? (7) How often is the performance of family members evaluated?

3.3. Sharma’s performance matrix

Regarding the double-loop approach of family businesses the most controversial issue relates to how the family subsystem positively or negatively affects the business subsystem (Lansberg, 1988). Furthermore what happens when the individual subsystems balance disappears, and one becomes dominant?

If the balance of two subsystems can be maintained in case of family business, it ensures the long term trust, commitment, family harmony, and on the other hand, the resources of business efficiency.

During the interview the Dudits family owner/managers were asked to evaluate the relevance of the following family and business goals and results of the family/business dimension.

The responses are summarized in the following table:

<table>
<thead>
<tr>
<th>Goals / Results of family versus business dimensions</th>
<th>Importance of goals</th>
<th>Performances</th>
</tr>
</thead>
<tbody>
<tr>
<td>كنيسة</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>BUSINESS</td>
<td>Increase revenue</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Increase market share</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Improve profitability</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>ROE</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>ROS</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Capital accumulation</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Increase number of employees</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Increase manpower productivity</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Reduce staff turnover</td>
<td>X</td>
</tr>
</tbody>
</table>
In connection with the family and business-related objectives, the following main objectives were mentioned by the owners during the interview:

"The key issue is to pay back the loan, which is a very important goal. Another important thing of the family is the welfare, but not primarily financial well-being, but the importance is harmony within the family, the satisfaction of the conditions for everyone feels good in your body, they are satisfied with the status that it can ensure that this company we can provide this, working conditions, wages and other benefits. Week after week we must think that a company builds on, which is approaching a generational change we can get. The aim is that we can bring up our children and if they want to choose this business. Of course, not only for us, but for all three of them the aim that the children (8 children at present) could find their appropriate tasks, which they can do gladly. And we are able to retire on time."

Based on an assessment of the goals and accomplishments we called to Sharma (2004) performance-matrix which was interpreted as an improved version of Carlock-Ward (2001) model. This provides an opportunity for family business owners and managers to consider the significance of the family and business performance targets, and to evaluate the results of two subsystems (family and business), and through all these it gives a sense of evaluation of the existing situation. The following figure shows the main features of the Sharma's power matrix and its four quarters. During the in-depth interview we asked the manager/owner to place the family business into the $2 \times 2$ matrix. He placed it into the third quarter, with a note that they would like to position the family business into the first quarter.

![Sharma's Performance Matrix](image)

3.4. Olson's “Circumplex model”

The so-called Circumplex model (Olson et al., 1989) is one of the works where the researchers try to search for an explanation of the reasons of heterogeneity and dynamic diversity of the family systems. Among the many familiar behaviour factors the model focuses on two main factors: the adaptability and cohesion, also known as cohesion/solidarity, that is, such emotional attachment with which the family members are related to each other.

The original authors distinguish the following four levels in the dimension of cohesion: Commitment-free family – an extreme get off, Separating family, Interconnecting family, Networked family – extreme dependency.

From the point of view of the adaptability and flexible attitude in relation to changes in management the family can work with the following dimensions:

- Rigid family and extreme stability judge authoritarian leadership;
- Structured family and corporate subsystem,
- Flexible management;
- Chaotic families - lack of leadership, a dramatic role change, unpredictability.

The Circumplex model defines 16 family business phases based on the two-dimensional and they are arranged into $4 \times 4$ matrix as follows (Michael-Tsabar & Lavee, 2012; Olson & Gorall, 2003):

- The four centre cells maps some cases of optimal operation of the balanced families, those that are successful in crisis management and in the change management.
We can find in the four different corners of the model such dysfunctional family businesses where the management changes and crises management is unthinkable.

The remaining eight cells represent the so-called mid-category family businesses which can manage the changes, but the family business needs some kind of intervention, which helps the survival of the firm.

Each family would benefit if they know where they are currently located in the family "Circumplex" model. If the family is not in the reliable position, they have to want to draw up proposals on how to move the family businesses to a more successful position. A given family business is classified in Flexible leadership / Interconnected dimension. The classification is based on the following statements made during the interview:

“Conversations with my father who was the founder of the company gave the direction for me, and as a founder he told me that one day I would be the leader. It would be a very big disappointment if I was a failed leader who couldn’t manage the company well, who threatened operation by his activities, and who couldn’t be removed. If I can’t understand the wrong situation there is a need for someone who can do it, who can manage the business, who is coming from within the family or from outside. [...]"

The aspect of business my favourite phrases linked to Darwin, that it is not the strongest, not the smartest person that survives, but someone who can be adapted the best. For us the challenge is to find the best way in the changed conditions, to continue the family business, to capture our kids, who can decide whether they want to pursue and how they would like to drive the business.

The extended family involved in the business as a supporter, whether the task is survey, insurance matters, compilation. The extended family and the business are in good mutual cooperation with mutual support.”

3.5. Exploitation and explorations of products and markets
Bergfeld and Weber (2011) defined the following innovative activity levels during the analysis of innovation activities of family businesses:

- Incremental innovation - concentrating to increase the market share of the current markets perfecting the characteristics of products and services, improving the efficiency of existing markets and taking advantage of the expertise acquired there. The advantage is the low level of uncertainty.
- Progressive innovations – expanded to other industries or modified the existing range with minor changes, using new technologies opening new markets and launching a related product lines. It can be represented as being new products or new markets. In case of three generation dynastic firms this type can be found the most popular innovation.
- Radical innovation - opening new technologies, and new markets. Such innovations are characterized by high technical and market uncertainty. It appears in case of such family businesses which are pioneering, they have a high risky willingness. Their goal is to settle in at long-term value creation when the incremental and progressive technological advantages are already dried up.

Since the generational change of 2012 the operation of the Dudits family business is also significant; it has changed in strategic meaning. The new generation decided to review the activities, to make major developments, to change multi-element of marketing strategy (e.g. branding, communication strategy, product and service matrix).

<table>
<thead>
<tr>
<th>Hotel Révész</th>
<th>Chateau Dudits in Sobor</th>
<th>Reduction and concentration of the activities</th>
<th>Determine brand(s)</th>
<th>New strategic directions</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Renovation (building-modernization, new interior design, renovation of rooms, air conditioning)</td>
<td>▪ Exterior and interior remodelling, expansion</td>
<td>▪ Selling Marta Villa (R évülőp)</td>
<td>▪ Strengthening our slogan: We offer you good!</td>
<td>▪ Hunting / Shooting Training - Develop shooting room</td>
</tr>
<tr>
<td>▪ Enlargement (Spa Rosa)</td>
<td>▪ Interrupt the 90s style in the business</td>
<td>▪ Selling La Mamma Pizzeria (Szany)</td>
<td>▪ Create Dudits brand</td>
<td>▪ &quot;Sobor Dudits estate&quot; - the establishment of model farms</td>
</tr>
<tr>
<td>▪ Exterior and interior remodelling, expansion</td>
<td></td>
<td></td>
<td></td>
<td>▪ Strong quality orientation, instead of earlier quantitative</td>
</tr>
<tr>
<td>▪ Strengthening our slogan: We offer you good!</td>
<td></td>
<td></td>
<td></td>
<td>▪ Professional management (hotel manager)</td>
</tr>
</tbody>
</table>

Source: the authors
4. Beyond the analytical framework — or summary — family capital as a success factor in the strength of the Dudits Hotels’ operation

One of the main important parts of the in-depth interview of 4th March 2016 in Győr was to emphasize advantages and disadvantages affecting the family’s existence. The researchers asked the second generation owners about the Dudits family business related to the 11 dimensions of Family Capital model.

The representatives of family business have a strong standpoint about the importance of presence, as well as family involvement versus lower agent cost:

“Such thing can work well, over which we have personal reasonable control, where our personal work and magic can influence them. They can very well work with lower labour effort, since our family members work devotedly and more efficiently than majority of workers. That makes this company a family. Such business is not a family where the family has no decisive role in everyday things.”

The manager said the following about the flexible, entrepreneurial approach of management, strengthening the family brand and reputation:

“The task of our generation is quality improvement in line with today’s expectations and current market demands and customer needs. To fulfil the needs of today’s requirements we have to create an estate where is a castle building and the associated agricultural infrastructure. It means that we have to continue a pattern management; we can strengthen our brand because we now have the task to build a brand. Our goal is to be able to sell a mug, hat, T-shirt, at other value-added products in the same way that today customers want healthy like food, jams, herbs that are attached to both a brand, which is fixed in people’s minds. That they want to go to Sabor Dudits Estate, because they have a good feeling, impression, and experience associated with our brand.”

During the interview, the Christian roots and hunting were repeatedly mentioned as a family tradition. Based on press the researchers found the followings to emphasize their social responsibility and the entrepreneurial activity:

- Renovation and restoration of the church iconostasis of Rác-church located in Győr–Újváros (Duditshotels, 2000)
- Organising charity events, keeping Africa tour for County Hunting Association for (Duditshotels, 2003)
- Establishing the Győr–Újváros’s mother and child-home, organisation of charity ball in the city as funding St. Cyril and Methodius Foundation, (Kisalföld, 2006)

Helping orphans of Déva with food distribution in the framework of the Love Days (Kisalföld, 2010)

References


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