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Intergenerational knowledge sharing in family firms: Case-based evidence from the New Zealand wine industry

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ABSTRACT

This paper examines intergenerational knowledge sharing within family firms in traditional industries. We position our analysis against the background of the knowledge-based view of the firm and utilize knowledge creation theory and perspectives on knowledge sharing behavior to analyse how knowledge is shared in an organization. We employ a multiple case study approach and use the New Zealand wine industry as the context of our analysis. Our study extends family business and knowledge sharing literature by challenging traditional views of incumbent-successor relationships. We reason that family business literature is sympathetic to the senior generation nurturing the next generation while leaving a gap in our understanding of how the next generation contributes knowledge to the firm. We suggest that the knowledge bases of the senior and next generation are different in terms of how they are generated and the relative weight of tacit and explicit knowledge they contain. We also argue that knowledge sharing in family firms is bidirectional leading to innovative outcomes and change.

1. Introduction

Sharing of knowledge is a central activity in most firms, but particularly so in family owned firms. Transferring tacit, complex knowledge, or "family wisdom", across the family business is essential for the survival and development of the firm to the benefit of future generations (Trevinyo-Rodríguez & Bontis, 2010).[1] Several studies engage with issues related to the sharing of the incumbent's knowledge. This knowledge sharing process is often framed as mentoring (Distelberg & Schwarz, 2015; Fiegener, Brown, Prince, & File, 1994), or knowledge accumulation (Chirico, 2008), enabling intra family succession with new family members and/or generations entering into a leadership role in the family firm (Hatak & Roessl, 2015). Other studies focus on differences between knowledge sharing within the family and with employees – sharing with even key employees can tend to be significantly more restricted compared to the knowledge sharing taking place between family members (Cunningham, Seaman, & McGuire, 2016). Common among these studies is the tendency to treat knowledge sharing as one directional – from the senior generation to the next generation.

The predominant focus on how the generation in charge shares knowledge with the next generation presents a somewhat simplified view, missing an opportunity to study more nuanced aspects of the knowledge sharing processes. What is largely omitted in the existing literature is an investigation into issues related to knowledge sharing originating from the next generation entering into the leadership of the family firm. A recent review by Daspit, Holt, Chrisman, and Long (2016) does allude to the need for a better understanding of factors that affect knowledge exchange, however their argument is still presented in the context of incumbent-successor exchanges through the "nurturing" of the successor. The underpinning argument for this bias is the belief that the senior generation holds deep smartness (Leonard & Swap, 2004) in the form of practical knowledge acquired from running the family firm. This experience-based knowledge is typically in the form of tacit knowledge (Nonaka & Toyama, 2007), and a source of competitive advantages for the firm (Nonaka, 2007; Nonaka & Takeuchi, 1995). The problem with relying on deep smartness is that, particularly in traditional industries, there can be a tendency toward path dependency (Hirsch-Kreinsen, 2008b;

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[1] "Knowledge that is uttered, formulated in sentences, and captured in drawings and writing is 'explicit'. Explicit knowledge has a universal character, supporting the capacity to act across contexts . . . Knowledge tied to the senses, tactile experiences, movement skills, intuition, unarticulated mental models, or implicit rules of thumb is 'tacit'. Tacit knowledge is rooted in action, procedures, routines, commitment, ideals, values, and emotions" (Nonaka & von Krogh, 2009, p. 636).

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Hirsch-Kreinsen & Schwinge, 2014), leading to difficulty in changing environments (Chirico & Salvato, 2008), or lack of innovativeness leading to wealth creation (Habbershon & Pistrui, 2002).

Against this background we ask two intertwining research questions: *What are the key differences, if any, between the knowledge bases of the senior and next generations in family firms? How do family businesses engage in knowledge sharing from the next generation to the incumbent?* Answering these questions contributes to current academic discussion related to incumbent-successor relationships by illuminating bidirectional knowledge sharing characteristics and related complexities in family firms. In particular, we argue that family business literature is too focused on the senior generation, missing an opportunity to examine how the next generation can contribute knowledge to the family firm. This is somewhat unjustified, bearing in mind there is an increasing amount of anecdotal evidence that the next generation spends significant time outside the family business before taking up a more long term role in the family business. The transfer and application of the knowledge acquired by the next generation through work in organizations inside and outside their home country can potentially prove highly valuable for the family firm. Such knowledge can increase the ability of the family firm to adapt to changes in the business environment, increasing its chances of long term survival (Tushman & O'Reilly, 1996). Therefore knowledge sharing is not only the responsibility of the senior generation; instead, the onus is likely to be reciprocal. This is why it is important to understand the specific characteristics of the knowledge originating in the successor generation and how this knowledge can be shared and utilized within the family firm.

To answer the research questions posed above, we adopt the knowledge-based view (Grant, 1996; Phelps, Heidl, & Wadhwa, 2012), and guided by Nonaka and Takeuchi's (1995) conceptualization of knowledge creation in organizations to understand the knowledge bases in family firms. We employ a multiple case study approach and use the New Zealand wine industry as the context of our analysis to examine the unique characteristics of the knowledge bases held by the senior generation and next generation, and how these knowledge characteristics impact the process of knowledge sharing within the firm. For example, tensions between the two generations can result in hoarding and/ or rejecting knowledge (Husted & Michailova, 2002). While these factors may have a detrimental effect in any organization, motivation in a family firm to mitigate knowledge sharing hostility is typically stronger. The reasons behind this motivation could be a propensity to develop and maintain a common vision (Hubler, 2009) or ensuring future ownership and long-term orientation (Lumpkin & Brigham, 2011). However, the issue of reliance on a shared understanding of the content of knowledge between those transmitting and those receiving the knowledge still remains (Husted & Michailova, 2002).

In essence, while prior research has identified incumbent-successor relationships including mentoring and grooming the next generation, our findings suggest that different generations active in the family firm have distinct knowledge bases. While the senior generation possesses knowledge that is largely tacit, the successor generation's knowledge base typically contains both explicit components (acquired through formal education) and tacit components (based on previous employment elsewhere and activities outside the family firm). It is this sharing of knowledge with the senior generation that is less understood and largely overlooked in family business literature. Therefore our research concentrates on understanding the key characteristics of the next generation's knowledge base and how it contributes to how this knowledge is shared.

2. Background

2.1. Family business

Building on previous research we define family businesses as being owned and managed by family members (Sharma, Chrisman, & Chua, 1997). This could be a partnership between spouses or siblings, and across generations (Miller, Steier, & Le Breton-Miller, 2003). In this paper we focus on family businesses that are intergenerational, that is, with more than one generation from the same family currently owning and/or managing the business. A number of researchers consider family businesses to be long-term oriented (Brigham, Lumpkin, Payne, & Zachary, 2013) with motivation to pass their business to the next generation (Chua, Chrisman, & Sharma, 1999; Handler, 1989; Ward, 1987). For the most part, family businesses lean toward being motivated to succeed into the next generation, and this is where we see the potential for innovation events to occur which may otherwise never come to fruition. It is the diverse knowledge bases of the different generations that we consider to be a potential for stimulating innovation. We understand succession to be a bellwether topic and an ongoing concern for family firms (Short, Sharma, Lumpkin, & Pearson, 2016) and emphasize that the management of knowledge and knowledge sharing in intergenerational family businesses beckons closer examination.

2.2. Knowledge-based view

We embrace the knowledge-based view as a theoretical backdrop in seeking to understand the content of knowledge shared between generations. The knowledge-based view appropriated what was considered the most important resource under the resource-based view – knowledge – and presented it centre stage as having "important implications for the creation and sustaining of competitive advantage and for the implementation of strategy through structures and management systems" (Grant, 2015, p. 1). A firm's competitive advantages are embedded in the specific knowledge of the firm (Spender & Grant, 1996) and the firm's ability to manage its knowledge assets (Boisot, 1998; Nonaka, Toyama, & Nagata, 2000). In particular, the firm's tacit knowledge is a source of sustainable competitive advantage (Kogut & Zander, 1992; Winter, 1987). Grant (1996) referred to knowing how knowledge and knowing about facts and theories, which are transferred differently across individuals, space, and time. Firms are the most efficient governance form for facilitating knowledge transfer due to the formation of shared language and identity (Kogut & Zander, 1992). More recently, knowledge based theory scholars have allocated more attention toward how firms should organise themselves in order to generate new knowledge efficiently (Nickerson & Zenger, 2004).

Nonaka and Takeuchi's (1995) SECI (socialization, externalization, combination, integration) model suggests that knowledge is created as a result of interaction between tacit and explicit knowledge. The SECI model has been utilized across numerous disciplines and organization settings (Karim, Razi, & Mohamed, 2012; Lievre & Tang, 2015; Richtnér, Åhlström, & Goffin, 2014; Trigo, 2013), and has been used in developing arguments where knowledge is a central feature (Hatak & Roessl, 2015). For the purpose of this paper we adopt the SECI view that the interaction between tacit and explicit takes place along a continuum and the interaction is a key mechanism for transforming and applying knowledge for organizational ends (Nonaka & von Krogh, 2009). In particular, we use the distinction between tacit and explicit knowledge to characterise the knowledge bases of the two generations and to understand the particular issues associated

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