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PASSING THE LEADERSHIP BATON IN HUNGARIAN SMALL- AND MEDIUM SIZED ENTERPRISES

Small- and medium sized enterprises (SMEs) are one of the most important driving forces of the performance of Hungarian economy. 'Recognition of the special role of SMEs and in particular family-based enterprises, their typically local base, socially responsible attitudes and capacity to combine tradition with innovation, underpins the importance of simplifying the transfer of businesses and the skills' (EKB, 2008:6). Enterprises are not yet ready to handle pressure caused by the change of generations is becoming stronger and stronger.

The aspect of handing over top management functions caused by the pressure of generation transition and the factors influencing that process are at the forefront of the research. I believe it is of major importance to reveal more depth analysis of the role of leadership succession in SMEs and the factors influencing it. It is imperative for enterprises to have a clear review of the current phase of their succession process based on which a future direction of the succession process can be set. The research sample includes SMEs because today they are at the phase of development in which their leadership system is more or less well founded and the owner-managers are in a position to hand over leadership functions. Hence, the aim of the research was to study the succession process of SMEs with a special focus on handing over top management functions (leadership succession).

In order to do so a thorough literature review has been completed. It has revealed that succession processes are partly emotional for leaders. As a result not only quantitative but also qualitative research methodologies were applied. Research questionnaires are underpinned by case studies. Additionally, I also aimed at identifying leadership functions and roles that help us build a better understanding current and future phases of succession processes in case of SMEs. Following the identification of current and future leader function I also investigate relationships between organisational and individual characteristics. The results indicate that SMEs which show good example in succession process by founding the professional base that is independent of the founder/owner are few in number.

The importance of leadership succession in Hungary

Hungarian researchers have been considering the management based approach to SMEs since 1980's and it became an emergent theme after the economic and social changes of the

1990's. Both nationally and internationally the force of generational change puts the phenomenon of business succession forward. Consequently, it is essential to ask the questions about which phase the SMEs succession process is in presently and what future SMEs succession process will have.

According to Watkins (2003) there is an abundance of change models to support organisational change processes but there is a lack of research focusing on how to manage newly received leadership functions and roles which are critical to a successful succession process. Leaders who invested their creative energy into building their dream have to let it go as they reach the age of retirement. They need to realise that it is the time when a new wave of creative ideas needs to be introduced to the organisation in order to find the strengths to find viable solutions to newly emergent environmental, technological and other difficulties. The response process is hardly ever simple. Finding, preparing and also financing leaders who will eventually be up to the task is mutually challenging. Most research on leadership succession focuses on theoretical perspectives (Fizel and D'Itri, 1997) and lack models representing the various aspects of succession. According to Giambatista et al. (2005) the questions raised by the three fundamental theories (common sense, vicious circle (or vicious cycle), and ritual scapegoating) have already been answered so it is time to go beyond the study of influencing factors. Researches are mostly based on the experiences of those who had been part of succession processes (Haddadj, 2006). Despite the fact that succession processes are critical to small businesses "where the founders pass on the leadership to professional management" (Kesner and Sebor, 1994:363) there are only a few theoretically well founded studies with practical relevance which focus on SMEs where the primary concern of leadership succession (Giambatista et al., 2005).

The overall aim of my research is to explore the current phase of leadership succession of Hungarian SMEs. Therefore, leadership functions and roles have been identified. I also aimed at identifying relationships between organisational and individual characteristics and the characteristics of succession.

The research attempts to answer the following questions:

1. Is it possible to create a leadership role profile with which the distinctive phases of succession of Hungarian SMEs can be described and studied?
2. What organisational and individual characteristics help defining the current phase of succession?
3. What is the nature of the relationships between organisational and individual factors and the characteristics of the succession process?

The process of succession

According to Grusky (1960) succession occurs in every organization and it leads to instability because it will change the basic norms and values. Disruptive for every organization, it motivates the implementation of new methodologies, distracts the initial traditions, and induces change. According to Zhang and Rajagopalan (2004) the succession is the most powerful critical process in the life of the organization. According to initial succession researchers (Grusky, 1960; Barry, 1975) the succession is the change of key position during the lifecycle of organizations and can be distinguished into two parts: the transfer of ownership and leadership. The role of key leadership roles were emphasized in the researches of Pfeffer and Salancik (2003), too. The resource dependency theory based on Pfeffer and Salancik (2003) emphasized the leadership transfer which is influenced by the environmental changes (p. 226). According to Pfeffer and Salancik (2003:228) the leadership change is a strategic answer to the possibilities of environment. Most of the research emphasises the role of the family during the succession process. According to Beckhard and Burke (1983: 3) the family business succession means “the passing of the leadership baton from the founder-owner to a successor who will either be a family member or a non-family member; that is, a ‘professional manager’”. As we can notice during the process of succession two different roles are important, the role of the founder/owner-manager and the next generational member who can be also professional manager not necessarily a family member. According to Handler (1990: 48–49) who created the “dance” process of succession, “succession represents a mutual role adjustment process between the founder and next-generation family members”. The aim of Handler’s research was to describe the “dance” between the actors of succession process and to call the attention of researchers to the relevance of succession planning. According to Chand and Bronner (2008:1) “succession is not about filling leadership vacancies; it’s about creating an organization’s future. It’s about looking down the road, determining what future challenges await the organization and providing what’s needed to arrive at the desired destination”.

Summarizing the above, succession is a structural process whereby the transfer of business occurs including the whole or partial transfer of ownership or/and leadership, moreover it includes the strategic decision of the founder-owner with respect of the future of the organization. During the decision the founder-owner is considering the characteristics of environment, enterprise and individuals in order to plan their own exit strategy and the entry of the successor, who can be a family member or non-family member and can come from outside or inside of the company.

It is widely accepted that succession is more like a process than an event (Churchill and Hatten, 1987; Farquhar, 1989; Friedman, 1986; Gilmore and McCann, 1983; Handler, 1990; Longenecker and Schoen, 1978). It is not just a step where the leadership and/or ownership will be transferred. Succession also needs to be handled as a multi-decisional process, which is happening repeatedly during the organizational life. The process of succession can be interpreted by two aspects:

- the process models (Longenecker and Schoen, 1978; Handler, 1990;) and,
- the lifecycle models (Greiner, 1998; Barnes and Hershon, 1976; Adizes, 1992; Gersick et al., 1997)

The process models construe the succession process like a periodic process, the life cycle models interpret the succession process as the way of the organizational evolution in order to reach the transfer of business. My research concentrates on the analysis of the process of succession so I will present Handler's model (1989) in details. According to Handler (1989) the process of succession can be divided into phases, which can be phases before the arrival of a successor and the after phases of transfer of leadership. Handler (1989: 43) executed 32 interviews with family businesses and experienced that the "next-generation family members indicated that their own role in the business was shaped by the role of the predecessor". With her case studies a mutual adjustment process is described in which the roles during the process of succession are not separated rather evolving according to the succession of the other actor. First the successor has no role then they become a helper, a manager and at the end of the process they will be leader/chief executive decision-maker. On the other hand the roles of the predecessor are first sole operator, followed by the role of a monarch, an overseer/delegator and finally a consultant. Figure 1 shows the process of succession.

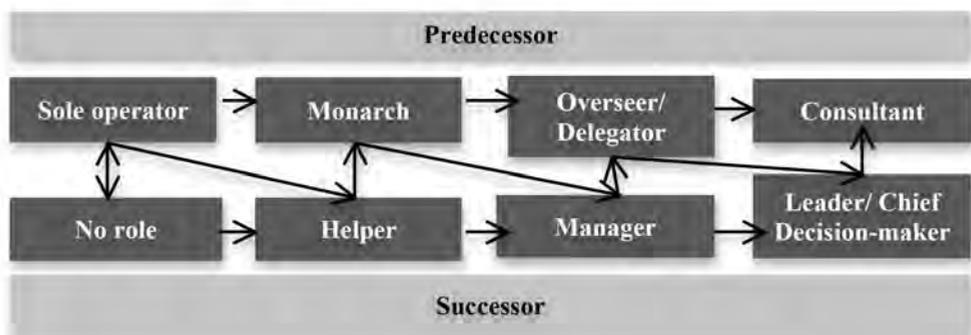


Figure 1. Handler's mutual adjustment process of succession
Source: Handler, 1989:194

As we can see in Figure 1 during the first phase the predecessor is the sole operator of the business. During this phase the owner mainly deals with leadership functions and initial operational functions in connection with the establishment of the business. In this phase the owner is equal with their business. The successor role is not apparent yet or it is not necessary to think about the succession. During the next phase the predecessor takes up the monarch role which already gives them an outstanding power over the business. In line with these the successor also gets a new role as a helper. In this phase the successor gets functional tasks and learns the operational mechanisms of the business. When the predecessor is a delegator they transfer the responsibility over the business to the successor, who is a manager. This point is one the most sensitive parts of the progress. According to Handler (1989) most of the companies cannot get to this phase. To get through the phase mutual trust, sharing common values and delegation of responsibilities are needed. During the last phase the predecessor is a consultant, actively not part of the operation of the business. A main difficulty during this phase is the disengagement or retirement from the organization and the simultaneous pursuit of other interests. The leadership role of the successor will be successfully transferred if the power and influence will be also passed.

According to Handler (1989) the succession will end if beside the transfer of leadership the transfer of the majority of ownership also takes place. The starting point of a typical succession process is not when the successor enters the business. It happens earlier when the idea of the succession surfaces in the mind of the owner. After the entrance into the business operation the relationship between the owner and manager is based on the recognition of the roles and the transfer of business specific knowledge to the successor. The successor receives managerial functions or tasks when they step into the formal hierarchical system. The phase will end when the predecessor appraises the work of the successor and decides about the transfer of the whole leadership. At the end of the whole process the transfer of the majority of ownership occurs, and finally the succession ends.

Leadership roles during the process of succession

Instead of the process of the leadership succession as a whole the research narrows down to the transfer process of leadership roles and factors influencing its phases. The literature review revealed the complex nature of the process of leadership succession. I opted for the process models approach to understand the leadership succession process. The central idea of process models is that the leadership succession process is treated independently from the business life-cycle. When dealing with process models I focused on the continuous and

mutual exchange of roles that occur throughout the various phases of the leadership succession process. The exchange of leader roles results in a decreasing number of roles on behalf of the transmitter and an increasing number of roles on behalf of the successor. To answer the question whether it is possible to define a profile of leadership roles of current and future leadership succession processes of SMEs I used the three most common types of task-oriented leadership roles that exist in the literature.

In order to identify the appropriate tasks in relation with the roles of the leader and manager I reviewed the most important literature. It is important to note that the present literature review does not cover all leadership and management research results, the review represents the most significant features. The aim of the review is to demonstrate such parameters which clearly define the leaders' and managers' tasks. The longish research stream represents well the main differences between the managers and leaders (see in Appendix No.1). As we can see on the table in Appendix No. 1, the role of manager is characterized by the rules, consistency, predictability and order. The main task of the manager is the efficient and effective implementation of the organizational goals by the planning, organizing, managing and controlling of the organizational resources. They believe in the rules, accept the presents' losses with such expectation that they will win next time. The leader communicates indirectly, through messages and signals. The managers' goal is to be, what the company expects from them – they accept the status quo. The manager uses traditional techniques to reach the pre-determined goals. They are too busy to handle difficult or impossible problems. They accept reality, focus on the systems, structures and lead on controlling. They follow a short-run viewpoint, and concentrate on the 'How?' and 'When?' questions.

The leaders' tasks could also be itemized similar to the managers' tasks. The equivalent of planning is the representation of an attractive vision for people and marking out the way that people need to follow. The equivalent of organizing is lining up people in order to achieve the vision. The equivalent of leading is the motivation and inspiration of the people in order to stay in the right way. The leaders' goal is working, and in order to reach goals high and outstanding performance is expected. The roles of the leader are like a capability that allows them to influence, motivate and empower people to contribute to the organizational performance and efficiency. The leader rebels against rules, creating new approaches to the long-standing problems and posing open questions to the new opportunities. The leader works in a highly risky position and is ready to explore the risk and danger. The leaders' goal is to execute the talents, motivate, coach and build trust. They are looking to the future in order to define tasks which help to reach the organizational goals. The leaders' goal is to be what you are. I also consider it important that not just these two roles could appear in the

successor and in the incumbent roles. I also examined the third role, the governors' role. The governor is the appropriate role for owners who would like to participate in the direction of the organization but they do not want to take part in the daily operation.

The governor who dominates the decision-making channels, influence, handle the formal and informal power structures, balance between boards or bodies, lobby, form coalitions, manoeuvre between influential bodies (Angyal, 1999). The governor ensures that the organization has a clear mission; give direction in order the organization can have a clear strategy. He or she also provides wisdom, insight and good judgment. The governor manoeuvres with differing, competing, or colliding priorities, interests, values, and perspectives. "They must serve as mediator, translator, negotiator, and facilitator... To characterize these ideas succinctly: leadership answers the question 'what?' management answers the question 'how?' and governance answers the question 'who?'" Or, to put it more playfully, leadership is inspiration, management is perspiration, and governance is incorporation" (McLaughlin, 2004: 6).

The literature shows clearly what managers, leaders and governors really do. Based on these and also based on the field work I determined the main tasks of the leaders, managers and governors (see in Appendix No. 2) and we can assume that a profile of leadership roles can be defined with which the leadership succession processes of Hungarian SMEs can be characterised.

Research model and factors influencing leadership succession

Following the identification of current and future leader functions, I also investigated relationships between organisational and individual characteristics and the roles of leadership. In order to visualize my hypotheses a research model was developed. It shows organisational and individual factors as explanatory variables and the factors of leadership succession as the explained variables and the relationships between the two sides (Figure 2).

The first component of the organisational factors is the ownership interests. They were examined from two perspectives: the family aspect and the international aspect. In the first stage of the analysis I wanted to identify the differences between family owned and non-family owned businesses in terms of their leadership succession processes.

The literature review indicated that during the leadership succession process family businesses favour those successors who upon stepping into family businesses take roles of lower management levels or leader roles (Stewart and Hitt, 2011; Gersick et al., 1997; Yeung, 2000).

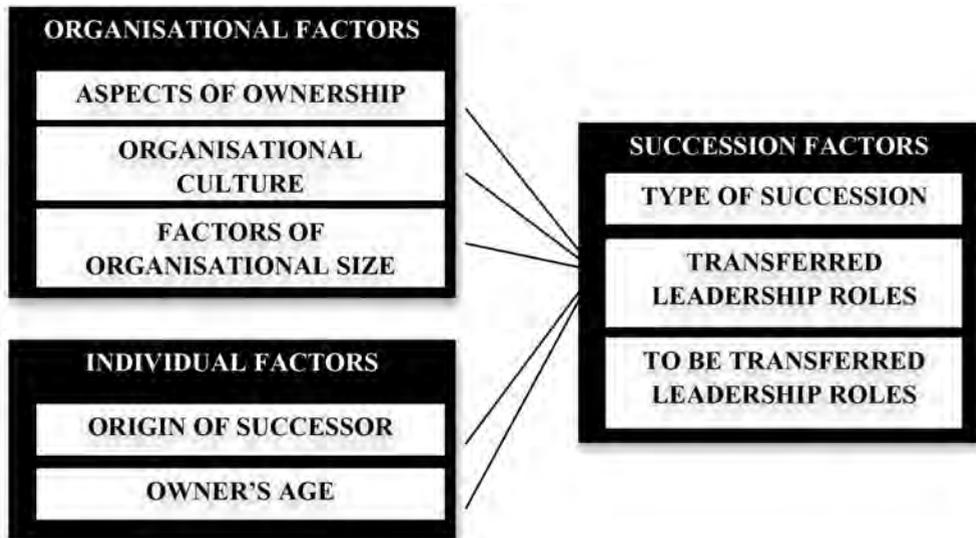


Figure 2. Research model

Bringing managers from outside the family is not common in Hungary so the professionalization of family businesses is not common either (Csákné, 2012). It would lead to loss of trust in businesses (Bjuggren and Sund, 2002; Lee et al., 2003; Royer et al., 2008). These facts indicate that transferring ownership interest and governor roles in family businesses to managers outside of the family is less common. Non-family businesses prefer transferring roles and functions to managers outside the family are more common because the leadership succession process is less influenced by emotions (Grusky, 1969; Giambatista et al., 2005; Zhang and Rajagopalan, 2006). Consequently, non-family businesses are more ready to transfer a wider range of functions and roles now and in the future as well. When examining the international aspect I aimed at finding evidence to identify the differences of leadership succession processes between enterprises with Hungarian and foreign ownership majority. Since Hungarian enterprise owners are quite young succession is not at the forefront at it can be assumed that these enterprises are at an earlier phase of leadership succession.

To examine the second component of organisational factors I used Cameron and Quinn's organisational assessment instrument (Quinn and Rohrbaugh, 1983; Cameron and Quinn, 2006) which is able to measure the dominant organisational culture of organisations (Cameron et al., 2006). Based on the literature review we can assume that there is significant relationship between the ownership relations of enterprises and the factors of leadership. Pre-

liminary research results had shown that passing on values and norms does influence leadership functions and roles that are to be transferred (Ciampa, 2005; Hall and Hall, 1989; Venter et al., 2005; Benavides-Velasco et al., 2013). Regarding the correlation between the various phases of leadership succession and the organisational culture type the main question is whether the internal-external focus or the stability-flexibility dimensions are more dominant in the later phases of leadership succession. According to the literature of influential effect of values during the transfer process (Denison et al., 2004; Chirico, 2008; Nordqvist, 2005; Schein, 1995; Bynander and Hart, 2008; Kur and Bunning, 2002; Dyer, 1988) we can conclude the influence of organizational culture too.

In my opinion in clan culture where solidarity and team work are the most important values the process of leadership succession is less relevant because paternalist leaders withhold most of the leaders' functions and roles to themselves. In market culture competition is highly motivating and leaders quickly realise the advantages brought by delegating functions and roles. The lesson we can learn from the above is that the dominant organisational culture and the type of leadership succession show a relationship as do the dominant organisational culture and the transferred leader functions and roles. At the same time, it might also be interesting to see how a future dominant organisational culture can influence leader functions and roles that will be transferred in the future. Do SMEs take thought for the future in regards to their dominant organisational culture?

The third component of organisational factors is size which was divided into two sections one is organisational size and the other is change in size. In case of the organisational size the challenge was to find answer to the possible differences between small and medium sized businesses in terms of their leadership succession processes. It might seem obvious that small businesses transfer less roles but it is more complex to answer which roles are transferred. It is hypothesized that in case of small and medium sized businesses manager and leader roles are more often transferred and governor roles are transferred mostly in case of medium sized businesses only (Dalton and Kesner, 1983). I thought to be important to examine any changes in business size as well because a dynamically changing business more leadership functions and roles will be transferred in both small-and medium sized businesses (Kraatz and Moore 2002, Finkelstein and Hambrick, 1996; Boeker, 1997). Based on these we can assume that there is significant relationship between the factors of organisational size and the characteristics of leadership succession.

Within individual factors the most significant element most researches focus on is the origin of successor which can be divided into two (Grusky, 1960; Brown, 1972; Brady et al., 1982; Weisbach, 1988; Kesner and Sebora, 1994; Birnbaum, 1971). On the one hand there

is the origin of the successor and its relation to the performance of the organisation (Karaevli, 2007) and the other is the analysis of the characteristics of successor (Gersick et al., 1997; Yeung, 2000). During my research I focused on the influence of the origin of the successor. More precisely the relationship between the origin of the successor – from within the organisation versus from outside the organisation – and the factors of succession were examined. It can be assumed that the successors from inside the organisation are transferred more functions and tasks from the owner-leader simply because there is more trust involved in this transfer (Gersick et al., 1997; Yeung, 2000; Harris and Helfat, 1997; Helmich and Brown, 1972; Dalton and Kesner, 1983; Royer et al., 2008). The literature shows that successors from outside of the organisation push the organisation more to the direction of professionalization (Stewart and Hitt, 2011) and eventually they can take over more functions and tasks if trust evolves between them and other members of the organisation. Based on these we can assume that there is significant relationship between the origin of the successor and the factors of leadership succession.

The literature is quite divided about the age of the owner and there is no clear evidence regarding this issue (Brickley, 2003; Hambrick and Mason, 1984; Lansberg, 1999). Some of the research suggests that the owner's age has influence on the motivation of decision-making. So, in my research I was looking for evidence to support whether the factors of succession are influenced by the age of the owner. As the owner-leaders draw on in years they gradually start to prepare their organisation for the succession process. Although, in Hungary it seems that owner-leaders are less concerned with their age and they are often 'addicted' to their organisation and they do not want to part with it. To show their strong ties with their organisation they are reluctant to transfer governor roles and their ownership interest (Csákné, 2012).

Methodology and research sample

When selecting the appropriate research methods we need to keep in mind the research questions which must be responded to and the hypotheses that must be tested. As the focus of my research was the succession aspects of Hungarian SMEs and the study of various organisational and individual factors with succession it. Consequently, my research is a descriptive and explanatory one within social and management science. In order to secure the reliability of my research results I used both quantitative and qualitative research methodologies. I have prepared case studies which provided a firm base for the final questionnaire. The quantitative research methods included statistical analyses to prove my hypotheses. I applied prin-

cial component analysis to investigate the process of succession and analysis of variance to investigate the differences according to aspects of transferred and to be transferred leadership roles. To investigate relationships between various factors I used analysis of variance (ANOVA) and cross-table analysis.

Micro enterprises were excluded from the research sample. Methodologically it is difficult to identify these organisations and they have fewer levels of hierarchy which suggests that succession is also much less complicated. The final target group became Hungarian small- and medium sized businesses. There have been several studies on Hungarian and foreign family businesses so I aimed at including non-family businesses as well. I also excluded businesses which operate in a legal form in which the question of ownership is blurry such as joint stock companies. The research sample included limited partnerships and limited companies. The formulation of the questionnaire included a section in which the current and future organisational culture was examined using an already existing and widely used questionnaire developed by Cameron and Quinn. The 'Organizational Culture Assessment Instrument' (OCAI) is a validated research method to examine organizational culture. The rest of the questionnaire was made relying on information from forming the research concept and operationalizing the research.

Research sample characteristics

Questionnaires were sent to top managers of companies listed in a marketing database. I selected 6112 small- and medium sized enterprises from the database which corresponded with my criteria. I sent the questionnaires in three rounds: on 21 and 28 February and on 7 March in 2013. Respondents had two weeks to return the questionnaires. I received a total of 412 responses and in the following two months an additional 15 questionnaires were received. After verification of all the questionnaires (427) 393 (that is 92% of the total) were testable.

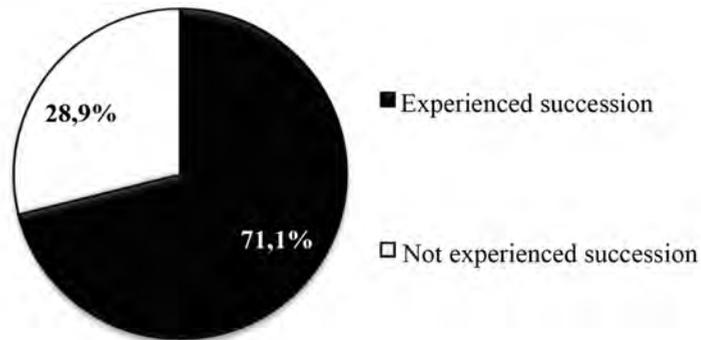


Figure 3. The distribution of enterprises already experienced and not yet experienced leadership succession

More than 70% of enterprises which responded have experienced at least one phase of leadership succession and 28.6% had not experienced any forms of leadership succession (Figure 3). The research analysis included only those enterprises that have already experienced leadership succession so the examined enterprises amounted to 278.

Research results

Firstly, I examined the transferred and 'to be transferred' leadership roles which were analysed by qualitative and quantitative techniques. In order to characterize the transfer of organizations I examined three factors, which came from the contradictory literature results. As a result I set out as an objective to create my own measuring system. The factors of succession are measured by the types of occurred succession (whether it was only managerial function transfer, only ownership transfer or both); by the presently transferred and the desirable leadership roles what mean the owner wants to transfer in the near future.

The sample distribution by the occurred transfer show that the 21.9% of the companies experienced only ownership succession, 42.8% only functional transfer and 35.3% both types of succession (Figure 4). The balanced distribution gives opportunity to examine the transfer of companies according to the 3 types of succession. Hereinafter, I use these companies for further examination.

The transferred and the "to be transferred" leadership roles were created by principal components analysis. The three leadership roles are: the governor, the leader and the manager. Before the principal components analysis I also tested the leadership roles in four companies. First, I created 76 tasks based on literature in order to describe the leadership roles. After the

fieldwork I reduced these tasks to 38 and tested with principal components analysis. The present and preferred succession has been identified by the principal components analysis of leadership roles (Table 1).

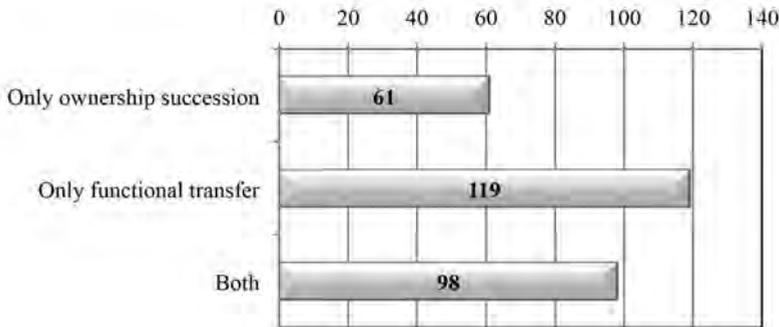


Figure 4. Succession types

Principal component analysis of roles	KMO value	Bartlett significance	Communalities	Explained variance
Transferred governor role	.873	.000	✓	45.852
To be transferred governor roles	.865	.000	✓	41.707
Transferred leader role	.943	.000	✓	59.812
To be transferred leader roles	.934	.000	✓	55.823
Transferred manager role	.949	.000	✓	64,760
To be transferred manager role	.941	.000	✓	64,882

Table 1. Principal component test

As we can see in Table 1, the requirements of the analysis have been met so the principal components of the transferred and “to be transferred” roles can be used for further analysis. The principal components of leadership roles meet the requirements of KMO and Bartlett tests (Table 1). The communalities are over the required 0.25 which is above the traditional methodological expectations of social sciences. This indicates that the principal components of transferred and ‘to be transferred’ roles can be accepted. Based on the above we can state that in the companies responding, that **by the role profile of governor, leader and manager we can characterize the current and future phases of leadership succession of Hungarian small-and medium sized businesses.**

The influencing factors of leadership succession were divided into organisational and individual factors in my explanatory research. Organisational factors include the aspects of

ownership, the organizational culture and the factors of organizational size. I measured the aspects of ownership with the family aspect and the aspect of the majority of ownership whether it is foreign or Hungarian. The examination of relations between the organizational, individual and succession factors I used crosstab and variance-analysis. The connection between the aspects of ownership and the type of succession was examined by crosstab analysis. Table 2 shows the results of crosstab analysis.

Correlation between factors	χ^2 Significance	Cramer V	Analysis
Family aspect and the type of succession	0.032	0.16	Significant weak relationship
International aspect and the type of succession	0.515	0.73	No relationship

Table 2. Results of cross-table analysis

The significance of Chi-square is 0.032 and the Cramer V shows weak connections. It means that between the type of succession and the family aspect of ownership there is a significant but weak connection. I investigated another aspect of ownership too, which is the majority of the ownership whether it is Hungarian or foreign. The value of the Chi-square is not significant (Table 2) so on this sample I cannot report any significant relationship between the majority of ownership and the succession types. Figure 5 shows that 48% of family businesses and 38% of non-family businesses transferred only leadership functions. Family businesses prefer less the transfer of ownership, they rather choose only the transfer of leadership or both of the two types of succession together. Otherwise 27.6% of the non-family business transferred only the ownership and 34% of non-family businesses choose both of the succession types together.

I examined the relationship between the aspects of family ownership and the leadership roles during the succession process. The principal components of leadership roles were created to the present and to the desired status of leadership succession. To investigate the relationship between these two factors I made variance-analysis. The results are demonstrated in Table 3. The requirements of homogeneity of variances and the normality have been met so I can investigate the results of ANOVA table. The ANOVA table (Table 3) shows significant differences between the roles and the majority of ownership.

Based on the results I can state that the owners of family businesses want to hold the ownership in their own hands until their successors become experienced enough to succeed, at the moment when the successors can demonstrate their qualities in the managerial functions and earn the trust of the owner. On the other side the succession characteristics of non-

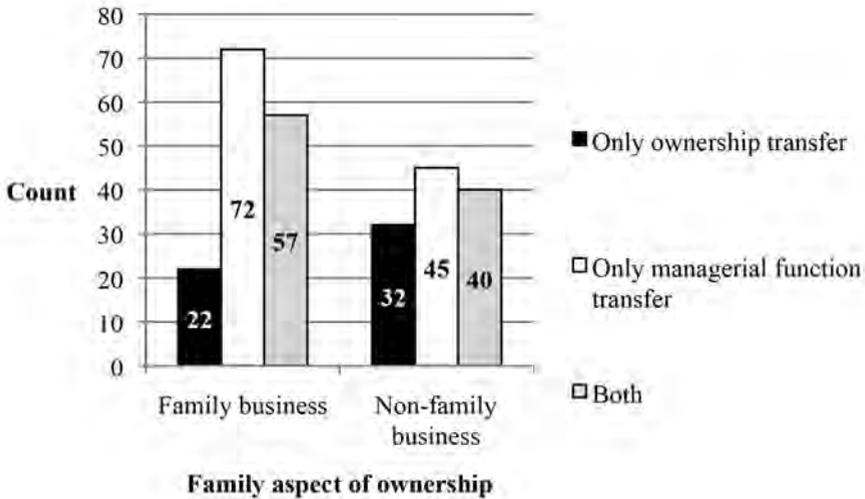


Figure 5. Family-businesses and the type of succession

Roles during the process of leadership succession	Family business (significance)	Foreign business (significance)
Transferred governor role	.003	.011
To be transferred governor role	.124	.005
Transferred leader role	.002	.032
To be transferred leader role	.494	.137
Transferred manager role	.003	.000
To be transferred manager role	.270	.011

Table 3. ANOVA levels of significance

family businesses in the group of small sized companies are very similar to the family businesses and the dominant type of succession is the transfer of managerial functions. In the middle-sized company category the non-family businesses already transferred besides the managerial functions the share of the ownership too. The results show significant differences between the transferred leadership roles according to the family aspect of ownership. Moreover, the family businesses are less experienced in the transfer of leadership roles than the non-family businesses. These results mean that in the family businesses the tenure of the owner is significantly longer and it indicates that top management role is a strongly protected “throne” for the owner. The family business owners insist on the top management and will

not transfer the leadership roles in the near future. Otherwise the non-family business' owners are delegating more leadership.

According to the results we can say that the approach of the family business owner about the letting go of the business is very hide-bound. They are applying a paternalistic attitude which is holding the owners very close to the business. Moreover, their stance is not helping to recognize the importance of the succession and the actions and competences of the new leader or leaders. This introspected organizational behaviour resulted in the fact that the family businesses failed to recognize the priorities of leadership succession. This may also lead to the stagnation of the family businesses. Based on the above we can state that **the family aspect of ownership has significant relationship with the transferred leadership roles.**

The further analysis is concentrated on the organizational culture effect. After the computation of the values of dominant current and future organizational culture I examined the relationship between the culture and the factors of succession by crosstab-, and variance analysis. The crosstab analysis shows no significant correlation between the culture and type of succession. The next step of the analysis was to examine the relationship between the current and future culture and the transferred and 'to be transferred' leadership roles by analysis of variance. The analysis shows significant connection between the current organizational culture and the transferred governor and managerial roles. According to the post-hoc analysis the difference is significant between the clan, hierarchy and market type of cultures (Figure 6).

Owners of organizations which are operating in current clan or hierarchy culture transfer less governor and managerial roles. According to the analysis of variance there is a significant relationship between the dominant future organizational culture and 'to be transferred' managerial role (Figure 6). According to the post-hoc analysis the difference is significant between the hierarchy and market type of cultures. Owners of organizations which are operating in future hierarchy culture are less transferred the managerial role than organizations desire to operate in future market culture.

The dividing line between the transferred and 'to be transferred' leadership roles are the internal-external focus of organizational cultures. What it means is that organizations in which the values of competitiveness, the performance and the customers are operating, are delegating more leadership roles than organizations in which the values of family, the hierarchy and the formalities are the most important. Based on the above we can state that **there is a significant relationship between the current dominant organisational culture and the transferred governor and manager roles. Moreover there is a significant relationship between the desired dominant organisational culture and the 'to be transferred' manager role.**

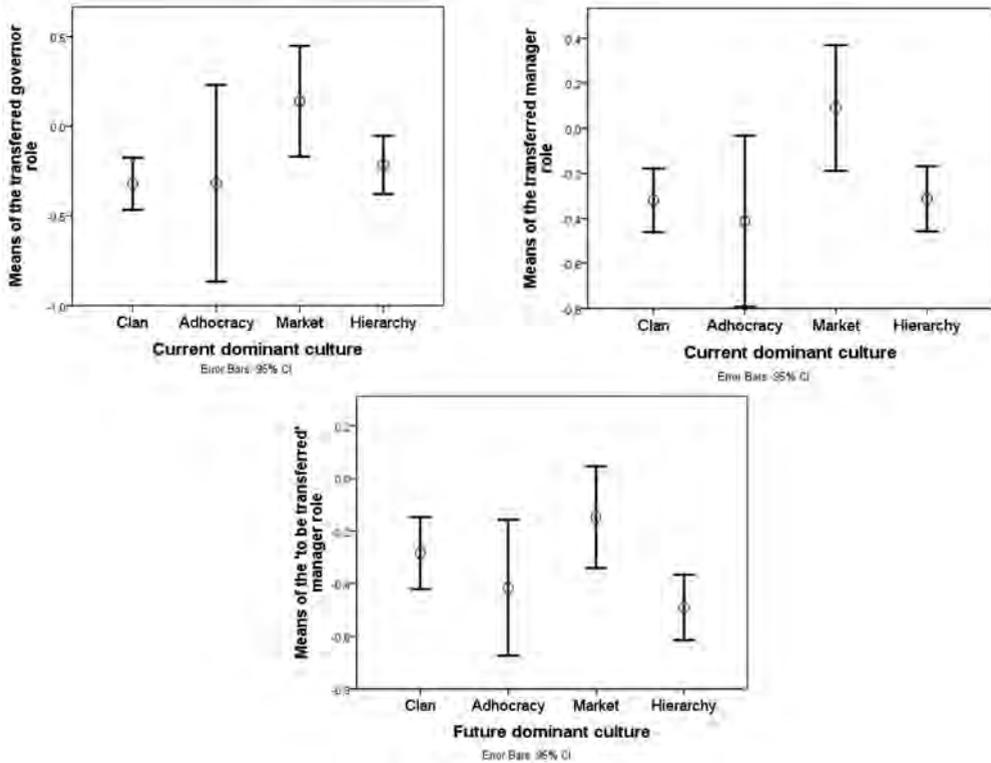


Figure 6. The means of main components of transferred governor, manager and “to be transferred” manager roles based on the current and future dominant culture

The third organizational factors were the factors of organizational size, which contained two components: the size of the organization, and the change in size. The organizational size was measured by traditional definition of small-and medium sized enterprises. The change in size was measure by absolute and relative indicators of growth according to the European Commission and these resulted 4 change category (exponentially growing, linearly growing, stagnant and companies decreasing in size).

The components of organizational size have no significant relationship with the type of succession according to the crosstab analysis and has significant relationship with the transferred and ‘to be transferred’ leader and managerial roles according to the analysis of variance (Table 4).

Roles during the process of leadership succession	Size (significance)	Change in size (significance)
Transferred governor role	.247	.476
'To be transferred' governor role	.095	.872
Transferred leader role	.016	.239
'To be transferred' leader role	.012	.025
Transferred manager role	.000	.246
'To be transferred' manager role	.001	.070

Table 4. ANOVA levels of significance

More leadership roles were transferred and desire to transfer in medium sized enterprises, and where the change in size was exponentially growing. Based on the above we can state that **there is a significant relationship between the size of organisation and the 'to be transferred' leader and manager roles. Moreover there is a significant relationship between the change in organisational size and the 'to be transferred' leader role.**

During the examination of individual factors I analysed two components, namely the successor origin and the owners' age. The crosstab analysis show significant connection between the successor origin and the type of succession (Table 5) where mostly the inside successor take over the functions and ownership too, and the outsider successor mostly get only functional areas.

Origin of successor and the type of succession	χ^2 Significance	Cramer V	Analysis
	.005	0.184	Significant weak connection

Table 5. Results of crosstab analysis

As Figure 7 shows 48% of the company owners passed the inside successor the ownership, and the functional areas, too. 41% of the company owners preferred the outside succession and preferred only the transfer of functional areas. The results show that the inside successor take over both the ownership and functional areas, and the outside successors take over only functional areas.

The analysis of variance shows significant differences between the transferred and the 'to be transferred' leadership roles according to the successor origin (Table 6).

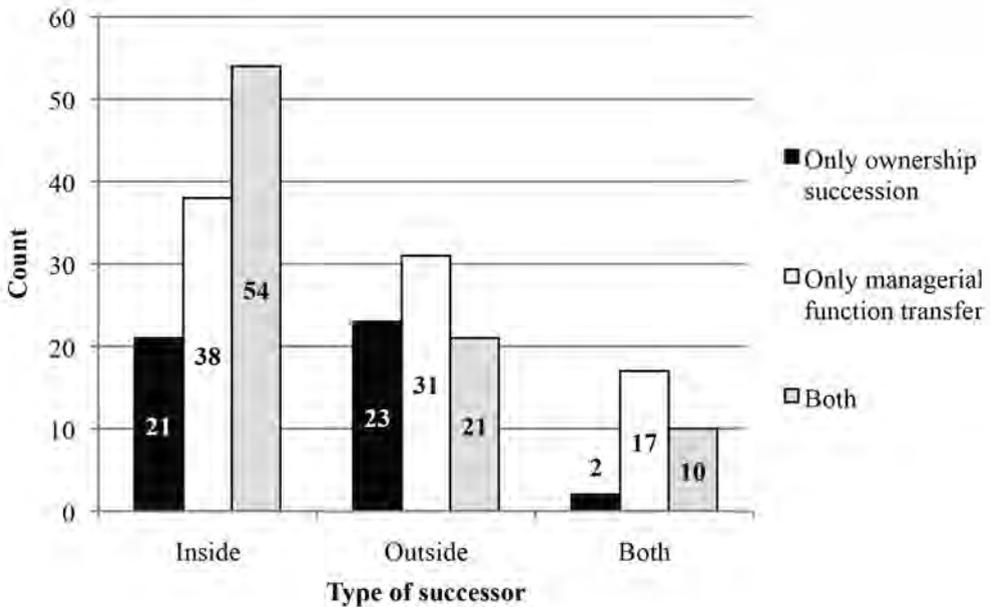


Figure 7. Origin of successor and the type of succession

Owners passed and desire to pass significantly less governor, leader and managerial roles to the inside successors than to outside successors. The results show that trust is important during the process of succession because insider successor take over frequently the part of ownership than outsiders, but during the transfer of leadership roles the role of professionalization of the company is more important. Based on the above we can state that **there is significant relationship between the origin of the successor and the transferred leadership roles and the ‘to be transferred’ governor roles.**

Roles during the process of leadership succession	Origin of successor (significance)
Transferred governor role	.010
To be transferred governor role	.034
Transferred leader role	.000
To be transferred leader role	.158
Transferred manager role	.006
To be transferred manager role	.182

Table 6. ANOVA levels of significance

The other aspect of individual factors is the age of the owner. Here I focused on the age of the owner-manager at the time of the first succession and whether the age of the owner had any influence on the type of succession and the distribution of transferred and 'to be transferred' leader roles. The examination of the age of the owner remained inconclusive which suggests that there is no correlation between the age of the owner and the various characteristics of the succession. In the second round I selected those organisations which are older than 15 years to see whether there is any correlation there. The results show that those organisations which are at least 15 years old show a significant but moderate correlation with the type of succession. Most of the owners of these organisations were between the ages of 35 and 49 during the first transfer of roles. 63% of the transfer of roles included ownership as well as leader roles. There is also a significant correlation between the age of the owner at the time of the first transfer of roles and the transferred governor and 'to be transferred' governor and manager roles. My original assumption could not be proved but I consider it a useful result that organisations older than 15 years show a significant correlation between the age of the owner and the type of succession.

At the beginning of my research I formulated three questions and I made my answers according to the reported analyses:

Is it possible to create a transferred leader role profile with which the distinctive phases of succession of Hungarian SMEs can be described and studied?

The current and future succession phases of SMEs are narrowly described in literature and can be characterised by qualitative and quantitative leader role profile.

What organisational and individual characteristics help defining the current phase of leadership succession?

The succession phase of SMEs can be characterised by the ownership interest, the dominant organisational culture, the size of organisation and changes in size, the origin of the successor and the age of the owner.

Is there a relationship between organisational and individual factors and the factors of leadership succession?

The current succession phases of SMEs show a relationship with the types of ownership of businesses – whether they are family-businesses or non-family businesses – the dominant organisational culture and the size of organisation and the origin of the successor. The future succession phase of SMEs shows a relationship with the dominant organisational culture, the size of organisation and changes in size and the origin of the successor.

Conclusion

Small businesses and their owner-managers are able to construct their own current and future succession phases by identifying and interpreting leadership roles. When analysing their future succession phases they are able to plan the road to a successful succession. It is important because the research has revealed that Hungarian SMEs are less developed in terms of transferring roles during a succession process. Hungarian business owners only consider a future succession process in an explicit way.

The transferred leadership roles of organizations are significantly different according to their family aspect of ownership. The family businesses realized lower transfer states than the non-family businesses. Results show that family business owners pass on the functional areas more frequently than the part of her/his ownership. In my opinion the results are indicating the classical entrepreneurial mentality during which the owners want to stay longer on their 'throne'. Unless the family business owners create a very strong paternalistic organizational climate which gives the owner a protection and make the owner the father of the organization, it is very difficult to recognize the importance of the transfer of leadership.

According to the organizational culture there are significant differences between the transferred and 'to be transferred' leadership roles. Lower states of succession were experienced in the presence of clan organizational culture according to the transferred governor role and lower states were also in the present and desired clan culture according to the managerial role. The state of succession is higher in the desired and present market culture according to the managerial and governor roles.

The differences between the states of succession are based on the internal and external focus. Owners are concentrating on the external processes of organization and are delegating more leadership roles than owners who are concentrating on internal mechanisms. Break with the friendly organizational climate; leave the role of father, and start to operate as a professionalized company it makes very difficult to shift from the clan culture to the market culture. In the clan culture owners are attached to their leadership roles, and they do not want to pass that. However, in the market culture these owners have already recognized the importance of professionalized operation and delegate more leadership roles, too.

According to the factors of organizational size there are significant differences between the transferred and 'to be transferred' managerial and leader roles where the middle sized companies and the exponentially growing companies delegated and desire to delegate more leadership roles. Most of the owners do not want their company to grow, and companies

where growth was important more leadership roles are delegated. So, it is interesting to ask why the exponentially growing companies want to delegate more leader roles? According to the exponentially growing companies the growth indicates that they need to adapt to the environmental changes and this means that they need a strong strategy “creator”. Those kind of owners could recognize that they need competent leaders.

Successors from inside the organisation are usually transferred ownership interest and leader functions, too. In those organisations where there is no preferred successor only the transfer of leader functions dominates. It is typical, that owner-managers are strongly attached to the team who was around at the time of foundation. This leads to more trust towards successors from inside the organisation and ownership succession to them is easier. But it is an interesting fact that top management leader functions are retained because while successors from inside the organisation are transferred ownership interest and leader functions, the own leader functions are less transferred. Finding a competent successor from outside the organisation is time and finance consuming and risky. There are no resources available for these long and difficult processes. But it is also true that whenever successors from outside the organisation enter they feel pressured to prove themselves and receive more leader functions. My case studies also suggested that unless a successor from outside the organisation demonstrates his/her abilities he/she will not receive ownership interest.

Applying research results, limitation and further research

Leadership succession is still an uncharted field of management science. There are many aspects of the leadership succession process that need to be studied. One of the specific areas of leadership succession is small-and medium sized businesses. Succession in these organisations has a more crucial role because of knowledge acquisition. In the future I plan to continue research on SMEs because they play a defining role in the Hungarian economy both in terms of innovation and in terms of their contribution to GDP. In order to continue their important role in our national economy they need to secure continuity even when owner-managers leave the organisation. The influencing factors of the research questionnaire need to be extended in order to learn more about the leadership succession of SMEs. This would allow us to analyse those succession processes which had been carried out successfully.

Based on the research results it can be assumed that professionalization has a strong influence on the leadership succession process. It means that certain leader functions are fulfilled by manager hired specifically for these roles. These managers from outside of the organisation are able to bring in values and norms which are new to the organisation. Through

these new values and norms the organisation will be able to experience new momentum and might become more professional. Another field that needs to be further researched is organisational culture and its influences. In this regard the Cameron-Quinn dominant culture types should be further investigated.

My research questionnaire is able to reveal the main characteristics of the leadership succession process in SMEs. The questionnaire section which covers the leader functions is appropriate to study succession processes of SMEs and the aims set for future succession processes. Studying leadership succession processes can also provide a base for comparative analyses of organisations. Environmental factors also need further studies. SMEs are in a difficult position in the current dynamically changing environment which forces them to constantly adapt to changes while they suffer from constant lack of professionals. Business life-cycle studies would also be highly relevant. Within these studies the critical time and size of SMEs should be determined when succession is the most ideal.

The research sample included businesses where the leadership succession process was only partial and the focus of the research was to map the phase of the succession process. In the future I plan to continue the research by analysing the leadership and ownership succession jointly. This is the only way to gain a thorough picture of the whole of the succession process. It is evident that studying ownership succession is much more complicated and needs a deeper analysis. The reason for the complexity of the task is that there are extensive legal, financial, psychological and social factors and interconnectedness involved in that process. Business equity not only involves financial advances but also considerable social and psychological values. Business owners are attached to the organisation they lead and manage. Transferring leader roles during the generation transition processes will be less emotionally tough for owners in the near future than ownership transition.

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Appendix No.1

Manager	Leader
“Do things right!” (<i>Bennis and Nanus, 1985</i>)	“Do the right thing!” (<i>Bennis and Nanus, 1985</i>)
General management functions: planning, organizing, staffing, controlling (<i>Kotter, 1996; Yukl, 2006</i>)	Planning: Presenting the vision; Organizing: Accomplishing the vision by supporting people; Leading – Controlling: motivation, inspiration in order to take the right way (<i>Kotter, 1996</i>)
Focuses on complexity – the aim is the efficiency (<i>Dover and Dierk, 2010</i>)	Focuses on change – the aim is the acceptance of the change (<i>Dover and Dierk, 2010</i>)
Get to the position by assignment, follow the traditional hierarchy (<i>Stogdill, 1997</i>)	It is a process, not a position, and turn up with the undertake of the teams’ responsibility (<i>Bennis, 1989; Davis, 1967; Stogdill, 1997; Bateman and Snell, 1999</i>)
Searching stability and control (<i>Zaieznik, 1977; Bennis, 1997, Yukl, 2006</i>)	Tolerating chaos (<i>Kotter, 1996; Zaieznik, 1977</i>)
How? When? (<i>Bennis, 1997; Zaieznik, 1977</i>)	What? Why? (<i>Bennis, 1997; Zaieznik, 1977</i>)
Importance of the rules (<i>Kotter, 1996; Zaieznik, 1977, Yukl, 2006</i>)	Rebelling against the routines (<i>Zaieznik, 1977</i>)
Communicating on indirect way (<i>Zaieznik, 1977</i>)	Using open questions (<i>Zaieznik, 1977</i>)
Problem-solver (<i>Kotter, 1996; Zaieznik, 1977</i>)	Problem-analyzer (<i>Zaieznik, 1977</i>)
Administrator, Maintainer, typical good soldier (<i>Bennis, 1997</i>)	Change manager, Innovator, Developer (<i>Bennis, 1997; Hay and Hodgkinson, 2006; Covey et.al, 1994; Bennis, 1989; Maccoby, 2000; Zaieznik, 1977</i>)
To be, what the company expects from you! (<i>Bennis, 1989</i>)	To be what you are! (<i>Bennis, 1989</i>)
Accepting status quo (<i>Bennis, 1997;1989</i>)	Status quo as challenge (<i>Bennis, 1997;1989</i>)

Manager	Leader
More brain, less soul! (<i>Capowski, 1994</i>)	More soul and heart, less brain! (<i>Capowski, 1994</i>)
Working with available, existing paradigms and methods (<i>Covey et.al, 1994, Kotter, 1996; Zaieznik, 1977; Bennis, 1989, 1997; Riggs, 1982; Yukl, 2006</i>)	Creating new paradigms, approaches and methods (<i>Covey et.al, 1994, Kotter, 1990; Zaieznik, 1977; Bennis, 1997</i>)
Short- run viewpoint (<i>Bennis, 1997</i>)	Long- run perspective (<i>Hay and Hodgkinson, 2006; Bennis, 1997; Kotter, 1996; Bennis and Nanus, 1985; Zaieznik, 1977; Perloff, 2004</i>)
Systematic activities and the importance of the rationality (<i>Watson, 1983; Levitt, 1976; Yukl, 2006</i>)	The importance of the intuition (<i>Zaieznik, 1977</i>)
Coping with limited choices, sorting organizational resources, and allocating the scarce resources (<i>Kotter, 1996, Daft, 2003; Weathersby, 1999, Covey et.al, 1994</i>)	For her/him the goal is work itself, the work causes satisfaction for her/him, and also expects outstanding performance (<i>Bennis, 1997; Kotter, 1996; Watson, 1983; Bass and Stogdill, 1990; Bateman and Snell, 1999</i>)
Stronger emotional reactions (<i>Zaieznik, 1977</i>)	The importance and the existence of self-discipline, self-knowledge (<i>Bennis and Nanus, 1985; Bennis, 1997</i>)
Too busy to deal with difficult or impossible tasks (<i>Riggs, 1982</i>)	Ready for searching the risk and danger, above all for the opportunity and reward (<i>Zaieznik, 1977, Yukl, 2006</i>)
Concentrating on systems (<i>Kotter, 1996; Covey et.al. 1994; Bennis, 1989; Bennis, 1997</i>)	Concentrating on the stimulation of reaching the aims (<i>Bateman and Snell, 1999; Kotter, 1996; Dover and Dierk, 2010</i>)
The main device is the control, regulation, and the guarantee of discipline (<i>Dover and Dierk, 2010; Kotter, 1996; Bennis, 1989; Daft, 2003; Levitt, 1976; Zaieznik, 1977; Bateman and Snell, 1999, Bennis, 1997</i>)	Empowering, delegation, arousing the interest to solving problems, empathy, building trust (<i>House, 2004; Zaieznik, 1977; Plunkett, 1996</i>)

The characteristics of leader' and manager' roles

Appendix No. 2

Managers' tasks	Leaders' tasks	Governors' tasks
Formulating operational plans, action plans	Formulation of vision	Forming or developing the mission
Communicating the operational plans	Ensuring the acceptance of vision	Ensuring the acceptance of the mission
Formulating the organizational structure	Formulating strategic goals	Defining the policy of the leadership succession
Formulating formalized systems	Facilitating the identification with the strategic goals	Handling the Public Affairs
Formalization of the authorities and responsibilities	Communicating strategies and actions to stakeholders	Handling the relations between the investors
Job analysis and -planning	Initiating changes	CSR
Creation of work conditions	Developing change management strategies	Managing/treatment the employees' interest
Creation of the benefit system	Implementation of organizational development	Handling social interest related to protecting the environment
Operational controlling	Handling the conflict between organizations	PR
Reporting the co-workers	Strategic controlling	Participation in meetings with the key customers, strategic partners
Handling operational problems	Coordinating informal relations	Deciding about donation, sponsorship, patronage and other subsidies
Handling the conflict between individuals	Coordinating projects	
Deciding about the development of the co-workers	Individualized support of the co-workers in the implementation of the tasks	
	Individual guide to co-workers	

Identified tasks of managers, leaders and governors

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