



Intergenerational Succession in SMEs Transition  
INSIST

CASE STUDY

BI-KA Logistics Ltd.

Final version

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## 1. Introduction- Presentation of the Case

### Brief history of the firm

After graduation, György Karmazin started his carrier at an agricultural trading company as a transport organizer in 1991. The very straight and painstaking György couldn't follow, respect or learn from his gambler owner-manager, but at least he had freedom in his work. In the industry, he found that most of his business partners were his former classmates. He realized that he had both the connections and the knowledge, and he could try to start a business in logistics on his own. Established under the Christmas tree in 1991, BI-KA Logistics was founded by György with the help of the parents-in-law. The small, family-owned, bootstrapping company has outgrown itself into one of the regional leaders in transport and logistics in the last 23 years.

### Main activities

BI-KA Logistics provides domestic and international transport services and transportation, rail transportation, as well as transport of oversized, air, container, marine or dangerous goods, warehouse logistics services, full customs clearance, cargo insurance and consultancy in logistics. Most common transportation routes are between Hungary and England, Austria, Belgium, Luxembourg, the Netherlands, Bulgaria, Czech Republic, Denmark, Estonia, Belarus, France, Greece, Croatia, Poland, Latvia, Lithuania, Germany, Italy, Russia, Portugal, Romania, Spain, Sweden, Switzerland, Serbia, Slovakia, Slovenia and Turkey.

### Main characteristics of its market position

The business is exclusively business-to-business in nature and serves its customers in 30 countries, mainly in the European markets. The company is continuously growing, closing the 2013's business year with a turnover of 16 million EUR, which means a 20.7% growth compared to the previous business year. In 2014, they could increase the turnover by 12%, even if their main partner remarkably cut orders. For the upcoming year, they have ambitious goals to improve profitability. BI-KA Logistics plans to double its vehicle fleet in 2015 and concentrate more on transport services.



### Number and structure of employees

Number of employees: 103 people

Gender rate:

- Female: 48%
- Male: 52%

Profession:

- White-collar worker: 69%
- Physical worker: 31%

Age groups:

- 20-30 years: 34 people
- 31-40 years: 42 people
- 41-50 years: 17 people
- 51+ years: 10 people

## **2. Succession process**

### 2.1. Ownership structure

BI-KA Logistics was founded in 1991 by Hungarian private entities, Bíró and Karmazin families (György Karmazin, and his wife's parents) in Szolnok, a small city in the rural area of Hungary. The legal form of the family business changed from unlimited to limited liability in 2008. Currently 100% of the private company is owned by Dr. György Karmazin, co-founder and previous Managing Director of the business. Although he kept ownership, the management of the company was fully transferred to a successor in 2012. The successor is neither a member of the family nor an external manager. Gabriella Szécsi had spent 10 years in different positions at BI-KA, before György asked her to take over the management of the company.

### 2.2. Complex process/dynamics of succession

A milestone in the FB's life was when György realized in around 2000, after 10 years of operation and hiring the 20th employee that managing a micro-size company basically differs from managing a small- or medium sized one. It needs organizational structure, and personal communication among members is not efficient any more. He learnt about strategy and organizational structures. He started to cooperate with external OD partners,

and developed a 3-year- strategy with the support of a strategic advisory team. After the strategy was ready, BPR partners developed an ERP system that was based on the created strategy. These developments turned out to be great investments, and BIKA was a pioneer among competitors – small businesses at that time had no idea why he needed this.

György believes in lifelong learning and continuous self-development, which is also one of the basic values of the company. In 2010, after 20 years of intensive work, the always energetic man found that he had become exhausted from the long working hours and started to think about other life goals he wanted to reach. At the age of 44, he wanted to live a life along values more than ever before, and both personal and organizational growth obtained higher priority for him.

The company was dynamically growing, and soon it reached medium-size. Business success was not enough anymore for György, he was motivated to give something to the community. As a sportsman, he was happy to spend more time with helping others to become successful in sports and/or in business life. He led the national karate association for 8 years, but in these years he found more delight in educating children three times a week. He also started his running coaching sessions for local entrepreneurs, to help them stay physically fit and they also discussed business issues via running every morning. There were other role models around him how to continue. He studied successful entrepreneurs in Hungary who stepped back from business and built academies for the next generation. He also wanted to work on his PhD and to build an academic carrier, or even to set up a logistic academy in his hometown, Szolnok. After starting his PhD in 2010 and he soon realized that he cannot study and lead the company at the same time. During his PhD studies, he met Professor Nemes, who examined family business successions in U.S. Based on these examined best practices, György realized that it was the right time to transfer BI-KA Logistics for the next generation. He was ready to retire, but he needed the right successor in order to retire without risking the business, which provides a living for his family and at that time for 70 employees and their family as well.

First, he examined the family. His wife also worked at the company in administration and facility management, but she was never really deeply into the business. The parents of the wife had no ownership in the company any more (they owned a partner company, BL-KA Trans.) The children of the couple are too young and have no experience to take over a mid-size company. He didn't want to wait for ages to find out whether the children want or if they are capable of taking over the company. He realized that he either had to invite an external manager to take over the company or find someone from his own managers or help him/her to develop. Consulting with his wife, they agreed to choose the latter one, and they had a clear idea who the potential successor was.

Gabriella Szécsi was an ideal choice. She joined the company in 2002, where she made a career step-by-step, starting as a transport organiser. She was talented and eager to learn, and she also had leadership competences. György and his wife fully trusted her. From 2005, she worked as an operational manager at the company besides György, who was the strategic leader at that time. During a 2-year- maternity leave between 2010 and 2012, she spent considerable time on self-education, doing a language exam and an executive MBA training. During the two –year- leave, György talked to Gabriella about the potential succession. First György had other mid-term succession plans, such as offering the 33-year-old Gabriella a Division Manager position for some years, but there was no need for the delay. By the time she returned to the company in 2012 May, they had already agreed on the process of the takeover. From 2013 January, Gabriella is the Managing Director and representative of the firm, and György stepped back to the owner's position, acting as a strategic counsellor.

György has a motto, that **'If it is not growing, it is decreasing'**. He defined **5 KPIs** that Gabriella has to reach quarterly. In the last two years, she has exceeded even these ambitious requirements. Income improved by 20%, business results improved by 56% in the 2013 business year.

The 5 KPIs are the following:

1. growing income
2. growing results
3. growing profitability
4. no decrease in customer satisfaction
5. no decrease in employee satisfaction

Table 1: Success criteria towards the successor

### 2. 3. Family and Business-Related Values: transferring social – economical wealth

György believes in customer-focused thinking, performance-based evaluation and high quality work in business. He is committed to lifelong learning, believes in team work, long-term thinking and planning. For the company, motivated, organized and dedicated staff is a priority value, forming a community to achieve the individual and corporate goals. BI-KA Logistics Ltd. gives priority to ensure the professional trainings for its staff, in order to be able to inform and serve their clients according to the current market situation. The company is able to find fast and flexible solutions to respond its clients' needs, as well as the changes in the external environment. The company seeks internal and external relationships based on trust.

For György, core human values are openness, learning behaviour, the need for development, respect and humility, acceptance of others, and beyond the materialistic world, how to give. *'Now I am able to give, but for this, I need a management team who operates the system. If they operate the company properly, I will be able to live this life along values.'*

György and Anita try to transfer important values to their children, such as humility, respect of work. Kristóf, the 21-year-old son is graduating next year from college. He studies management, and he has been working since he was 16. The daughter is 18 years old, finishing high school soon. She studies tourism and languages. Both worked at BI-KA during summers. Kristóf is now employed at another family company, which

provides IT support to BI-KA. He can learn how to operate a micro-size firm, later he can success it or he can join BI-KA, however he wants. The parents want their children to fulfil their own life goals, not their parents'. If they decide to continue the family business, they also need to meet high quality standards and prove their management and professional capabilities.

The couple admire the younger generation's IT skills, their dynamics, workload, and energy level. György worked really hard for 20 years, and he got tired. He didn't want to become an obstacle in his company's development, so he decided to pass the company's management to an eager and ambitious young manager, Gabriella, in due time. Now she has the chance to bring the company to a new growth path.

At the beginning of 2013, György transferred legally the managerial role to Gabriella, and he moved out of the office (he doesn't even have a chair any more). Although the succession process seems to be smooth, roles are still developing and conflicts may arise. For example, there is a need for discussion even in a basic question: **'What does succession mean for us?'** Gabriella feels succession is still an ongoing process, though György feels succession was completed. For an owner, who is the founder of a private/family business, the company is similar to his/her own children. It is more an emotional issue, and almost impossible to let go. György says, not going to work in your company each day is a similar feeling to passing away. Very hard, but day by day a little bit easier. Yet, it is sometimes difficult to find the borders at the level of involvement. In a settled owner versus managerial role, decision-making and responsibilities are clearly articulated. György and Gabriella have not clearly clarified these points, so flexibility arises in handling situations. They have to find beside the quarterly reports the frequency of their informal meetings, where Gabriella could inform György about updates. They also need to figure out the owners' involvement in decision making. For György, it is the hardest not to interfere when he would do something in a different way. But he doesn't want to mislead Gabriella, who achieves great results. It seems that György is giving Gabriella growing authority, and he de facto steps back from daily business activity.

External observers recognize both of them. They've won several awards, such as Entrepreneur of the year in 2009 (György), Young Manager of the Year in 2014 (Gabriella). The company was also rewarded with Pro Hungarian Economics Award, Best Women's Workplace, Business Ethics Award, etc. in the previous years.

#### 2.4. Dynamics of family business: changing managing and leadership style after succession

We can also examine the external and internal acceptance of the new manager. If we look at the business partners, most of them got used to the change within a half year. Young employees could also easily accept changes and adapt to the new situation. Those, who had been hired by her, naturally recognize her as the leader. Also do older colleagues, but for those, who spent 10-20 years at the company, it takes time to get used to the new situation. *'It is a question, if they are committed to BI-KA or György, which is tough part of succession.'* -says György. At company parties they sometimes complain to György about the new culture, which is unfamiliar to them. They need more time to adapt to changes.

If we have a look at the organizational culture, we can see that it is also changing. In the first decade, the company was small in size, and there was small distance among the employees both physically and in hierarchy. The employees were at the same age and life stage as the founders, and they spent their free time together with them. They got used to the direct relationships and to the fact, that they can share their opinions, even problems or critics. Now BI-KA has 103 employees, and management is separated from ownership. Although they try to preserve familiarity (they work in a family house together, and organize social events for the colleagues), but the atmosphere became more distant, 'mid-size company-like', which is a natural change.

The successor has her own management style and techniques. Gabriella also has ownership-approach, but her latitude is narrower than an owner manager, as she has to reach the owner's requirements. She needs to be very consequent. György experimented with the liberated organizational structure to bring back small distance, but Gabriella



found this is not ideal for the company at its stage. *'We work with young and less experienced colleagues currently. The liberated structure puts pressure on their competencies, they do not find where are the borders of authority and responsibility.'* After the reorganization of the management structure, she started to coach the young managers. Usually her working days are made out of discussions with the managers. She involves them to evaluations, and managers have freedom in decision making, but they can also ask for support and they do. She is thankful for having also some managers with external managerial experience, who can support her in leadership. She also did benchmarking, talked to other managers and worked with coaches to improve herself as a leader. She has a communicative leadership style, and she also takes confrontation if needed. She is not a 'typical' woman leader (if this term exists), but she uses the innate skills and competences that are mainly connected to women, such as empathy, communication and employee assessment.

There is another important female role in this succession process, the role of György's wife. György emphasizes, that her greatest support has always been his wife, Anita. Anita didn't take a very significant professional role in the company, but she ensured the strong background for György, who could focus on the business. *'Keeping the family together is the most important thing for me. Family is the smallest building block of society, here needs to be an order. Then we can look at our smaller and wider environment.'* As György's partner and the deputy manager of the company, she takes part in the social representations and takes care of good collegial relationships. The family's reputation is high in the local community, and they often take part in charity activities.

The family would be satisfied if the company could ensure their living in a sustainable way and could also maintain continuous development and growth. Expectations are high, but the new leader has the appropriate skills and ambition to exceed the plans. The new strategy contains plans for foreign appearance, as their biggest customers already indicated their needs for that. Another aim is to reach number 1 position in the region. They also plan to improve profitability and sales, therefore investment in the vehicle fleet is scheduled for this year. The owner, who decided to retire, made the possible best

choice when he passed the management to his former employee. Gabriella was able to bring new dynamics to the company and lead it to a new growth path. The future is open, and there are many opportunities for the children, if once they decide to join the company.

### 3. Conclusion and lessons

1. When the FB starts to grow, old leadership styles and techniques may not work anymore. External advisors could help to draw an objective picture of the company's current situation and the challenges it has to face. They could also help to define urgent and important areas of intervention.
2. A founder should start to think about succession in due time. There is life after retirement, and they shouldn't wait until it is too late. They need to recognize whether they become an obstacle of their own business's development possibilities.
3. Preparation for the succession takes a long time. Elements are: education, experience, improving leadership skills and building wide internal and external acceptance, etc.
4. It's not enough to find the eligible successor, there is a need for reorientation of the retired family members. It's hard to step back if the founder's life is only about the company, but to have hobbies and new goals could help to find joy in retirement.
5. Trust is a key factor in succession, and it has many layers. E.g. Non-family members first need to prove their loyalty to the family business values
6. Even if only leadership is succeeded, the new leader could and should have ownership approach.
7. Even if the rules of succession seem to be clear, communication is needed to define borders (level of authority and interference) between founder and successor

8. Beside fiscal goals, and quarterly meetings, managers and founders should meet on regular basis, to avoid misinterpretations and misunderstandings of managerial decisions
9. Don't forget to communicate with the employees and inform them about the succession and the potential need for changes in due time.
10. For future growth, the successor should keep the family business values but also to bring in new dynamics. The founder and the successor shouldn't forget about building external and internal recognition of the new manager, for whom building a supportive managerial team is also helpful.

#### 4. List of abbreviations

BPR = Business Process Reengineering

ERP = Enterprise Resource Planning

FB = Family Business

KPI = Key Performance Indicator

OD = Organizational Development

#### 5. Annex

##### 5.1. Characteristics of the interviewees in a table

Name	born in	sex	family relations	entering the FB	education	skills/responsibilities
Dr. György Karmazin	1966	male	husband	1991	Engineer, univ. degree + PhD in Economic Studies	co-founder, owner, former managing director, now strategic counsellor
Anita Bíró, Dr. Karmazinné	1969	female	wife	1998	Maths teacher univ. degree	group leader and deputy managing director
Gabriella Szécsi	1979	female	no relation	2002	Logistics univ. degree + MBA in Management	managing director

n=3

Table 2: Main characteristics of the interviewees



Erasmus+



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