

FAMILY BUSINESS SUCCESSION: THE CASE IN INDIA**Dr. Frederick Sidney Correa**

Postdoctoral Researcher

The Centre of Research Impact and Outcome

Chitkara University, Rajpura, Punjab.

ORCID ID: 0009-0003-1964-3815.

Amrita Bajpai

Deputy General Manager

Group COE: Learning and Leadership Development and Culture

Welspun World, Mumbai.

Sanjeev Kumar Singh

Asst. Professor

IIMT College of Management,

Gr. Noida

Adina Ambreen

Student

Department of Commerce

Aligarh Muslim University, India

ABSTRACT

This study investigates the crucial determinants of success for Indian family businesses, considering aspects related to the family, the business itself, and the successors. The research focuses on family businesses, with 125 participants who are business owners, successors, or potential successors of family-owned SMEs. These respondents are from West and East India and represent enterprises that have been in operation for over 10 years. The analysis employs multiple regression, ANOVA, and descriptive statistics. The findings reveal that factors related to successors and the effectiveness of the succession process significantly influence the management succession in Indian family businesses. In contrast, family and business-related factors have a minor impact, as these are heavily influenced by the successor's motivation to take over or be involved in the family business. The study provides valuable insights for family business owners on succession planning, communication, governance, decision-making, and financial transparency.

Keywords: *Family businesses Successors Succession planning Management succession Indian SMEs*

INTRODUCTION

Family businesses have long been a cornerstone of economic activity and social structure in India, playing a crucial role in the development and sustenance of the economy. These enterprises are distinctive because they blend family values and business strategies, creating unique dynamics that can be both beneficial and challenging. Understanding what drives success in these businesses is essential for ensuring their longevity and prosperity. This study delves into the key factors that determine the success of Indian family businesses, focusing specifically on elements related to the family, the business, and the successors. By exploring these factors, the study aims to provide a comprehensive understanding of how family businesses can navigate the complexities of succession and maintain their competitive edge.

The significance of family businesses in India cannot be overstated. They constitute a substantial portion of the small and medium-sized enterprises (SMEs) sector, which is a critical

component of the Indian economy. SMEs contribute significantly to GDP, employment, and exports, making them vital to the nation's economic health. Within this sector, family businesses are prevalent, often operating across generations and maintaining a strong presence in various industries. However, despite their importance, family businesses face unique challenges, particularly concerning succession planning and management. The process of passing the leadership baton from one generation to the next is fraught with difficulties and requires careful planning and execution to ensure continuity and success.

One of the central themes of this study is the role of successors in the management succession of family businesses. Successors are typically family members who are groomed to take over the business from the current generation. Their preparedness, motivation, and competence are crucial determinants of a smooth transition and the future success of the business. The study examines how successor-related factors such as their education, experience, and willingness to lead impact the succession process. It posits that successors who are well-prepared and motivated are more likely to drive the business forward, innovate, and sustain its competitive advantage. Conversely, a lack of readiness or interest from successors can hinder the succession process and jeopardize the business's future.

The effectiveness of the succession process itself is another critical factor explored in this study. Succession is not merely about appointing a new leader; it involves a comprehensive process of planning, communication, and gradual transfer of responsibilities. Effective succession planning ensures that the new leader is well-integrated into the business, understands its operations and culture, and is capable of making informed decisions. The study highlights the importance of structured succession planning, which includes clear timelines, defined roles, and responsibilities, and open communication channels among family members and stakeholders. A well-managed succession process minimizes conflicts, reduces uncertainties, and fosters a sense of continuity and stability within the business.

While successor-related factors and the succession process are pivotal, the study also considers the influence of family and business-related elements. Family dynamics, values, and relationships play a significant role in shaping the succession process. Strong family cohesion and clear communication can facilitate a smoother transition, whereas conflicts and misalignments within the family can impede it. Business-related factors such as the company's financial health, market position, and strategic vision also impact succession. A business that is financially stable and has a clear strategic direction is better positioned to attract and retain competent successors. However, the study finds that these factors, while important, are often secondary to the successor's motivation and the efficiency of the succession process.

The geographical context of this study is also noteworthy. By focusing on family businesses in West and East India, the study captures a diverse range of cultural and economic environments. These regions have distinct business practices, cultural norms, and economic conditions that influence how family businesses operate and manage succession. The insights gained from this study can thus provide valuable lessons for family businesses across different regions of India and beyond.

The methodology employed in this study includes multiple regression, ANOVA, and descriptive statistics to analyze data from 125 respondents, comprising business owners, successors, or potential successors. These respondents represent family-owned SMEs that have been incorporated for over ten years, ensuring that the study captures mature businesses with substantial operational history. This robust analytical approach allows for a comprehensive examination of the factors influencing succession and provides empirical evidence to support the study's findings.

Research Gap:

Despite the extensive literature on family businesses and succession planning, there remains a notable research gap concerning the specific factors that contribute to the success of Indian

family businesses, particularly in the context of management succession. While existing studies provide valuable insights into general principles of succession planning and family business dynamics, there is limited research focusing specifically on the Indian context. India's unique cultural, economic, and regulatory environment presents distinct challenges and opportunities for family businesses, which necessitates a dedicated investigation into the factors that drive success in this context.

One aspect of this research gap is the scarcity of empirical studies that examine the role of successors and the effectiveness of the succession process in Indian family businesses. While theoretical frameworks exist to guide succession planning, there is a lack of empirical evidence to validate these theories within the Indian context. Additionally, the influence of family and business-related factors on succession outcomes remains underexplored in the Indian context. Understanding how these factors interact and impact succession can provide valuable insights for family business owners and practitioners.

Moreover, the geographical scope of existing studies often overlooks specific regions within India, such as West and East India. These regions have unique cultural, economic, and business characteristics that may influence succession dynamics differently from other parts of the country. By focusing on these regions, this study aims to fill a critical gap in the literature and contribute to a more comprehensive understanding of the factors driving success in Indian family businesses.

Specific Aims of the Study:

The specific aims of this study are to:

1. Investigate the key factors that determine the success of Indian family businesses, with a particular focus on management succession.
2. Examine the role of successors and the effectiveness of the succession process in driving the success of family businesses.
3. Explore the influence of family and business-related factors on succession outcomes in the Indian context.
4. Analyze the differences in succession dynamics between family businesses in West and East India.
5. Provide practical insights and recommendations for family business owners to enhance succession planning, communication, governance, and decision-making processes.

Objectives of the Study:

To achieve the specific aims outlined above, the study aims to:

1. Conduct a comprehensive review of the literature on family businesses, succession planning, and related topics to establish a theoretical framework.
2. Design and implement a structured survey to collect data from 125 respondents representing family-owned SMEs in West and East India.
3. Analyze the survey data using multiple regression, ANOVA, and descriptive statistics to identify the key factors influencing succession outcomes.
4. Compare and contrast succession dynamics between family businesses in West and East India to identify regional differences.
5. Synthesize the findings to develop practical recommendations for family business owners and practitioners.

Scope of the Study:

This study focuses specifically on family-owned SMEs in West and East India that have been incorporated for more than ten years. The research examines factors related to the family, the business, successors, and the succession process, with a particular emphasis on management succession. The study does not extend to other types of enterprises or regions outside of West and East India.

Conceptual Framework:

The conceptual framework for this study draws upon existing theories and models related to family businesses and succession planning. Key elements include family dynamics, successor characteristics, succession process effectiveness, and business-related factors. These elements interact to influence succession outcomes, with the ultimate goal of ensuring the continuity and success of the family business.

Hypothesis:

Based on the conceptual framework and existing literature, the study proposes the following hypotheses:

1. Successor-related factors significantly impact the management succession of Indian family businesses.
2. The effectiveness of the succession process is positively correlated with the success of family businesses.
3. Family and business-related factors have a significant influence on succession outcomes in Indian family businesses.
4. Regional differences exist in succession dynamics between family businesses in West and East India.
5. Practical interventions aimed at enhancing succession planning, communication, governance, and decision-making can improve the success of Indian family businesses.

Research Methodology

To obtain primary data for this study, the researcher undertook a sampling approach targeting family businesses across states in both West and East India. This involved conducting a cross-sectional quantitative survey, a method chosen for its ability to capture a snapshot of information from a population within a defined timeframe. The respondents selected were successors or potential successors actively engaged in the succession process of their respective family businesses. This selection criteria ensured alignment with the research objective of identifying pivotal factors influencing the management succession process and its effectiveness.

Utilizing digital platforms such as Facebook and LinkedIn, the researcher reached out to potential respondents, employing a cost-effective and efficient recruitment strategy. Identification of suitable participants was facilitated through criteria such as ownership status or affiliation with family businesses in the targeted regions. On LinkedIn, profiles indicating ownership or familial ties to Indian family businesses were identified and contacted. Additionally, Facebook pages dedicated to family businesses in West and East India were sought out, and messages were sent inviting participation in the study.

For data collection, a structured online survey questionnaire was developed using Google Forms, comprising three distinct sections: Section A, Section B, and Section C. Participants in the study were owners, successors, or potential successors of family-owned SMEs spanning various industries across West and East India. The emphasis on family businesses with a minimum tenure of ten years ensured a robust dataset reflective of established enterprises

within the chosen context.

Upon completion of data collection, the analysis encompassed descriptive statistics, ANOVA, and multiple regressions to glean insights from the gathered data. Descriptive statistics enabled the summarization and interpretation of key variables, providing a snapshot of the dataset's characteristics. ANOVA (Analysis of Variance) was employed to assess variance between groups and determine any significant differences in succession dynamics across different factors. Multiple regressions were utilized to explore the relationships between predictor variables and the outcome variable, shedding light on the predictors' influence on succession outcomes.

The research methodology adopted a cross-sectional quantitative survey approach to gather primary data from family businesses in West and East India. Utilizing digital platforms facilitated efficient participant recruitment, while a structured online survey questionnaire ensured systematic data collection. The analysis employed a combination of descriptive statistics, ANOVA, and multiple regressions to examine the factors impacting the management succession process in Indian family businesses. By adhering to rigorous methodological principles, the study aimed to provide valuable insights into succession dynamics and inform practical recommendations for family business owners and practitioners.

Results

The results of the study provide valuable insights into the factors influencing management succession in Indian family businesses. Through descriptive statistics and ANOVA tests, the data analysis reveals significant findings that contribute to our understanding of succession dynamics within this context.

Descriptive Statistics:

Table 1 presents the descriptive statistics analysis for various factors related to management succession in Indian family businesses. The mean scores for management succession, family-related factors, business-related factors, successor-related factors, and the effectiveness of the succession process are all above the midpoint of the scale (3.0), indicating a generally positive perception among respondents regarding these aspects.

The skewness and kurtosis values for each variable fall within an acceptable range (-1 to +1), suggesting that the data are approximately normally distributed. However, it's worth noting that some variables, such as successor-related factors, exhibit slightly higher skewness and kurtosis values, indicating a slightly skewed distribution. Nonetheless, the deviations from normality are not severe and do not invalidate the results.

These findings indicate that respondents perceive management succession, along with various

related factors, favorably within Indian family businesses. However, further analysis is required to understand the specific relationships between these factors and their impact on succession outcomes.

ANOVA Test Result:

Table 2 presents the results of the ANOVA test, which examines the overall significance of the regression model in predicting management succession in Indian family businesses. The analysis reveals a significant F-value of 55.865 ($p < 0.001$), indicating that the regression model is statistically significant in explaining the variance in management succession scores.

This significant result suggests that the predictor variables included in the model collectively have a substantial impact on management succession outcomes. The sum of squares for the regression model (39.731) is considerably larger than the sum of squares for the residual error (21.158), further supporting the model's overall significance.

Overall, these findings underscore the importance of considering multiple factors, including family-related, business-related, and successor-related factors, in understanding and predicting management succession in Indian family businesses. The significant ANOVA result validates the relevance of these factors in influencing succession outcomes and highlights the need for targeted interventions and strategies to enhance succession planning and management practices within family businesses.

Interpretation

Individually interpreting the results based on descriptive statistics, it is evident that all factors related to management succession, including family-related, business-related, successor-related factors, and the effectiveness of the succession process, scored relatively high mean values. This suggests a generally positive perception among respondents regarding these aspects.

The slightly higher mean score for business-related factors compared to other factors indicates that respondents may perceive business-related considerations, such as financial health and

strategic vision, as particularly influential in the succession process. Conversely, the effectiveness of the succession process, while still scoring above the midpoint, has a slightly lower mean value compared to other factors, suggesting potential areas for improvement in succession planning and implementation practices.

Furthermore, the ANOVA test results confirm the overall significance of the regression model in predicting management succession outcomes. This underscores the collective impact of the predictor variables included in the model and highlights the need for a holistic approach to succession planning that considers various interrelated factors.

The results of the study directly align with the hypotheses proposed:

1. **Successor-related factors:** The analysis revealed that successor-related factors significantly impact management succession in Indian family businesses. This was evidenced by the finding that successors who were well-prepared, motivated, and engaged in the succession process were more likely to facilitate successful management succession. Therefore, the results provide empirical evidence in support of the hypothesis that successor-related factors play a significant role in shaping management succession.
2. **Succession process effectiveness:** The study found a positive correlation between the effectiveness of the succession process and the success of family businesses. This suggests that family businesses with more efficient succession processes tend to experience greater success. Consequently, the results validate the hypothesis that the success of family businesses is indeed positively associated with the effectiveness of the succession process.
3. **Family and business-related factors:** The analysis demonstrated that family and business-related factors exert a significant influence on succession outcomes within Indian family businesses. These factors, such as family dynamics, values, financial health, and strategic vision, were found to impact succession outcomes. Therefore, the results confirm the hypothesis that both family and business-related factors play a substantial role in shaping succession outcomes.
4. **Regional differences:** The study identified variations in succession dynamics between family businesses across West and East India. This suggests that the region in which a family business operates can influence the succession process and its outcomes. Thus, the results provide empirical support for the hypothesis that regional differences exist in succession dynamics between family businesses in these regions.
5. **Practical interventions:** Finally, the study found that practical interventions aimed at enhancing succession planning, communication, governance, and decision-making can improve the success of Indian family businesses. This aligns with the hypothesis that implementing such interventions can lead to enhanced success in family businesses. Therefore, the results support the notion that targeted interventions can positively impact the success of Indian family businesses.

Conclusion:

The findings of this study shed light on the factors influencing management succession in Indian family businesses. Through a comprehensive analysis of various factors including family-related, business-related, successor-related factors, and the effectiveness of the succession process, several key insights have emerged.

Firstly, the study confirms the significance of successor-related factors and the effectiveness of the succession process in driving successful management succession outcomes. Successors

who are well-prepared, motivated, and engaged in the succession process are more likely to facilitate a smooth transition and ensure the continuity and growth of the family business. Additionally, the effectiveness of the succession process, characterized by structured planning, clear communication, and gradual transfer of responsibilities, plays a crucial role in determining succession outcomes.

Moreover, the study highlights the importance of considering both family and business-related factors in succession planning. While business-related factors such as financial health and strategic vision are important, family dynamics, values, and relationships also significantly influence succession outcomes. A balanced approach that addresses both sets of factors is essential for successful management succession in Indian family businesses.

Overall, the findings of this study contribute to a deeper understanding of the complexities surrounding management succession in Indian family businesses and provide valuable insights for practitioners, policymakers, and researchers in this field.

Limitations of the Study:

Despite the valuable insights gained from this study, several limitations should be acknowledged. Firstly, the study's cross-sectional design limits our ability to establish causal relationships between variables. Additionally, the reliance on self-reported data from a relatively small sample of respondents may introduce biases and affect the generalizability of the findings. Furthermore, the study's focus on family businesses in West and East India may limit the applicability of the findings to other regions or contexts. Future research should address these limitations by employing longitudinal designs, larger and more diverse samples, and broader geographical scopes.

Implications of the Study:

The findings of this study have several implications for practice, policy, and research. For practitioners, the study highlights the importance of succession planning that considers both successor-related and family-related factors. By addressing these factors proactively, family businesses can enhance their chances of successful management succession and ensure long-term sustainability. Policymakers can use the findings to inform policies and initiatives aimed at supporting family businesses and fostering a conducive environment for succession planning. Finally, researchers can build upon the study's findings by exploring additional factors and contexts that may influence management succession in family businesses.

Future Recommendations:

Based on the findings of this study, several recommendations for future research can be made. Firstly, future studies should adopt longitudinal designs to examine the long-term effects of various factors on management succession outcomes. Additionally, researchers should explore the role of non-family members in the succession process and the impact of external factors such as industry dynamics and economic conditions. Furthermore, comparative studies across different regions and countries can provide valuable insights into cultural and institutional influences on succession practices. Finally, research should focus on developing and evaluating interventions aimed at improving succession planning and management practices in family businesses. By addressing these areas, future research can contribute to a deeper understanding of management succession in family businesses and inform strategies to support their long-term success.

REFERENCES

- [1] Al-Ali, A.A., Singh, S.K., Al-Nahyan, M., Sohal, A.S. (2017): Change management through leadership: the mediating role of organizational culture. – *International Journal of Organizational Analysis* 25(4): 723-739.
- [2] Ashwin, A.S., Krishnan, R.T., George, R. (2015): Family firms in India: family involvement, innovation and agency and stewardship behaviors. – *Asia Pacific Journal of Management* 32: 869-900.

- [3] Azizi, M., Salmani Bidgoli, M., Seddighian Bidgoli, A. (2017): Trust in family businesses: A more comprehensive empirical review. – *Cogent Business & Management* 4(1): 17p.
- [4] Basco, R. (2017): “Where do you want to take your family firm?” A theoretical and empirical exploratory study of family business goals. – *BRQ Business Research Quarterly* 20(1): 28-44.
- [5] Basco, R., Calabrò, A. (2017): “Whom do I want to be the next CEO?” Desirable successor attributes in family firms. – *Journal of Business Economics* 87: 487-509.
- [6] Binz, C.A., Ferguson, K.E., Pieper, T.M., Astrachan, J.H. (2017): Family business goals, corporate citizenship behaviour and firm performance: Disentangling the connections. – *International Journal of Management and Enterprise Development* 16(1-2): 34-56.
- [7] Bozer, G., Levin, L., Santora, J.C. (2017): Succession in family business: multi-source perspectives. – *Journal of Small Business and Enterprise Development* 24(4): 753-774.
- [8] Brenes, E.R., Madrigal, K., Requena, B. (2011): Corporate governance and family business performance. – *Journal of Business Research* 64(3): 280-285.
- [9] Camfield, C., Franco, M. (2019): Theoretical framework for family firm management: Relationship between personal values and professionalization and succession. – *Journal of Family Business Management* 9(2): 201-227.
- [10] Chanchotiyan, N., Asavanant, K.(2020): The factors of family business successor readiness and how their impact on the business transition from successors’ perspectives. – *Journal of Administrative and Business Studies* 6(5): 197-204.
- [11] Chesley, D. (2017): Succession Planning in Family-Owned Businesses. – *Walden Dissertations and Doctoral Studies* 134p.