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The Role of Quality of Relations in Succession Planning of Family Businesses in India

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Abstract

Considerable research has been done on the issue of succession in family businesses. However the process of induction, of preparing the members of the next generation for joining the family business has not been examined in detail. This paper attempts to analyse the relevance of three critical factors – ‘quality of relations’, ‘willingness of the inductee’ and ‘the ability to manage tensions harmoniously’ - to the induction process and the progress of the business. It focuses on the Indian context, specifically in the Small and medium Enterprise (SME) area. Qualitative research has been carried out. The Case Study method is used and data has been gathered from two families (including two branches of one family), using frequent unstructured interviews, over a period of five years. It is concluded that positive impact on business, family and the inductee depends to a large extent on the quality of relations, willingness of the inductee and the ability of both the inductor and inductee to handle and manage the tensions. Thus the findings of the study extend current understanding about succession drivers to the specific context of eastern cultural and developing economy represented by the Indian family businesses in the small and medium enterprise sector.

Keywords: Family Business, Personnel Management, Succession Planning, Induction, Small and Medium Enterprises, Corporate Culture, India.

JEL Classification Code: M12, M14, M16.

1. Introduction

In all economies of the world, family businesses play an important role in creating wealth (Van der Merwe, 2011). They are also found to be the most dominant form of business (Lee, 2006). The family businesses represent between 65 to 80 percent of the business enterprises all over the world (Dreux, 1990; Timmons & Spinelli, 2007). As per a study by Malhotra (2010) 80% of all businesses worldwide are family businesses. Both in developed countries like USA, UK etc. and developing countries like India, Pakistan, Bangladesh, Sri Lanka etc., family

businesses play a significant role in the growth of the economy (Miller & Le Breton-Miller, 2005).

Within the research available, one of the most significant problems identified with family business is about the continuity of the business. This paper attempts to identify, through qualitative research, the critical psychological factors that influence the succession process, with particular focus on the preparation of the next generation to be inducted in the business. The founder has a significant influence on the firm including its culture, values and performance (Schein, 1995). Ensuring continuity of the family business after the founder has been seen as a major challenge (Ward, 2011; Birley, 1986). Most family businesses are not able to pass the reins of the business effectively to the next generations (Villalonga & Amit, 2006).

With the changes in the environment such as advent of globalization, shift in technology etc., ensuring continuity of the business has become a deeper challenge for all forms of business. But it gets magnified in the case of family business due to the additional factors of family emotions and mutual impact of family on business and vice versa, making continuity over generations difficult (Salvato & Melin,

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2008). As the concern about continuity is so significant, it is obvious that over the years a large part of research within the area of family business has attracted the attention of researchers to the aspect of succession and continuity. Researchers have examined these aspects from both empirical and anecdotal angles in a bid to arrive at satisfactory answers. It has been argued that succession planning is critical (Tatoglu, Kula, & Glaister, 2008). Succession planning is like a journey, which unless meticulously planned, can go haywire and result in an undesired end. The process of succession comprises myriad issues, each to be handled precisely else there are high chances of the situation going downhill. As per Lam (2011) a number of variables have been identified but little causal insight is offered that helps us to understand the family–business–succession nexus.

Studies on succession process have mainly been viewing the process from two different viewpoints. Some researchers believe that succession is a one-time event. When the time for succession comes, the management and ownership of the business is transferred from one generation to another (Dyck, Mauws, Starke, & Mischke, 2002). As opposed to this view, some researchers view succession as a process and not as a single event (Gersick, 1997; Sharma, 2004). The succession process is commonly described as consisting of several phases that most often contain elements of initiation/preparation, integration, joint management and finally retirement of the predecessor (Cadieux, Lorrain, & Hugron, 2002; Murray, 2003).

However, in going through the literature extensively, it was discovered that the greatest proportion of the literature involves studies in western context. Succession process, to a large extent, also depends upon differences in culture, social milieu and practices that differ a lot from one country to another. The commonly accepted fact is, that there are cultural differences between east and west. The two cultures from the opposite sides of the world, exhibit significant differences when compared on the parameters of high-context v/s low-context communication, individualism v/s collectivism, equality v/s hierarchy and assertiveness v/s interpersonal harmony (Qingxue, 2017). There are several divergent points between the two cultures, one of the most important being the strong individualism in the west v/s distinctive collectivism in the east (Chang, 2010).

This highlights the significance of conceptualizing family business succession in the context of eastern culture and a developing economy. As such we decided to focus the study of Indian family business which represents both these contexts. After interacting with a large number of Indian Family businesses, we realized that various special issues relating to the Indian context could be identified. Further, we decided to focus on the Small and Medium Enterprise (SME)

segment, as firms within this segment have their unique context and constraints.

During our firsthand interactions with Indian SME Family Businesses, we found that much before the issue of succession surfaces; there is another issue of inducting the next generation members into the business. Post-induction comes the challenge of two generations learning to work together, for a period which at times extends to almost two decades. Succession comes only post the co-working phase. In other words, there are two primary concerns, i.e., first, how to effectively induct the next generation members in the family business and second, how to ensure smooth working together for a long period before the issue of formal succession comes up. With the above concerns as the backdrop, this study attempts to focus on the first issue i.e., effective induction of the next generation members in the family business.

There is a plethora of studies in the literature about factors that could affect the succession process (Sharma et al., 2001). However, there are not many studies available on the specific issue of preparation of the next generation member for induction into the family business. So, by extrapolating and making logical connections among the available studies we identified the factors that affect succession and are likely to affect the induction as well. Hence amongst the factors identified from earlier studies; this paper attempts to identify and analyse the relevance of three critical factors – ‘quality of relations’, ‘willingness of the inductee’ and ‘the ability to manage tensions harmoniously’ - on the induction process.

These are further analysed as follows: A conceptual argument can be made for a mutual dependence among these three factors.

Quality of relations
Inductee listening to and valuing the advice of the inductor
Inductee seeking the guidance and support of the inductor
Inductee appreciate of inductor giving frank feedback
Inductee complaining about the conservatism of the inductor
Inductee complaining about the inductor not giving him enough power
Inductee overconfident and complaining
Inductee thinking that the inductor’s way of doing business is not appropriate
Inductee’s willingness
Inductee keen to join the business
Inductee taking interest in the business from very young age
Inductee willing to put the hard work required in the business
Inductee keen to learn the nitty-gritty of the business
Tensions
Existence of tensions
Ability and willingness to harmoniously manage the tensions

2. Research Scope

This study is concerned with the induction process of family members from the next generation who may go on to succeed the incumbent leader. It takes into consideration the Indian business context and the Indian social context. Large organizations have well-developed organizational structures and access to resources for managing the business and associated issues like transition and succession. In contrast, SMEs lack structure and resources and also options for transitions. This study focuses on the induction process in SMEs.

2.1. Indian Business Context

Before independence, India was a British colony which served as a source for cheap raw materials and market for finished products. Industrialization was not encouraged by the rulers for their self-serving economic reasons. Limited industrialization was the outcome of colonial power and their managing agencies for their selfish motives in India (Kudaisya, 2011). After India attained independence in 1947, the government gave priority to public sector enterprises for creation and growth of industrial infrastructure. Private sector enterprises, limited in numbers and proportion, were dominated by a few big family businesses backed up by large groups such as Tata, Birla, Sahu Jain, Walchand, Thapar, Singhanian, Goenka etc. (Manikutty, 2000). The Indian Government, in pursuit of socialism, went on to nationalize a large number of industries in the private sector; further reducing the private sector's importance in the economy. The growth of private industries in India was not only discouraged, it was highly restricted too with stringent regulations promulgated by the government. The wars of 1962, 1965 and 1971, further derailed the business environment in the country.

The business environment experienced some relaxation only in the late 1970s. So, by early 1980s a number of new families entered business and industry. Even though this may be regarded as the initial growth phase of family businesses, their purpose was restricted to earning the family livelihood. It was only after July 1991, when the Government of India liberalized the economy that these businesses grew rapidly (Manikutty, 2000). Family businesses experienced the much-needed growth momentum in the post-liberalization era. Thus, a majority of the Indian family businesses may relatively be deemed young and consequently have different and diverse challenges as compared to the family businesses in the West.

All the above reasons render the business practices and business methodologies of the Western world impossible to directly transpose to the Indian context. Survival and success in such adverse environmental conditions requires novel survival techniques and adaptations; hitherto unseen in any developed economy.

2.2. Indian Social Context

India, like many other countries in the eastern part of the world, values strong family ties. The social set-up in India traces back its roots to the three aspects of the agrarian society namely caste, *jajmani* and *panchayat*. The caste system pre-ordained the occupation that members of a family were expected to follow. The different constituents of society had a peculiar relationship as they were mutually dependent on each other – this was the *jajmani* system. The *panchayat* system represents a local body of elders, to whom locals defer to for local law-making and justice-dispensing. The impact of these three systems can be seen on the traditional Indian system of a joint family (Karofsky, 2000). The Indian joint family system mirrors these three aspects of society. Much like the caste system, the role of each family member is generally defined, accepted and adhered to. Like the *jajmani* system, the relationships within a family are mutual and dependent on each other. And just as in the *Panchayat* system, in an Indian joint family, the head of the family is looked up to and accepted as the final authority. The head of the family is expected to be fair, objective and equitable. The family is supreme, family harmony is highly valued and strong relationships within family members are inculcated and cherished. In this family system there is also a trace of Confucian values where a subordinate, be it son or junior, gives respect and obedience to the superior and he, in turn, gives them protection and due consideration (Phan, 1999).

As there is no state welfare support, the dependence on the family and community is higher. Family and community acts as a safety cushion in times of need. If one loses income and wealth due to any unforeseen circumstances, a ready help can be expected, and is available, only from these sources. Age related or medical emergencies are, as a norm, attended to and managed by the family. All this determines, defines and increases the importance of strong family fabric bonding and relations. In the last few years, as the winds of change sweep the Indian society and Indians get more influenced by the western world, the joint family system is under serious threat. But most families still continue to hold on to values based on the traditional family system like responsibility to other family members, mutual adjustments, parents - children relationship of mutual dependence, respect for elders etc. Thus, Indian family

businesses, much like our societal set-up, follow more “relation-based practices” as opposed to “task-based theories” of the west.

2.3. SME Segment

Globally, the vast majority of the family businesses are small or medium-sized firms (Bjuggren & Sund, 2000). Depending on the economic development of the country, the definition of SME varies from country to country (Dixit & Panday, 2011). The definition generally depends upon certain key factors like the number of full-time employees on roll, investment in plant and machinery, sales turnover etc. (Bharathi & Parikh, 2012).

These enterprises, as the term SME implies, differ from larger corporations in their size. Difference in size leads to other operational differences. In comparison to larger organizations, the SMEs find it difficult to employ specialists for want of adequate resources. These businesses also find it difficult to afford high-quality management talent. Even if affordability is not an issue, it is difficult for SMEs to attract and retain the right kind of talent who can adjust to the SME's realities. As a result, in most SMEs, the owners, by force, need to play the dual role of owner manager. The owner and other family employees are often responsible for different management tasks and important decisions (Sharifi, 2014). Thus, in an SME, the need and the process of inducting family members in the business is not so much of a choice as much as it is a need. As compared to larger corporations, the need and process of including family members in SMEs is quite different and warrants specific attention.

3. Literature Review

Research has led to the identification of several factors that are likely to impact effectiveness of succession. This involves transfer of tacit knowledge (Brockhaus, 2004; Haberman & Danes, 2007; Royer et al., 2008; Yan & Sorenson, 2006), quality of relations (Grote, 2003; Handler, 1991; Lambrecht, 2005), willingness of the successor (Kansikas & Kuhmonen, 2008; Royer et al., 2008; Venter, Boshoff, & Maas 2005), stage of induction (Royer et al., 2008), process of succession (Higginson, 2010; Lambrecht, 2005; Mazzola, Marchisio, & Astrachan, 2008; Van Der Merwe, 2011), gender and birth order of the successor (Danes & Olson, 2003; Haberman & Danes, 2007; Nicholson, 2008), situational factors (Davis, Allen, & Hayes, 2010; Gupta & Levenburg, 2010; Kansikas & Kuhmonen, 2008; Venter, Boshoff, & Maas 2005), raising up process

within the family business culture (Kansikas & Kuhmonen, 2008; Lambrecht, 2005), status of extended family (Danes & Olson 2003; Haberman & Danes, 2007), and the tensions experienced (Danes & Olson, 2003; Grote, 2003; Nicholson, 2008; Venter, Boshoff, & Maas, 2005).

From amongst the above referred factors, this study focuses on three specific factors named earlier, i.e.:

- 'quality of relations',
- 'inductee's willingness to join the family business'
- 'ability to manage tensions harmoniously'.

3.1. Quality of Relations

One of the critical factors in determining the effectiveness of the induction process is the quality of relationship between the current and the next generation family member who is being inducted. A good relationship would mean trust, good communication, support, help, guidance, mentoring, feedback and mutual respect. It also assumes openness to mutual learning. On the other hand, difficult and complex relationships mean criticism, judgment, conservatism, lack of support, narcissism, and lack of trust. Often underlying these qualities is a general difficulty of communicating between the parent and next-generation family members (Handler, 1991).

The way the children receive upbringing at home affects their future relationships with parents and elders in the family. They observe how their parents and others in the family deal with business issues. They learn about the history of the business, the culture, values and role of the business in the family life (Lambrecht, 2005). If the family is always excited about the business and the discussions are pleasant amongst different generations in the family it is likely to encourage the children to look forward to joining the business. On the other hand, if the family witnesses constant tensions and stress related to the business the possibility of joining the business may be perceived as a burden. During the induction if the successor gets adequate room to move, freedom to make mistakes and discover his own self, it would make the induction a pleasant experience for him. However, in turn, he has to demonstrate respect for the previous generation, taking responsibility, willingness to learn and genuine appreciation of the culture.

The relation between the parent and the child is often affected by family rivalry theory, as propounded by Girard (2003). The parent wants the child to be like him and also not to be like him. In the same way the child wants to be like the father who is a model and also not to be like him as he is an obstacle (Grote, 2003). For Girard, the degree of conflict is also dependent on the closeness. Closer the relationship, higher is the conflict. As a result the child may

end up complaining that the parent wants him to take the responsibility but does not pass over the required authority. On the other hand, the parent will want the child to take the charge but also want to remain involved in the business. It is no surprise that in a study by Handler (1991) only 10% of the individuals in a study had a positive and productive relationship with their parents (Handler, 1991).

Another important aspect affecting the induction is the attitude of the parents. If the parents do not support the child to take up an important role, s/he is unlikely to succeed. In fact the personal relations among family members often take precedence over the business interest (Brockhaus, 2004). The relation between the two generations involved plays an important role in the process of induction. A good personal relation between the two will contribute in the development of the next generation. During the process of induction, it is important that the member of the next generation is feeling included in the family business. Inclusion deals with whether s/he feels as a part of the business or apart from the business (Haberman & Danes, 2007). The sense of trust and fellowship in the relationship goes a long way in successful induction. Mutual trust and honesty leads to favorable relationship and creates a good environment for mutual learning. A number of studies have shown that the quality of interpersonal relation between the family members directly influences the success of the induction process (Royer et al., 2008). The process of transfer of knowledge from the current generation to the next generation is facilitated by a strong, positive relationship between them which is based on open, constructive communication, mutual respect, sensitivity to each other's needs, shared values, and reasonable expectations (Higginson, 2010).

3.2. Inductee's Willingness

Willingness of the inductee to join the family business has been identified as one of the most important factors influencing the success of the succession process (Handler, 1991; Venter, Boshoff, & Maas, 2005). It has also been found to be critical for the satisfaction of the incumbent as well as the incoming generation (Sharma, Chrisman, & Chua, 2003). Further it has also been found to have a bearing on the well-being of the business (Brannon, Wiklund, & Haynie, 2013). It has been argued that the will and motivation of the inductee is a key determinant in the process of induction. Further the abilities and intention of the inductee along with the alignment of his/her personal needs will help in more effective induction (Kansikas & Kuhmonen, 2008).

Many business families induct the next generation members from early childhood. Initially they may come to

the business for fun. But as they grow up they start playing small roles in the business. Such early business socialization plays an important role in the willingness of the incumbent (Haberman & Danes, 2007). The relations within family have an important influence. If the family is cohesive and spends considerable time in discussing about the future of the family business, the children develop interest in the business and are likely to have higher willingness to join the business and learn about it (Lee, 2006).

Effective transfer of knowledge and induction in the business also depends on the individual need, goals, skills and abilities of the inductee. His integrity and commitment to business is an important driver in the success of the induction process (Brockhaus, 2004). While discussing about the individual needs, it is important to point out that the need to belong and acquire status are both fundamental to humans and joining the family business is likely to satisfy these needs. However there is no guarantee that the inductee will share the interest and motives of the previous generation (Nicholson, 2008). There is also a psychological side to the issue. The inductee is likely to have a desire to be like 'dad' on one hand and have his/her own dreams and style on the other. It is common for the child to face a paradox wherein the parents generally encourage him or her to take charge but are hesitant in giving up the control. On the other hand, the parent can complain that the kids want all the power but are not putting in enough efforts required to justify the same (Grote, 2003).

As per Handler (1991), the succession process is more likely to be successful, where the relationship between the incumbent and the successor is healthier, characterized by respect and understanding, as in that case each one feels supported and recognized and more satisfied. Within family firm literature, the impact of the technical skills and capabilities of the successor on the effectiveness of the succession and continuation of the firm has been widely studied (Barach & Ganitsky, 1995; Chrisman, Chua, Pearson, & Barnett, 2012). However the impact of relation as referred as relational competence that will affect the willingness on the part of the inductee on the effectiveness of the succession has been ignored (Hatak & Roessl, 2015).

3.3. Ability to Manage the Tensions Harmoniously

There are often tensions between the two generations. And there is a paradox of the tensions. Some tensions are required and foster constructive climate with an element of challenge. It provides possibilities of different perspectives and contributes to learning of both generations. On the other hand those tensions can create an environment of lack of

trust and fellowship which could lead to frustration (Danes & Olson, 2003). The critical point is that at what point the constructive tensions turn into destructive tensions.

Conflict is natural to human relationships and the family is no exception. However if the conflict results in tensions then it could be detrimental. The tensions within the family are likely to affect the induction process and its outcome. If the parents do not have trust in the successor's ability it could result in tensions that could affect the induction and the eventual outcome (Venter, Boshoff, & Maas, 2005). There could be parent-child tensions and there could also be rivalry amongst siblings. Both could cause conflict and tensions (Nicholson, 2008). As per Grote (2003) family and sibling rivalry and inter-generational strife would create tensions within the family. And such tensions will definitely affect the process of induction and its outcome. Apart from that, there can be tensions arising from lack of clarity of roles or on the issues of fairness in compensation and workload etc. (Danes & Olson, 2003). Such tensions also affect the process of family induction and succession in a big way. Thus, it is important that both the inductor and inductee should harmoniously manage the tensions.

4. Methodology

The study attempts through a qualitative approach to analyse the dynamics of the succession process, with the specific view to identify the criticality of the three factors identified, viz. namely 'quality of relations', 'inductee's willingness to join the family business' and 'ability to manage tensions harmoniously'. It focuses on succession process in small and medium FMBs i.e. in the SME sector. This is an intensive study using the qualitative research method. Qualitative research is the preferred method when the parameters to be studied are psychological and emotional and thus difficult to quantify. The most common method of carrying out qualitative research is the Case Study method. Data gathering is done through observation and interviews. The interview schedule may be structured, semi-structured or unstructured.

The present study is a Case Study based on close observations of two families, using frequent unstructured interviews, over a period of five years. Arnould and Wallendorf (1994) have suggested that such ethnographic methods of data collection are appropriate for apprehending complex behaviour. The reasons for selecting these two companies were that they were open to periodical interviews over five years and to that extent permitted a longitudinal study. It is a well-known fact that family businesses are concerned about their privacy and are wary of revealing their family information. Both the families were open to

sharing all aspects of their business and life but have requested anonymity. Therefore the names and some of the details have been replaced to retain confidentiality. However the accuracy of all other factual information is retained.

5. Details of Case Studies

5.1. Family Study 1

Rajeev, now aged 74, a mechanical engineer, started a business of trading in engineering products in Mumbai in 1970. His younger brother Anil, now aged 68, also a mechanical engineer, joined him in the business in 1975 (Figure 1).

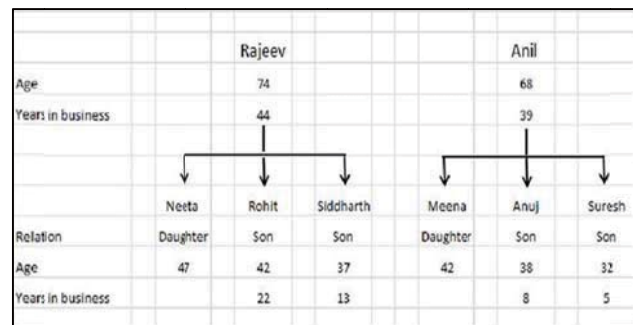


Figure 1: Family Chart

Initially they started with trading in a small way and then, in 1978, identified a supplier to produce the products as per their design, and continued to procure them from him for three years. As their scale increased, in 1981 they set up their own factory. Since both the brothers were engineers, they developed a good grip on the products and gradually the business started growing at an accelerated pace. By 1992 they had a turnover of US\$ 1million.

As can be seen from the family tree both the brothers have three children. Rajeev has one daughter Neeta, now aged 47 who is married and lives in another city with her husband and children. Rajeev also has two sons, the elder one Rohit, now aged 42 and younger one Siddharth, now aged 37. Anil also has one daughter Meena now aged 42, married and living in the same city with her husband and children. He has two sons, the elder one Anuj, now aged 38 and the younger one Suresh now aged 32.

Rajeev was very particular in bringing up his children. He believed in a rigorous and demanding approach. He encouraged his children to do various courses such as photography, public speaking, personality development etc. He used to discuss with them to plan their career. He and both his sons were all very clear that the sons have to join

the family business. The elder son Rohit was not very good at studies. He completed his diploma in engineering. While he was pursuing his studies, Rajeev kept him involved in the factory and business. Once he completed his studies Rajeev planned his working with his Italian supplier at their plant for two months to get exposure to European practices. He deputed him to the factory to study the working and learn the operations.

Rohit joined the business in 1992 and for the next three years Rajeev planned a detailed program to facilitate his learning. Rohit was of mild temperament and whenever he had differences with his father, out of respect for his father he would follow the suggestions of the father. He worked hard and got himself immersed in all the finer details of the business.

Siddharth, Rajeev's second son, had an independent thinking nature and wanted to do things in his own way. He decided to pursue graduation in commerce and worked outside for two years to gain experience. He too was also clear that he would join the family business and joined it in 2001. Rajeev suggested to him to spend three months each in various departments. Siddharth followed it well, worked hard and in a short time developed a good grip on various aspects of the business. Thus Rajeev had carefully groomed his sons for joining the business, helped them to systematically plan their induction and they also in turn followed the plan by putting in hard work; in spite of their differences in temperament and independence.

The younger brother Anil had a different approach. He permitted his sons to do whatever they wanted. He did not plan for their careers as he perceived it as imposing the parents' dream on the children. Both his sons Anuj and Suresh pursued commerce studies and were not keen to join the family business. They felt that the family business was very small and was not professionally run. Both of them wanted to start something of their own. They did not even complete their graduation as according to them it was not worthwhile and was a waste of time. Instead they tried two or three ventures in partnership with some friends. Anil would give them whatever capital they needed and did not ask them about the business nor got involved in guiding them as he believed that both of them were smarter than him and was confident that they would do better. Thus both of them lacked clarity and commitment to build for the success of a venture.

Rajeev and Anil between them had very good equations. They had fixed monthly withdrawal but could also further withdraw any amount from the business as may be required. They never asked each other about the same. Rajeev's elder son Rohit joined the business in 1992 and he did not get himself involved in the accounts of the business. However after Rajeev's second son Siddharth joined the

business in 1988, with his commerce background he got involved in accounts and finance of the business. Siddharth soon realized that his uncle Anil had withdrawn large amounts on two occasions to give capital to his sons Anuj and Suresh for their ventures with their friends. On both the occasions the ventures had gone wrong. Siddharth felt that these ventures were not well thought out and in any case he felt that such matters should have been discussed as after all money was going out from the family business.

Siddharth first brought these matters to the attention of his brother Rohit and together they decided that it should be taken up with the elders, their father Rajeev and uncle Anil. When they called for the meeting and raised the issue, both the elders were silent and were not inclined to take the discussion forward as it would rock the boat. However the cousins continued to lose the money on more occasions and eventually it became a serious matter of misunderstanding even between Rajeev and Anil. Rajeev was always concerned that Anil had not groomed his sons well. Anil on the other hand felt that there is no harm if children make some losses as they will learn the business that way only. Both his sons would try new ventures and come out with reasons why the venture could not succeed, and would continue to project that they were good but the situation turned out unfavorable. That is from locus of control perspective; both were externals that led to blaming circumstances and environment rather than self for failure of businesses.

Eventually there was a split in the family in 2010. Rajeev and his sons took one part of the business and Anil took another part of the business. Both of Anil's sons eventually joined him in the business. Finally in 2016, Rajeev has almost withdrawn from the business. Both his sons are actively pursuing the business with tremendous sincerity and have grown the business manifold. They have reached sales of US\$ 8 million in 2016 with good 19.5 % profitability i.e., net profit margin. They are excited and believe that they are in a great business and plan for a quantum jump in the coming times. Rajeev has been concerned about the success of his sons' business and keeps giving them feedback about their working and they appreciate the same with open minds. Occasionally there are serious disagreements between them but they manage the same and make a virtue out of the same.

Anil continued to carry on his part of the business. His elder son Anuj is in the business for 8 years now and has become more realistic. However he does not have idea about many aspects of the business and Anil has to take care of the same himself. They also have grown the business to US\$ 3 million. However their profitability is 5%. The younger son Suresh joined the business in 2004 but even now he does not take much responsibility. Both the

sons do what they want and are not accountable. They believe that their elders have not done proper business and because of that they are stuck with outdated and non-profitable business. Anil initially had left both the sons to themselves. Now that they are involved in the business, he has to point out their mistakes. When he does that both of them get resentful and say that he is always finding fault with them. There are often arguments on the same with Anil and at the end they avoid talking to each other to the extent possible. Misunderstanding, lack of openness and receptivity on the part of sons creates tension in the family whereby the sons start avoiding Anil. Therefore, a stage has arisen where Anil feels helpless and at times broods on the past to introspect about where things went wrong.

5.1.1. Findings from Family Study 1:

The facts of the case seem to indicate that in case of Rajeev and his sons, they had good understanding between them, the father seems to have invested time and energy in inducting them and finally had good confidence in them. As far as Anil is concerned, the issue is more a case of an indifferent induction approach. However when there are arguments they end up with avoiding to talk to each other. This shows the inability to manage the tensions. The outcome in terms of effects on business, family harmony and self (inductee) are negative.

Both of Rajeev's sons show humbleness in their attitude. Rohit has followed the guidance of his father all along. Siddharth, though of independent nature, has also followed the plan given by his father. They do not seem to have complaining nature. As seen above the outcome in the form of impact on the business as well as on the inductee has been positive. In the case of Anil, however, both the sons have been overconfident. They believed their elders were not conducting the business well and wanted to start something of their own. When they failed in their venture, instead of realizing their mistake, they resorted to excuses and blame game. They complain about the elders' way of doing business. The outcome in terms of impact on the business as well as on them is negative.

In case of Rajeev there is no explicit mention about tensions between the inductor and inductees. There are often serious disagreements but they seem to have the ability to resolve them amicably based on facts and figures, and manage the conflict constructively. Perhaps because of that the perception of the tensions is not strong. As three of them from two generations have distinct personality traits, that does create tensions but they have learnt to manage them. In case of Anil, it is evident that initially there was indifference and eventually there is tension. But he and his sons do not seem to display the ability to manage the

tensions. In the absence of the ability to manage the tensions the impact on the business and family is negative. Thus a stage arises in the family wherein all three of them start undergoing a burn-out phenomenon i.e., tension that starts physically and psychologically having an adverse impact on the person.

Both of Rajeev's sons seem to be aligned to his guidance. They are appreciative of his feedback. Contrarily, Anil's sons resent his feedback. They do not have respect for their elder's way of doing business. It is evident from the above that Rajeev had carefully planned the induction of his sons. Both his sons joined the business out of their choice. They were willing inductees. The outcome in terms of impact on business, family and inductee has been positive. However in case of Anil, he did not plan the induction of his sons. They joined the business in a way, out of compulsion, as they could not succeed in their other ventures. Their forced and circumstantial joining the family business resulted in a negative impact and outcome on the business, family and the inductees

5.2. Family Study 2

Pramod, now aged 55, a commerce graduate started a business of processing polymers in Mumbai - the financial and industrial capital of India - in 1978. His father was a broker in the textile market and had a very small business. Pramod decided to learn the business with his uncle in the polymer industry. He initially started with trading and eventually in 1985, set up his own unit in Silvassa in Gujarat. By 1999 he had a turnover of US\$ 10 million.

Pramod has a son Tarun. Tarun was not good at studies. He also did not take much interest in his father's business. He maintained that his father's business is too small and he will start a new business and make it big. He managed to complete his graduation. He tried to start a venture of his own but did not succeed. Eventually he decided to join the father's business in 1999 at the age of 22. He did not have any idea about polymers. He started attending the office but had no clear responsibilities. He felt that his father was getting too involved in nitty-gritties instead of appointing competent people and delegating the work. When he discussed this point, his father would explain that in this business it is necessary to be practical and concrete with knowledge of details. In that way one will know all aspects of the business as well as gain respect from the employees.

Pramod was not very happy with the attitude of his son of not getting into details. He tried several times to advise Tarun to get more actively involved in the business and take responsibilities. Tarun always had reasons to justify why he could not work effectively and believed that his father's style was wrong and it was because of that the business was still

very small. He believed that given a free hand he would grow the business very fast but Pramod would not give him a free hand. Eventually they had a strained relationship between them. They avoided facing each other and slowly communication between two of them became very minimal.

Over the years, Tarun did get more involved in the business. He started taking more responsibility, the business grew to nearly US\$ 20 million but the profitability had drastically declined. The key people developed by Pramod left the organization as they found Tarun's demands were becoming unreasonable. Tarun did not have much firsthand experience in the business and as such could not come up with any innovation to develop it further. There were some new products launched by Pramod that elongated the survival of the company for a few years. In the meantime the relations between the father and son continued to further deteriorate because of increasing tension. Pramod felt that Tarun was not giving him enough respect and did not appreciate the value of his experience. Tarun felt that his father was old-fashioned and did not want to hand over the controls. Both of them, occasionally did appreciate the contribution of the other, but soon drifted into criticism of the style and approach of each other.

Tarun got married in 2004 and within the next three years wanted to live separately. (In a typical Indian family the son and daughter-in-law generally live along with the parents of the husband) Pramod was very sad with this demand. He believed that this signaled his failure as a father and a separate house would eventually lead to separation in business (a typical Indian family norm). He kept on avoiding the demand on the excuse of not having adequate liquidity. They stayed together but with constant tensions between them. Slowly Pramod had reduced his involvement in the business by just taking care of a few functions and Tarun took over the reins and started running the business. Pramod keeps overseeing the finance and HR aspects of the business which in Tarun's opinion are the worst managed departments and bottlenecks in the company's growth. On the other hand he does not want to take over the responsibilities as he believes that he is overloaded and he will not be able to handle more load.

Tarun feels that it is because of his father's adamant approach that he is not able to grow the business. Often he laments that instead of joining the family business if he had started something on his own; perhaps he would have grown much more in life.

5.2.1. Findings from Family Study 2:

Tarun joined the business at the age of 22. Initially he did not take many responsibilities He felt that his father did not give him a free hand. There was tension between the two

and eventually they avoided facing each other and had minimal communication. That reflects the lack of ability on both the sides to handle and manage conflicts. The father was unhappy at the attitude of the son of not going into the details, which implied that that he did not have confidence in son's abilities.

The son did not take much interest in the business and kept on complaining about his father's style. Despite his father advising him many times to get involved in the details, he did not do that and instead criticized his father for being over involved into the nitty-gritty of the business. It is evident that he was overconfident and did not pay much attention to the details. He did not have much grip on the business. There was a constant tension with his father and they ended up with minimal communication.

It is evident from the above that the outcome in terms of impact on business, family and the life of the inductee turned out to be negative. The business has grown nominally and the profitability has declined. The relations within the family are strained and the son is also not happy with business and laments about his decision to join father's business. In this case the father's advice of getting involved did not mean much to the son and instead he was critical of his father's approach. The son did not seem to have much respect for his father's way of working. Eventually there are serious tensions between them and both are unhappy. That has resulted in the downfall of the business in the hands of next generation.

6. Analysis and Interpretation

6.1. Analysis

The data gathered about the two families is examined further according to the factors and sub-factors identified for the study, and presented in Table 1.

6.2. Interpretation of the Findings

From the above analysis it can be said that the outcome in terms of positive impact on business, family and the inductee depends to a large extent on the quality of relations, willingness of the inductee and the ability of both the inductor and inductee to handle and manage the tensions. All these aspects can be worked upon in a planned manner. Thus from a young age if the inductor inculcates in the inductee the pride about the family business and generates excitement for joining the business, it will eventually help in positive induction. At the same time both inductor and inductee should learn to recognize the tensions likely to

Table 1: Analysis of Factors (H = High, A = Average, L = Low or nil)

	Family 1, Branch 1 Rohit & Siddharth	Family 1, Branch 2 Anuj & Suresh	Family 2 Tarun
Quality of relations			
Inductee listening to and valuing the advice of the inductor	H	L	L
Inductee seeking the guidance and support of the inductor	H	L	L
Inductee appreciate of inductor giving frank feedback	H	L	L
Inductee complaining about the conservatism of the inductor	L	H	H
Inductee complaining about the inductor not giving him enough power	L	L	H
Inductee overconfident and complaining	L	H	H
Inductee thinking that the inductor's way of doing business is not appropriate	L	H	H
Inductee's willingness			
Inductee keen to join the business	H	L	L
Inductee taking interest in the business from a very young age	H	L	L
Inductee willing to put in the hard work required in the business	H	L	L
Inductee keen to learn the nitty-gritty of the business	H	L	L
Tensions			
Existence of tensions	L	H	H
Ability and willingness to harmoniously manage the tensions	H	H	L
RESULTS			
Success and expansion of business	H	A	A
Feeling of satisfaction in younger generation	H	L	L

arise in the process of induction and instead of sweeping them under carpet get them trained in developing an ability to manage these tensions effectively. A well-planned approach to induct the next generation in the business results in a new thinking and innovations to further develop it. However this requires a well thought out approach and process coupled with recognizing the importance of maturity and experience on one hand of earlier generation and power of ideas resulting in innovation to grow the business of the next generation.

7. Conclusion

This qualitative study through observations and discussions on continuity concerns of Indian family businesses with reference to eastern social and cultural context and also the developing economy context with a specific reference to small and medium enterprises validates some of the drivers of effective succession identified so far in the literature. However it sharply identifies the variables that can be more relevant and directly affect the outcome in terms of positive impact on the business, family and the inductee. The study also focuses on the need for long term planning to systematically induct the next generation into the business, which requires specific processes and systems coupled with deeper thinking on the part of the earlier generation.

This study has limitations of sample size and it being based on unstructured interviews. To that extent the study is also vulnerable to the effects of variability in the perceptions and subjectivity. Such effects could artificially inflate the relationships among variables. The validation of the identified factors and their impact with a larger sample and in other developing economies can guide further research in the area of continuity of family businesses.

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