

A COMPREHENSIVE STUDY ON FACTORS AFFECT FAMILY-OWNED BUSINESSES SUCCESSION PLANNING

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Abstract. Many businesses leave succession planning up to chance, despite the fact that the literature generally indicates that succession in family businesses takes the form of transfer from one generation to another. Due to the fact that succession planning is not being done and the emotions that are being generated by the process, owners are not adequately prepared for succession. In order to ensure the continuity and prosperity of businesses in the Chennai Municipality, Tamil Nadu, the purpose of this study was to investigate the factors that influence succession planning in family-owned businesses and to determine the significance of these factors. A random sample of 205 out of 440 family businesses was drawn in a systematic manner, and an interview schedule was utilised in order to collect data. The data collected was then analysed using descriptive and inferential statistics. According to the findings, the succession process and the success of the transfer are both impacted by the higher level of education of the founders as well as the communication of the succession decision to all key stakeholders. This communication includes the transfer date as well as the post-succession roles. There is a greater possibility of succession planning in the company when the founder has a relatively high level of education; however, there appears to be a limited level of trust when it comes to female owners. It is therefore recommended that family-owned businesses in the municipality should be encouraged by supervisory or oversight agencies like the registrar general or National Board for Small Scale Industries to improve their educational level, build trust, and set dates for transfer of responsibilities, specify post-succession roles of incumbents and communicate the succession decision to all key stakeholders in order to improve the succession process and ensure the continuity of the businesses.

Keywords: *business, continuity, family-owned, planning, succession*

Introduction

When it comes to accelerating the rate of growth in low-income countries, many policymakers place a significant amount of importance on micro and small-scale enterprises, both in rural and urban spheres. It has been acknowledged that these businesses are the growth engines that can help developing countries achieve their growth goals and achieve their growth objectives. In a great number of developing nations, they have the potential to serve as sources of employability and income. According to estimates, micro, small, and medium enterprises (MSMEs), the majority of which are family-owned businesses (FOBs), are responsible for employing 22 percent of the adult population in developing countries (Kuratko and Hodgetts, 2004). In countries with high incomes, micro, small, and medium-sized enterprises (MSMEs) are responsible for more than 55 percent of the gross domestic product (GDP) and more than 65 percent of the total employment. Micro, small, and medium-sized enterprises (MSMEs) and informal enterprises are responsible for more than sixty percent of the gross domestic product (GDP) and more than seventy percent of the total employment

in countries with low incomes. On the other hand, in countries with middle incomes, they contribute more than ninety-five percent of the total employment and approximately seventy percent of the GDP. For example, in the countries that make up the European Union, there are approximately 25 million small businesses, which account for 99 percent of all businesses. These businesses employ nearly 95 million people, which accounts for 55 percent of the total number of jobs in the private sector. Additionally, a significant contribution is made pertaining to the expansion of productivity and exports.

The creation of jobs, particularly employment opportunities for women, the contribution to tax, export, and import revenues, the facilitation of the distribution of goods, and the contribution to an increase in human we are the cradle of innovation and entrepreneurship, and we are also responsible for resource development. As a result of their coverage, a recommendation was made to the government and policy makers to provide micro, small, and medium-sized enterprises (MSMEs) with financial and non-financial services in order to enhance their growth and resilience. Only about one in ten family businesses survive into the third generation, according to a report published by Families Business Review (Motwani et al., 2006). The average age of a family business is 24 years old. Less than one in three family businesses survive into the second generation. A researcher had issued a warning about the potentially disastrous and life-threatening consequences of the dissolution of a family business, which are the loss of jobs, assets, and relationships within the family. According to estimates provided by the European Commission, there are approximately 1.5 million small businesses in Europe that are at a high risk of failing due to difficulties in succession (Family Business Magazine, 2002). Reviewing and keeping track of the percentage of businesses that fail reveals that a significant number of companies belonging to the first generation and a substantial number of companies belonging to the third generation declare bankruptcy. According to Wood (1999), who conducted a review of the contributions that the micro, small, and medium-sized enterprise (MSMEs) sector has made to the growth and development of East Asian economies, the sector is becoming increasingly important to the region's efforts to recover from sustained economic growth, employment, trade, and investment, as well as the development of economies that are globally competitive.

The researchers Bird et al. (2002) found that there is a positive correlation between the relative size of the micro, small, and medium-sized enterprise sector and economic growth. In point of fact, it is observable that a larger and more robust small and medium-sized enterprise (SME) sector could contribute revenue to national economies that is proportional to the number of SMEs. The context in which many governments encourage investment in their economies by both domestic and international entities is the context where this occurs. Research on succession and the impact it has on the continuity of family businesses is scarce, despite the fact that succession plays a significant role in ensuring the continuity of family businesses. Based on the estimates provided by the European Commission, there are approximately 1.5 million small businesses in Europe that are at a high risk of failing due to difficulties in succession (Family Business Magazine, 2002). An analysis of and monitoring of the percentage of businesses that fail reveals that the fact that a significant number of companies belonging to the first generation and a substantial number of companies belonging to the third generation declare bankruptcy status. As part of his analysis of the contributions that the micro, small, and medium-sized enterprise (MSMEs) sector has made to the expansion and development of East Asian economies, Wood (1999) highlights the

growing significance of the sector in terms of the region's ability to recover from sustained economic growth, employment, trade, and investment, as well as the development of economies that are globally competitive. Specifically, Bird et al. (2002) discovered that there is a positive correlation between the relative size of the micro, small, and medium-sized enterprise sector and economic growth. There is no doubt that a larger and more robust small and medium-sized enterprise (SME) sector could potentially contribute revenue to national economies that is proportional to the number of these businesses. As a result of this, numerous governments actively encourage both domestic and international entities to invest in their respective economies. Despite the fact that succession is essential to the continuation of family businesses, there is a paucity of research on succession and the impact it has on the continuity of family businesses.

According to a researcher, succession planning is an effort that is made by an organisation in a deliberate and systematic manner to ensure that there is continuity of leadership in key positions, to retain and cultivate talent, and to encourage individual growth while simultaneously cultivating intellectual and knowledge capital for the future. In a similar study, explain that succession planning is a process that ensures the continued effective performance of an organisation by establishing a system to develop and replace key staff over the course of time. So, succession planning does exactly that. Not only does succession planning include top management in this context, but it also takes into account a number of other circumstances. There are a variety of topics that can be covered, including the procedures that are required for a successful transfer, the legal and financial considerations, the psychological factors, the development of leadership, and the exit strategies. According to Wood (1999), succession planning is an essential component for ensuring the continued existence of businesses. This point is driven home by the accounting principle known as "going concern," which states that a company will continue to carry out its business operations pertaining to its operations for an unspecified amount of time now. To make this a reality, however, businesses will need to pay a greater amount of attention to succession planning. According to a study, the significance of successfully transferring a business and the inherent pervasiveness of the challenge of properly transferring a business among small businesses has been well documented. In the event that the entity does not live up to the expectations of stakeholders, succession, on the other hand, is irrelevant simply for the sake of succession.

There are three components that make up succession in a family business, according to the stakeholder theory (Dyck et al., 2002; Barry, 1989). These components include a leader who transfers the leadership role, a successor who takes over the leadership role, and a successor who takes over the business. as well as a mechanism that allows the transition to take place, takes over the role. In this regard, Babicky (1987) suggests that there is a need for an agreement among family members in order to continue the business, whereas Tagiuri and Davis (1992) suggests that there is a need for an acceptance among family members of their respective roles associated with the business. To be successful, the handing over of a company should be graceful, carefully strategized, and well executed. This situation is analogous to a relay race that is well-run. For the continuation of a business, regardless of its size or structure, it is essential to have a succession plan that has been sufficiently thought out. The relay race theory provides a deeper comprehension of the process of executive succession. In light of the analogy, the theory frequently employs the metaphor of "passing the baton" when

referring to a 4×100 relay race. This analogy highlights the significance of exercising caution in order to ensure a successful passing of the baton. This is due to the fact that dropping the baton results in a decline in performance or even a complete failure of performance, which would be disastrous for the family as well as the stakeholders in the business. The importance of succession planning in ensuring the continued success and prosperity of a business has been emphasised by researchers and consultants for a considerable amount of time. As stated by some it is the single most enduring gift that one generation can give to the next generation, and that is the ability to effectively deal with the issue of succession planning (Ayres, 1998). An organisation may have the opportunity to capitalise on a strategic situation through succession, particularly for businesses operating in dynamic and expanding markets, not to mention rapidly expanding businesses whose managerial requirements are undergoing a transformation (Davis and Tagiuri, 1989). According to the theory of planned behaviour, the neglect of both the processual and the strategic aspects of succession is influenced by intentions, attitudes, and behaviour. This is the basis for the theory. When there is a prolonged pattern of delays to hand over or assume responsibility, this poses a challenge to the future of the company.

Scholars who study family businesses argue that succession can result in a significant infusion of entrepreneurial energy. This is based on the fact that new owners and managers have the potential to revitalise their companies (Rothwell, 2010). According to the arguments of scholars of entrepreneurship, the process of entrepreneurship does not conclude with the establishment of a new business venture; rather, the succession of a company is an essential component of the entrepreneurship process (Dyck et al., 2002). A successful succession management strategy should elicit satisfaction with the succession process and ultimately lead to improved firm performance (Tagiuri and Davis, 1992). An additional factor that can be linked to the success of a company is proper succession management. The financial performance of a company that is professionally managed and has a wide distribution of ownership may therefore be the primary objective, and the success of the management succession process may be essentially a function of the performance of the company after the succession has taken place. Nevertheless, Tagiuri and Davis (1992) contend that when it comes to family businesses, it is of the utmost significance to keep up positive relationships within the family. At times, members of the family might place a higher priority on achieving this objective than they do on maximising profits. There is a connection between the agency issues that are postulated by agency theory and the fact that FOBs make an effort to keep the decision-making powers within the family.

A conceptual argument can be made for an interactive relationship between these two dimensions of the aforementioned dimensions, according to the views expressed by the various authors that have been presented above success in management succession. To put it simply, discontent with the succession process has the potential to result in unending conflicts, which would render the succession process ineffective. On the other hand, when the previous circumstance arrives, dissatisfaction with the succession process is brought about as a result of ineffective succession. Satisfaction with the succession process is considered to be significant by a researcher due to the fact that it has a direct influence on the relationships that exist between members of the family as well as an influence on the efficiency of it. Given the perspectives presented by the various authors mentioned above, it is possible to make a conceptual argument for the existence of an interactive relationship between these two dimensions of success in

management succession. In essence, dissatisfaction with the process of succession could result in unending conflicts, which would render the succession process ineffective. Dissatisfaction with the succession process is a consequence of ineffective succession, which leads to the emergence of the previous situation. It is the opinion of a researcher that the satisfaction with the succession process is significant because of the direct impact it has on the relationships that exist between members of the family as well as the impact it has on the effectiveness of the succession process.

According to Bird et al. (2002), the majority of Tamil Nadu's economy is comprised of micro and small scale enterprises (MSEs), which in turn play significant roles by providing employment opportunities, creation, particularly in terms of employment opportunities for women, contribution to tax revenues, revenues from exports and imports, facilitation of the distribution of goods, contribution to the development of human resources, and the cradle of innovations and entrepreneurial endeavours (Agyapong, 2010). In the Chennai of the Upper West Region, many businesses, including many micro and small enterprises, are owned by families. These characterizations are applicable to a large number of these businesses. A challenge that has implications for business continuity, job creation for a large number of unemployed youths, tax contribution to the economy, and a source of living for families of owners in both the short term and the long term, as suggested by Agyapong (2010), is that they are susceptible to experiencing the challenges of succession that others face elsewhere. Since this is the case, they are susceptible to experiencing these challenges.

According to estimates provided by the Ministry of Trade and Industry in 1998, the private sector in Tamil Nadu was dominated by micro, small, and medium-sized enterprises (MSMEs) and consisted of approximately 80,000 registered limited companies a total of 220,000 registered partnerships and companies. Agyapong (2010) asserts that there is a lack of readily available data regarding micro, small, and medium enterprises (MSMEs) in Tamil Nadu. According to the information that was available at the Registrar General, ninety percent of the businesses that were registered were micro, small, and medium-sized enterprises (MSMEs) that were owned by families. This means that the family has some level of influence or control over both the ownership and management operations of the business. In many of these family-owned micro and small businesses, the owner's lifestyle was inextricably linked to the business, and the owner and the business were frequently inseparable. This was the case in the majority of cases. As a result, we contend that owners are not adequately prepared for succession because they have neglected to plan for succession and because the process has caused them to experience difficult emotions. This paper sought to determine the factors that influence succession planning in family-owned businesses and their importance in ensuring the continuity and prosperity of businesses in the Chennai Municipality. As a result, the challenge of succession planning by family-owned businesses in the Chennai raises several issues. As a contribution, this paper sought to determine both of these factors. Before moving on to the methodology, the remaining portion of the paper is devoted to a discussion of the conceptual and theoretical issues. The results and discussion, as well as the conclusions and policy implications, are present in the latter sections of the paper.

Theoretical and conceptual components

Planning for succession is based on a number of different theories that can be found in the past. Following the discussion of theories such as agency cost, relay race, planned

behaviour, and stakeholder, concepts such as succession planning processes and succession issues in family-owned businesses are followed by the discussion of these theories. Because it emphasises the possibility that non-owner managers will not monitor the affairs of a company with the same level of diligence as owners who manage the company themselves, agency cost theory is a theory that encourages the succession of family-owned businesses. In this respect, Gephart Jr (1978) argue in support of family ownership because it minimises agency problems, by allotting shares to agents whose special relations with other decision agents allow agency problems to be controlled without separation of the management and control decisions. Family members have many different dimensions of exchange with one another, which provides advantages in terms of monitoring and disciplining related decision agents (Gephart Jr, 1978). This is an important consideration to take into account. Because of the relationships, it is possible to transfer ownership from an incumbent to a successor without preventing the former from having any involvement with the company under any circumstances.

It was emphasised by Dyck et al. (2002) that the concept of succession could be better understood if the analogy of relay racing is considered, with certain attention being paid to the sequence, timing, technique for passing the baton, and communication are all necessary components for success. In order to facilitate successful succession planning, it is necessary to investigate the four most important aspects of running a successful relay race: sequence, timing, baton-passing technique, and communication. This is done in order to create a picturesque view and develop insights regarding the relationship between relay racing and succession. In order to successfully pass the baton, one must exercise extreme caution; otherwise, the move may result in a decline in performance or even a complete failure of the organisation (Fama and Jensen, 1983). In order to determine whether or not even the most talented team will be successful, the sequencing, ordering, and timing of events are extremely important. Handler (Vancil, 1987; Ward, 1987), who places this within the context of the management paradigm, argues that it is observable that the leadership baton is less likely to be lost if the principals take the care and time necessary to effect transfer, and communicate this to the participants in the process.

Within a family business, communication is the most important factor in ensuring the flow of information, understanding, and cohesiveness (Barnes and Hershon, 1994). Due to the nature of the relay race, it is necessary for teams to contain not only at the point of exchange, only those who are not only quick runners but also good communicators to ensure timely verbal prompting. Dentchev and Heene (2004) explain that it is essential for there to be effective communication between the incumbent and the successor in a business setting. This is required in order to avoid any syndrome that may arise, such as a lack of trust, poor communication, conflict over strategy and process, or a lack of a shared vision for the organisation, all of which have the potential to make succession a difficult process. The tenets of the theory of planned behaviour indicate that all of these require conscious efforts on the part of incumbents, successors, and other stakeholders throughout the entire process. The utilised the theory of planned behaviour in order to hypothesise the influence of the incumbent's desire to keep the business in the family, according to the theory of planned behaviour. When it comes to the extent to which family businesses engage in succession planning activities, the family's commitment to the business and the likelihood of a trusted successor taking over are two factors that take into consideration. There is additional research (Ajzen, 1987) that emphasises the

significance of self-efficacy and feasibility in the context of planned behaviour. For the sake of necessity, Ajzen (1987) argued that the components of succession planning should include selecting and training the successor, developing a post-succession business strategy, defining the post-succession role for the outgoing incumbent, and communicating the succession decision to key stakeholders. These are the components that should be included in succession planning.

In a broad sense, a study defines stakeholders as individuals and groups that contribute to the wealth-creating potential of the company and are the potential of the company. Beneficiaries and/or individuals who, either voluntarily or involuntarily, experience risk as a result of the activities of a company. As stated in OECD publications, stakeholders are comprised of shareholders, holders of options issued by the company, and holders of debt. All of these individuals are considered to be stakeholders. Regulatory authorities, inter-organizational alliance partners, customers, and suppliers are all considered to be stakeholders, as stated by Castelo Branco and Lima Rodrigues (2007). Additionally, the local communities of employees and the environment are also considered to be stakeholders. On the other hand, a study stated that it is not appropriate to interpret stakeholder theory as arguing for treating all stakeholders equally without taking into account differences in interest. contribute to the organisation in some way. In a similar vein, Lucky et al. (2011) argued that the concept of stakeholder management does not imply that executives are required to give equal attention to all categories of stakeholders. In this scenario, attention and obligation can be different for each attribute that operates on a continuum or series of continuums, in contrast to the situation in which a binary, "present" or "absent" term is required. On the other hand, stakeholders, regardless of the amount of contribution or stake they have in the company, need to be given attention; however, the succession route needs to be charted in accordance with the policy or appropriateness that dictates it.

According to a researcher, succession planning is not an ad hoc, one-time activity but rather a pre-meditated process that spans a period of time. This is something that can be inferred from the postulations that have been presented above. When it is pre-planned and carefully implemented, taking into account, the dynamics of both family and business, there is the likelihood that the succession process will be successful and effective. According to Churchill and Lewis (1983), the process of developing a post-succession strategic plan for the company and defining the post-succession role of the departing incumbent with the intention of improving communication within the family business should be followed. In turn, this will play a significant role in ensuring that the succession process is successful. When it comes down to it, a smooth and satisfactory succession can be improved upon if the process of succession seeks input from family stakeholders and cultivates a sense of ownership. A researcher argued that there are three major succession patterns that are comprised of conservative, wavering, and rebellious successions. These succession patterns are influenced by factors such as strategy, organisation, government, and culture. In addition, a study investigated the implications for the succession of family-owned businesses and presented an integrative model of the outcomes of succession from the perspectives of multiple stakeholders. In the framework, it was indicated that the individual, the organisation, the family, and the environment are all factors that have an effect on the succession process. This is due to the fact that these factors form a system, in which each factor affects and is affected by the others. According to Krueger and Carsrud (1993), the selection of a successor may be influenced more by the expectations of the family than by the capabilities of the

individual who is selected to take over. As Krueger and Carsrud (1993) continued, it is prudent to exercise pragmatism in the decisions regarding succession, despite the fact that family values cannot be minimised. This is because such decisions have an impact on the survival, growth, and continuity of the company, which the family may rely on for a significant portion of its livelihood.

Many businesses become dependent on a dominant personality; founders despise giving up control, and some fear that they will have less power when direct participation is allowed for others, as stated by a researcher. As a result, selecting a successor is a task that is considered to be rather challenging. A study stated that there is a fear of losing control, losing their firms, or seeing them diminish or fail when someone else manages it. In addition, there is a fear of the potential eruption of family quarrels that could damage the existence of the firm when the founder leaves the company or passes away. With the help of an early succession plan, it is possible to avoid these issues and ensure the continuity of the company, according to a common deterrent factor that has been discovered in both theoretical and empirical research (Sharma and Starik, 2003). As stated by Bird et al. (2002), family businesses have been the source of strength and power ever since the beginning of economic history. They are effective engines of growth in terms of job creation and tax collection, in addition to the roles that they play in the economic development of nations. Because the public sector is frequently accused of being inefficient, the private sector is currently regarded as a growth engine in Tamil Nadu. This is in contrast to the public sector, which is frequently accused of being inefficient. Consequently, it is believed that a more robust private sector would make the efforts of the government more effective and would speed up the efforts of the nation to develop. With a remarkable rate of expansion, small and medium-sized businesses (SMEs), particularly family-owned enterprises, are exerting a significant influence on the economy of the entire world. Several family businesses are considered to be micro enterprises, as stated by Sharma and Starik (2003). These businesses can range from "mom and pop" stores or micro firms that are run by the parents to firms that have as many as 500 employees and have experienced tremendous growth to become large corporations and mega firms over the course of time. Regardless of their growth and success, family businesses are confronted with a multitude of challenges that are specific to them. These challenges include the selection of a successor, the establishment of criteria for succession, the establishment of the decision-making process for the participation of family members, the delineation of the firm's growth strategies, and the coordination of investment policies.

It is impossible to avoid continuity considerations when discussing succession in a business setting if one wishes to achieve success. On the other hand, a significant number of business researchers concentrate on succession but ignore the impact that it has on business continuity. In the event that the entity does not live up to the expectations of stakeholders, succession is, however, irrelevant simply for the sake of having it. There have been a lot of studies done on the topic of succession in family businesses, and Family Business Magazine (2002) found that business failures are a common occurrence. As the issue of succession and how it affects the continuity of family businesses had not yet been addressed, Family Business Magazine (2002) proposed that the failures occurred as a result of this. They came to the conclusion that the founder, the successor, and the environment will all have an impact on the continuity of the family business, and that true succession will act as a mediator between the relationship between the company's founder, the successor, and the

environment on the one hand, and family business continuity on the other. They proposed a conceptual framework on succession in relation to family business continuity. Our research is based on the conceptual model developed by Family Business Magazine (2002), which served as the basis for our conceptual framework. Based on the model, it is suggested that the founder, successor, and environment will all have an impact on the continuity of the family business. Furthermore, the model suggests that true succession will act as a mediator between the relationship between the founder, successor, and environment on the one hand, and family business continuity on the other. Despite the fact that our conceptual framework is in agreement with the model proposed by Family Business Magazine (2002), we consider the effect of the succession process to be of equal importance to succession and firm continuity as a key distinguishing feature. There are a number of factors that must be taken into account in order for a succession to be successful in a family business that intends to continue rather than liquidate. These factors include the willingness of the founder to step aside, the personal interest of the successor, and the competence and experience of the successor.

For the purpose of achieving a successful succession that ultimately results in continuity, we present the modified framework and explain how the various components are related to one another. An indication that there is a need for succession is when the founder or owner of the company is willing to step down in favour of a successor who come from either within or outside the family. Indicators of a potential succession include the personal interest of the successor, as well as his competence or experience, which makes it easier for him to take over. In order to achieve successful succession that results in continuity, the environment, which includes both internal and external elements, as well as the founder and the successor through the succession process, will be present. In the first scenario, the founder exerts his authority over the potential successor by exerting his influence and initiating decisions regarding the succession process from the beginning. As a result of the founder's preference for a particular potential successor, a study argues that this constitutes conservatism in the approach. This is because the founder's preference implies that the successor would follow the founder's method and approach of managing the family business. When there are multiple potential successors within the family who are equally competent, such coercion is not only inappropriate but also kills innovation and originality. It also has the potential to cause unrest throughout the entire family. This is the scenario that is presented in Case 2, in which the successor initiates the succession process by exerting pressure on the founder to hand over power, authority, responsibility, and control of the business to a new leadership. There is a possibility that this potential successor will be characterised as questionable or defiant. The third scenario, on the other hand, is one in which both the founder and the successor are in agreement regarding the necessity of the founder stepping aside and the successor coming on board to steer the things of the business. The process of succession will result in a successful succession if it is carried out in conjunction with the appropriate environment.

As a result of this mutual interest, there is a consensus and a discussion regarding the manner in which the founder transfers the ability to lead and manage the business to the successor. "The" Through the process of succession, which includes communication and consultation as well as training and mentoring, the founder, successor, and environment will be able to achieve successful succession, which will ultimately result in the continuity of the family-owned business. Business continuity is depicted by the firm's

growth, which is measured by the increase in size of the company as well as the ability to develop and implement strategic plans (Figure 1). Stakeholder satisfaction with the succession process and choice of the successor is an indication of successful succession.

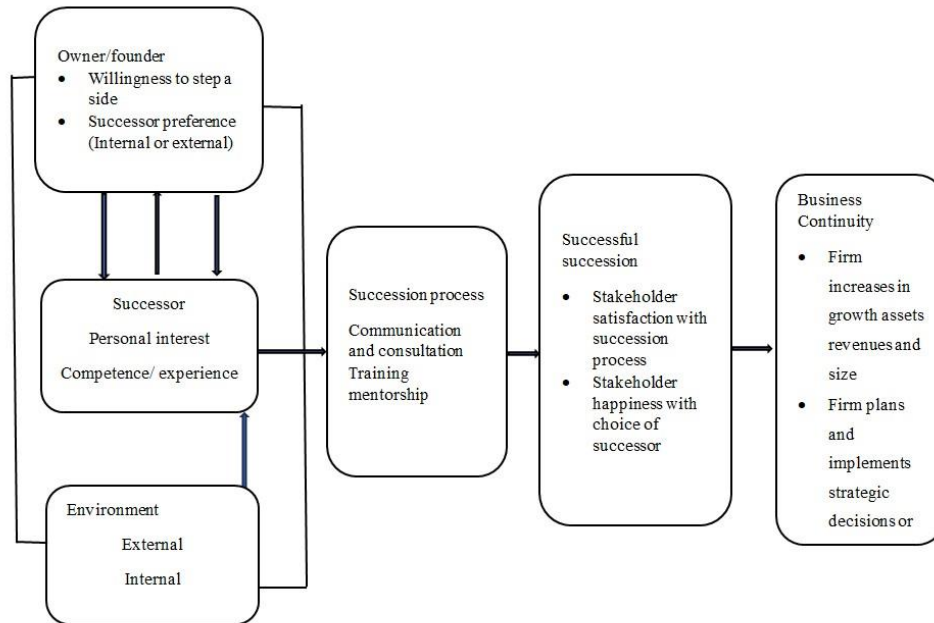


Figure 1. Business continuity and succession planning based on the concept of FOB.

Materials and Methods

Small and medium-sized businesses, the majority of which are owned and/or managed by members of the same family, make up the majority of the municipality of Chennai. To investigate the factors that have an impact on succession planning, we decided to use an exploratory research design. Based on the conventional confidence level of 95 percent, with a margin of error of five percent (Babbie, 2007) and a targeted population of 440 (N=440) supplied by the National Board for Small Scale Industries, the sample size was computed as two hundred and five (S=205). It was decided to conduct an exploratory study because there is no known study on the subject that has been conducted in the Municipality. As a result, there is very little information available regarding the current situation and how in the past similar issues have been investigated. Extensive preliminary work was done in light of this phenomenon in order to become familiar with the situation and to gain an understanding of what is taking place prior to the development of a model in order to establish a rigorous design for the purpose of conducting an exhaustive investigation. There is a fundamental interdependence between family, management, and ownership subsystems, which was discovered through preliminary research. Family businesses in the municipality have a significant amount of family influence. Either these subsystems collaborate closely with one another to foster the expansion of the company, or they compete with one another in order to bring about the demise of the company. There is also a diversity of family businesses in the area under investigation. In terms of whether they are more inclined to prioritise their family or their business, they have different perspectives on the matter. In light of this, some FOBs place a higher value on the relationships within their

families, while others place a higher value on revenue. With insufficient attention paid to succession planning, they are owned and managed by the generations that founded the company.

A sampling fraction of 2.15, which was rounded up to 3, was used to select the owner-managers or managers of these family-owned businesses. The selection process was carried out using the algorithm of systematic random sampling. The first sample unit was then chosen at random from among the numbers 1 and 3, and from there, every third unit in the frame was chosen in order to obtain the sample that was desired. Quantitative data were primarily gathered from primary sources and collected in their entirety. An interview schedule was utilised in order to collect the primary data from our respondents. We considered the emotional and financial implications of the incumbent on the factors that influence succession planning by owners and therefore selected and analysed factors such as necessity for a date for transfer of responsibilities, the post-succession role of the departing incumbent, retirement sustenance package and communication of the succession decision to stake holders. On a scale of one to five, with one indicating a little bit of agreement and five indicating a lot of agreement, the responses were recorded. This was followed by an analysis using descriptive statistics tools that were available in SPSS. An accuracy coefficient of 0.906 was obtained from the data that was collected. Spearman rank order bivariate correlation and cross tabulation-also known as Chi-square were utilised in the analysis of the data. A further examination of gender and succession options was carried out by disaggregating the data into male only and female only categories, respectively. In order to elicit responses, the following items were used as examples: (1) an essential component of a succession plan is the establishment of a date by which the successor will take over responsibility for day-to-day operations; (2) there needs to be a formal plan on roles and responsibilities included in the post-succession role of the incumbent; (3) the incumbent's post-succession role should include an unwritten understanding of the roles and responsibilities that are at their disposal; (4) the incumbent's post-succession role ought to include a retirement support package for the incumbent; (5) communication with members of the family ought to take place during the process of disseminating the decision regarding the succession; (6) during the process of disseminating the decision regarding succession, effective communication with key employees is required; and (7) as part of the process of disseminating the decision regarding succession, communication with other stakeholders should take place.

Results and Discussion

It was determined that gender, age, level of education, and the number of employees were among the various background characteristics that were investigated. The total number of males was 67.8 percent, and there were 32.2% females with a female population. Most of the current owners in the area under study have completed at least some level of formal education, which accounts for 99 percent of the total. Regarding the total respondents, approximately 28 percent have completed their education at a college level, 27.7 percent have completed their education at a Senior High School (SHS) or technical school, and one percent have not completed any formal education. As a result of the fact that the majority of the businesses in the municipality were founded and are currently being managed by their current owners, there has been no experience with dealing with succession. An illustration of the relationship that

managers have with the company can be found in *Table 1*. Six percent of the respondents were hired managers, while approximately seventy-six percent of the respondents claimed to be the owners or founders of their respective businesses. As a result, the founders of the businesses owned and managed the majority of the companies. In line with the perspectives of agency cost theorists (Gephart Jr, 1978), who advocate for family successions and argue in favour of family ownership because they believe it is an effective way to reduce agency problems, this is consistent with their views.

Table 1. Relationship with the business.

Relationship	Frequency	Percentage
Founder or owner	154	75.6
Hired manager	14	6.7
Owner or spouse of founder	13	6.2
Sounder or owner of daughter/Son	11	5.5
Other family relation	13	6.3
Total	205	100

The influence of certain factors on succession planning

The responses to the founder, the successor, the succession process, and the environment on the effectiveness of succession and firm continuity, necessity, and the necessity of succession the post-succession role of the departing incumbent, retirement salary and benefits, and communication of the succession decision to stakeholders were all captured on a 5-point scale, with 1 indicating weak agreement and 5 indicating strong agreement. The date for the transfer of responsibilities was also captured on this scale. In terms of the components that make up a succession plan, the first thing that was investigated was the necessity of stating a date in the succession plan for the transfer of responsibility. With a mean score of 4.05 and a skewness value of -1.211, the respondents indicated that they strongly agreed with the statement that it is necessary to always state a date for the founder to formally hand over responsibility for the day-to-day activity of the business to the successor. The median response number was five. With regard to the necessity of the founder stating a date for his or her planned retirement, the median response (5) indicates that there was a strong agreement among the respondents that the planned retirement date should be stated in the succession plan (mean=3.91 and skewness=-0.878). This is an indication that the founder should be required to state a date for his or her planned retirement. Similar to the previous point, there was widespread consensus that the succession plan ought to include a post-succession sustenance package. It can be deduced from the fact that the median response was five (the mean was 4.40 and the skewness was -1.84), that the respondents strongly agreed with the necessity of having a post-retirement reliance sustenance package of the retiring CEO.

The results are in agreement with the assertions made by Fama and Jensen (1983), who use the relay race as an analogy for the succession process and describe the succession process as consisting of sequence, timing, technique, and communication. The results are consistent with these assertions. Furthermore, it lends credence to the propositions put forth by Fama and Jensen (1983), which state that succession planning is a multi-step process that takes place over an extended period of time and that each activity ought to be evaluated independently of the others. It was also mentioned by

Sharma and Starik (2003) that it is necessary to determine a role for the CEO who is retiring. Because of this, the findings are in agreement with the suggestion that the process of succession planning is comprised of distinct components. These components include the selection and training of a successor, the development of a vision or strategic plan for the company after the succession, the definition of the role of the departing incumbent, and the communication of the decision to key stakeholders. Research was also conducted to investigate the connection between education and succession planning. It has been determined through the findings that there exists a noteworthy correlation ($\chi^2=30.833$, d.f.=10 and $p=0.001$) between the decision to plan for succession and the level of education possessed by the owner or founder of the business. Succession plans that are written are preferred by owners or founders who have received an education from a polytechnic, college, or university (*Table 2*). On the basis of this, it can be deduced that individuals with higher levels of education are more likely to have a better comprehension of the significance of planning for the necessity of preparing for the transfer of their businesses in comparison to individuals with lower levels of education. On the other hand, individuals who had completed middle school or junior high school were the ones who favoured unwritten succession plans. On the other hand, individuals who did not have any kinds of succession plans typically had completed primary school and/or senior high school. It can be deduced from this that the likelihood of there being no succession planning increases in proportion to the levels of education that are lower.

Table 2. Level of education and succession plans.

Category	Educational background of current manager and owner			Total
	Comprehensive written succession plan	There is no written succession plan	None	
None	0	1	1	2
Primary	0	3	6	9
JHS	8	18	10	36
SHS/Tech Sch.	23	16	18	57
College/Poly.	34	18	6	58
University	23	11	9	43
Total	88	67	50	205

Communication is yet another factor that plays a role in the process of succession planning and the completion of a successful transfer in business. As is the case with every form of decision-making, as shown in the conceptual framework, communication with all of the organisations that have a stake in the succession decision is extremely important for its success. For each of the 205 individuals who participated in the survey, the analysis for this variable was conducted with regard to the various stakeholders included within the family business. Seventy-three-point seven percent of owners or founders were found to be in complete agreement with the notion that the decision regarding the succession should be communicated to members of the family. Additionally, 71.2 percent of respondents strongly agreed that there should be communication with key employees, and 56.1% of respondents indicated that they was very strongly in agreement that there should be communication of the succession decision to other stakeholders. This finding is in line with the findings of Dentchev and Heene (2004) as well as Barnes and Hershon (1994), which state that communication is the vital component in the family business that ensures the flow of information, comprehension, and cohesiveness. When it comes to business, it is essential to have effective communication between the incumbent and the successor in order to avoid mistrust, insufficient communication, conflict over strategy and process, and to ensure

that both parties share a vision for the organisation. This is necessary in order to ensure that the succession process is implemented successfully.

A Spearman rank order bivariate correlation was utilised in order to investigate the connection between the founder's desire for communication and the desire for successful succession. There were significant relationships between all of the variables, as demonstrated by the findings (*Table 3*). In terms of the desirability of founders for succession and the communication of the succession decision to family members, there was a significant positive relationship ($r=0.240$, $p=0.001$, $N=205$) at the 0.01 alpha level (2-tailed). This was indicated by the fact that there was a significant positive correlation. *Table 3* reveals that there were also significant correlations between the other variables. According to Sharma and Starik (2003), the findings are in agreement with their conclusion, which states that the decision regarding the succession should be communicated to the key stakeholders. It also reflects the conceptual framework of the study, which was adapted from the model of Family Business Magazine (2002). This framework states that there will be successful succession and business continuity if stakeholders are satisfied with the process of succession planning. This satisfaction will be achieved through communication and consultation during the process. The necessity of communicating the decision regarding the succession to members of the family, key employees, and other stakeholders further investigated in relation to the gender of the participants. According to the findings, there is no statistically significant relationship ($\chi^2=5.753$, $d.f.=4$, $p=0.218$ between the variables). Consequently, both males and females the majority of respondents are of the opinion that the decision regarding the succession should be presented to members of the family. The results of the communication to key employees also revealed that there was no significant difference between the sexes of the respondents (the sample size was 37.161, the degree of freedom was four, and the p-value was 0.128).

Table 3. Correlation coefficient of explanatory variables.

Variables	Spearman	Desire for succession	Communication to family member	Communication to key employees	Comm to other stakeholders
Desire for succession	Coeffefficient	1.00	0.240**	0.328*	0.472**
	Significant	-	0.001	0.000	0.000
Communication to family members	Coefficient	0.240**	1.00	0.512**	0.475***
	Significant	0.001	-	0.000	0.000
Communication to key employees	Coefficient	0.328**	0.512**	1.00	0.686**
	Significant	0.000	0.000	-	0.000
Communication to other stakeholders	Coefficient	0.472	0.475**	0.686**	1.00
	Significant	0.000	0.000	0.000	-

Notes: $\chi^2=9.271$; $d.f.=3$; $p=0.026$.

A significant relationship with gender was found to exist when the decision was communicated to other stakeholders, as indicated by the statistical analysis ($\chi^2=18.321$, $d.f.=4$ and $p=0.001$). It was noticed that it was found that 66.1% of male respondents strongly agreed that the decision regarding the succession should be communicated to other stakeholders, whereas only 33.9% of female respondents supported this viewpoint. That there were differences in opinion between males and females regarding the communication of the succession decision to other stakeholders is what this means. According to Chrisman (1999), the findings of this study are in agreement with their viewpoints, which state that the impacts of the various stakeholders are not equal because they do not carry the same weight and stakes, and risks may vary in significant proportions. In light of this, when it comes to matters concerning succession in family

businesses, the various stakeholders may exert influence in the decision-making process according to the relative interest, stake, and contribution that they have to the company. For the purpose of conducting a more in-depth investigation into the factors that have an impact on succession planning and business continuity, a cross-tabulation was carried out to investigate the significance of the relationship between the gender of the individuals who responded, as well as the succession opportunities that were available to the founders or owners of family businesses.

As can be seen in *Table 4*, the findings indicated that there is a statistically significant connection between gender and succession options. Seventy-five percent of males, as opposed to twenty-nine and a half percent of females, expressed a preference for the appointment of a member of their own family. Second, 68.8 percent of the male respondents indicated that they favour the appointment of a caretaker manager, whereas only 30.2% of the female respondents preferred the appointment of a caretaker manager because they felt it was more appropriate. On the other hand, with regard to the appointment of a professional manager, 88.3 percent of females were in favour of the suggestion. Taking into consideration the information presented above, it is clear that there were notable distinctions between males and females in terms of the succession options available to them. However, when the data were broken down into their component parts, exclusively female respondents were chosen for the study. A cross-tabulation was performed on their responses, which included the types of succession options that respondents preferred. The findings indicate that when only the female category was taken into consideration, the option that was most preferred by the majority of respondents (59.1%) was the appointment of a family member, while the option that was least preferred by the majority of respondents (3%), was the liquidation of the business (*Table 5*).

Table 4. Gender and succession options.

Category		Family member	Caretaker manager	Professional manager	Liquidate	Total
Male	Count	93	44	1	1	139
	% within gender	66.9%	31.7%	0.7%	0.7%	100.0%
	% within succession options	70.5%	68.8%	16.8%	16.7%	67.8%
	% of total	45.4%	21.5%	0.5%	0.5%	67.8%
Female	Count	39	20	5	2	66
	% within gender	59.1%	30.3%	7.6%	3.0%	100.0%
	% within succession options	29.5%	31.3%	83.3%	66.7%	32.2%
	% of total	19.0%	9.8%	2.4%	1.0%	32.2%
Total	Count	132	64	6	3	205
	% within gender	64.4%	31.2%	2.9%	1.5%	100.0%
	% within succession options	100.0%	100.0%	100%	100.0%	100.0%
	% of total	64.4%	31.2%	2.9%	1.5%	100.0%

Table 5. Gender (female only) and succession options.

Category	Family member	Caretaker manager	Professional manager	Liquidate	Total
Female (Count)	39	20	5	2	66
% within succession options	100.0%	100.0%	100.0%	100.0%	100.0%
% of total	59.1%	30.3%	7.6%	3.0%	100.0%
Total (Count)	39	20	5	2	66
% within gender	59.1%	30.3%	7.6%	-	-
% within succession options	100.0%	100.0%	100.0%	100.0%	100.0%
% of total	59.1%	3%	7.6%	3.0%	100.0

Conclusion

One can draw the conclusion that in comparison to their counterparts with lower levels of education, business owners with higher levels of education are more likely to document their succession plans. The owners of the company are also aware of the necessity of establishing a date for the transfer of responsibility and communicating that date to members of the family. However, male owners were more likely to communicate such decisions to other key stakeholders, whereas female owners were less likely to do so. This was the case in both companies. When it comes to the appointment of care taker managers, female owners are more likely to prefer the appointment of professional managers, whereas male owners would rather appoint members of their own family. According to the findings, education is an essential component for succession planning and maintaining the continuity of family-owned businesses. As a result, it is the responsibility of the training and support agencies within the municipality to encourage business owners to further their personal education. The fact that female owners would prefer to appoint professional managers over family members, but would not want to communicate the succession decision to other stakeholders, demonstrates that there are different levels of trust. On the other hand, male owners would inform other stakeholders of the decision, but they would appoint family members to care for the business. At first glance, it would appear that the females have a limited level of trust in the members of their family who are responsible for providing care, as well as in other stakeholders. It is imperative that the support and other agencies pay immediate attention to these limitations because they pose a threat to the continuity of business operations for businesses that are owned and operated by women. In order to improve the survivability of female-owned businesses, it is necessary for them to incorporate trust building as a component of their training and support systems. This is because it contains implications for lowering the levels of poverty.

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Conflict of interest

The authors confirm that there is no conflict of interest involve with any parties in this research study.

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